VILLAGE OF FLETCHER MIAMI COUNTY, OHIO

AUDIT REPORT

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016





Village Council Village of Fletcher 71 N Walnut St Fletcher, OH 45326

We have reviewed the *Independent Auditor's Report* of the Village of Fletcher, Miami County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2016 through December 31, 2017. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them. In conjunction with the work performed by the Independent Public Accountant, the Auditor of State is issuing the following:

On June 25, 2016, Village of Fletcher issued check number 16620, in the amount of \$22,800.65, to Fifth Third Bank, in payment of contract #070-0133794-018. Included within this amount was a late charge assessed against the Village totaling \$1,085.75.

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951), provides that expenditures made by a governmental unit should serve a public purpose. Typically the determination of what constitutes "proper public purpose" rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only.

Auditor of State Bulletin 2003-005 Expenditure of Public Funds/Proper "Public Purpose" states in part the Auditor of State's Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect.

The payment of late fees is not a proper public purpose.

Village Council Village of Fletcher Page #2

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure was made is strictly liable for the amount of the expenditure. *Seward v. National Surety Corp.*, 120 Ohio St. 47 (1929); 1980 Op. Att'y Gen. No. 80-074; Ohio Rev. Code § 9.39; *State ex rel. Village of Linndale v. Masten*, 18 Ohio St.3d 228 (1985). Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Fiscal Officer Julie Vaughan, and her bonding company, CNA Surety, in the amount of \$1,085, and in favor of the Village's water operating fund.

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

Keith Faber Auditor of State

Keeth John

March 7, 2019

VILLAGE OF FLETCHER MIAMI COUNTY, OHIO Audit Report For the Years Ended December 31, 2017 and 2016

TABLE OF CONTENTS

<u>Title</u>	<u>Page</u>
Independent Auditor's Report	1-2
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) – All Governmental Fund Types - For the Year Ended December 31, 2017	3
Statement of Cash Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) – Proprietary Fund Type – For the Year Ended December 31, 2017	4
Notes to the Financial Statements – For the Year Ended December 31, 2017	5-11
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) – All Governmental Fund Types - For the Year Ended December 31, 2016	12
Statement of Cash Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) - Proprietary Fund Type – For the Year Ended December 31, 2016	13
Notes to the Financial Statements – For the Year Ended December 31, 2016	14-20
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	21-22
Schedule of Audit Findings	23-24



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INDEPENDENT AUDITOR'S REPORT

Village of Fletcher Miami County 71 N. Walnut Street Fletcher, Ohio 45326

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 Fletcher, Miami County, (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 the preparation and fair presentation of 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 includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers 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 for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating of the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Village of Fletcher Miami County Independent Auditor's Report Page 2

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 determined, we presume they are material.

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

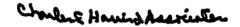
In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United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

Opinion on Regulatory Basis of Accounting

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2018, on our consideration of the Village's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of the Village's 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.



Charles E. Harris & Associates, Inc. September 20, 2018

VILLAGE OF FLETCHER, OHIO MIAMI COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)

ALL GOVERNMENTAL FUND TYPES

For the Year Ended December 31, 2017

		Special	Totals (Memorandum
	General	Revenue	Only)
Cash Receipts			
Property and Other Local Taxes	\$3,367	\$21,738	\$25,105
Intergovernmental	21,134	24,904	46,038
Special Assessments	-	10,626	10,626
Fines, Licenses and Permits	75	-	75
Earnings on Investments	427	122	549
Miscellaneous	160	<u>-</u>	160
Total Cash Receipts	25,163	57,390	82,553
Cash Disbursements			
Current:			
Security of Persons and Property	400	34,174	34,574
Leisure Time Activities	1,915	-	1,915
Transportation	10,285	8,495	18,780
General Government	20,138	2,591	22,729
Debt Service:			
Principal Retirement	328	-	328
Total Cash Disbursements	33,066	45,260	78,326
Excess of Receipts Over (Under) Disbursements	(7,903)	12,130	4,227
Fund Cash Balances, January 1, 2017	17,749	74,901	92,650
Fund Cash Balances, December 31, 2017			
Restricted	-	87,031	87,031
Assigned	6,303	-	6,303
Unassigned	3,543		3,543
Fund Cash Balances, December 31, 2017	\$9,846	\$87,031	\$96,877

See Accompanying Notes to the Financial Statements.

VILLAGE OF FLETCHER MIAMI COUNTY, OHIO

STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)

PROPRIETARY FUND TYPE

For the Year Ended December 31, 2017

	Enterprise
Operating Receipts:	
Charges for Services \$	80,793
Total Operating Receipts	80,793
Operating Disbursements:	
Personal Services	21,444
Employee Fringe Benefits	3,731
Contractual Services	29,225
Supplies and Materials	265
Other	943
Total Operating Disbursements	55,608
Operating Income	25,185
Non-Operating Receipts/(Disbursements): Debt Service:	
Principal Retirement	(18,000)
Interest and Fiscal Charges	(3,229)
Total Nonoperating Receipts/(Disbursements)	(21,229)
Net Change in Fund Cash Balances	3,956
Fund Cash Balance, January 1, 2017	19,373
Fund Cash Balance, December 31, 2017	\$ 23,329

See Accompanying Notes to the Financial Statements.

Miami County Notes to the Financial Statements For the Year Ended December 31, 2017

Note 1 - Reporting Entity

The Village of Fletcher (the Village), Miami 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 general governmental services, water utilities and park operations. The Village contracts with the JSP Joint Fire District for emergency services protection and the Fletcher Volunteer Firemen's Association, Inc. for fire protection.

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 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 State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

State Highway Fund This fund receives gasoline and motor vehicle taxes for use in constructing, maintaining and repairing state highways within the Village.

Street Lighting Fund This fund receives proceeds of special assessments from Village property owners to provide street lighting.

Fire Fund This fund receives tax levy monies for providing fire services.

Ambulance Fund This fund receives tax levy monies for providing emergency medical services.

Ambulance 1 Mil Fund This fund receives tax levy monies for providing emergency medical services.

Miami County Notes to the Financial Statements For the Year Ended December 31, 2017

Note 2 - Summary of Significant Accounting Policies - Continued

Special Revenue Funds - Continued

Fire 1 Mil Fund This fund receives tax levy monies for providing fire services.

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:

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

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 Council recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

Budgetary Process

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

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

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. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2017 budgetary activity appears in Note 3.

Miami County Notes to the Financial Statements For the Year Ended December 31, 2017

Note 2 - Summary of Significant Accounting Policies - Continued

Deposits and Investments

The Village has an interest-bearing checking account and savings account which are valued at cost. The Village does not have investments.

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.

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 (ordinance or resolution). The Village must adhere to these commitments unless the Council amends the ordinance or 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. Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated receipts and appropriations in the subsequent year's appropriated budget in the General Fund.

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.

Miami 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:

	Budgeted	Actual	
Fund Type	Receipts	Receipts	Variance
General	\$35,429	\$25,163	(\$10,266)
Special Revenue	56,305	57,390	1,085
Enterprise	114,500	80,793	(33,707)

	Appropriation	Budgetary	
Fund Type	Authority	Disbursements	Variance
General	\$49,314	\$33,456	\$15,858
Special Revenue	126,741	45,339	81,402
Enterprise	109,373	76,837	32,536

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	\$120,206

Deposits

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

Note 5 – Property Tax

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

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

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

Miami County Notes to the Financial Statements For the Year Ended December 31, 2017

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 per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

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 (latest information available).

<u>2016</u>

Assets \$14,765,712 Liabilities (9,531,506) Members' Equity \$ 5,234,206

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

Miami 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

Several 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. OPERS contributes 1 percent of the employer contribution to fund these benefits.

Note 9 – Debt

Debt outstanding at December 31, 2017 was as follows:

	Principal	Interest Rate
General Oligation Bonds	\$90,000	3.65%
Ohio EPA Emergency Loan	24,500	0.00%
Ohio Public Works Commission (OPWC)	9,197	0.00%
Total	\$123,697	

In 2012, the Village issued bonds in the sum of \$180,000 for a renovation project at the water treatment plant for needed improvements. The bonds were sold to Fifth Third Bank at an interest rate of 2.9%. The bond is being repaid in annual installments of \$18,000, plus interest, beginning on June 1 of 2013 and ending on December 1, 2022.

In 2015, the Village received a drinking water protection fund emergency loan from the Ohio EPA for \$24,500. The loan relates to costs incurred to replace 320 feet of waterline. The loan is interest free and repayment was to be made 12 months after issuance; however, no payments were made in 2016 or 2017.

Miami County Notes to the Financial Statements For the Year Ended December 31, 2017

Note 9 – Debt - Continued

The OPWC loan relates to a Main Street Reconstruction project. The original loan amount was \$9,854 with semiannual installments of \$164 over 30 years.

Amortization

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

	General		
Year	Obligation	Ohio	OPWC
Ended	Bonds	EPA	#CK06P
2018	\$20,646	\$ 24,500	\$ 328
2019	20,117	-	328
2020	19,592	-	328
2021	19,059	-	328
2022	18,529	-	328
2023-2027	-	-	1,640
2028-2032	-	-	1,640
2033-2037	-	-	1,640
2038-2042	-	-	1,640
2043-2045		-	997
Total	\$97,943	\$24,500	\$9,197

Note 10 – Contingent Liabilities/Subsequent Events

Management believes there are no pending claims or lawsuits.

VILLAGE OF FLETCHER, OHIO MIAMI 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	\$3,217	\$21,530	\$24,747
Intergovernmental	21,071	23,108	44,179
Special Assessments	-	10,383	10,383
Earnings on Investments	278	80	358
Miscellaneous	16,244		16,244
Total Cash Receipts	40,810	55,101	95,911
Cash Disbursements			
Current:			
Security of Persons and Property	427	40,599	41,026
Leisure Time Activities	1,683	-	1,683
Transportation	5,313	11,516	16,829
General Government	25,129	783	25,912
Debt Service:	•••		***
Principal Retirement	328		328
Total Cash Disbursements	32,880	52,898	85,778
Excess of Receipts Over (Under) Disbursements	7,930	2,203	10,133
Fund Cash Balances, January 1, 2016	9,819	72,698	82,517
Fund Cash Balances, December 31 2016			
Restricted	-	74,901	74,901
Assigned	14,275	-	14,275
Unassigned	3,474		3,474
Fund Cash Balances, December 31, 2016	\$17,749	\$74,901	\$92,650

See Accompanying Notes to the Financial Statements.

VILLAGE OF FLETCHER MIAMI COUNTY, OHIO

STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND FUND BALANCES (REGULATORY CASH BASIS)

PROPRIETARY FUND TYPE

For the Year Ended December 31, 2016

	Enterprise
Operating Receipts:	
Charges for Services	\$
Total Operating Receipts	71,499
Operating Disbursements:	
Personal Services	23,513
Employee Fringe Benefits	3,934
Contractual Services	21,604
Supplies and Materials	189
Other	871
Total Operating Disbursements	50,111
Operating Income	21,388
Non-Operating Receipts/(Disbursements):	
Miscellaneous Receipts	754
Debt Service:	
Principal Retirement	(18,000)
Interest and Fiscal Charges	(4,801)
Total Nonoperating Receipts/(Disbursements)	(22,047)
Net Change in Fund Cash Balances	(659)
Fund Cash Balance, January 1, 2016	20,032
Fund Cash Balance, December 31, 2016	\$19,373

See Accompanying Notes to the Financial Statements.

Miami County Notes to the Financial Statements For the Year Ended December 31, 2016

Note 1 - Reporting Entity

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Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

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Fund Accounting

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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 State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

State Highway Fund This fund receives gasoline and motor vehicle taxes for use in constructing, maintaining and repairing state highways within the Village.

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Fire Fund This fund receives tax levy monies for providing fire services.

Ambulance Fund This fund receives tax levy monies for providing emergency medical services.

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Miami County Notes to the Financial Statements For the Year Ended December 31, 2016

Note 2 - Summary of Significant Accounting Policies - Continued

Special Revenue Funds - Continued

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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:

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Basis of Accounting

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

Budgetary Process

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

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

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. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2016 budgetary activity appears in Note 3.

Miami County Notes to the Financial Statements For the Year Ended December 31, 2016

Note 2 - Summary of Significant Accounting Policies - Continued

Deposits and Investments

The Village has an interest-bearing checking account and savings account which are valued at cost. The Village does not have investments.

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.

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 (ordinance or resolution). The Village must adhere to these commitments unless the Council amends the ordinance or 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. Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated receipts and appropriations in the subsequent year's appropriated budget in the General Fund.

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.

Miami 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:

	Budgeted	Actual	
Fund Type	Receipts	Receipts	Variance
General	\$35,429	\$40,810	\$5,381
Special Revenue	56,223	55,101	(1,122)
Enterprise	114,500	72,253	(42,247)

	Appropriation	Budgetary	
Fund Type	Authority	Disbursements	Variance
General	\$40,580	\$32,880	\$7,700
Special Revenue	124,580	52,898	71,682
Enterprise	110,032	72,912	37,120

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:

	2010
Demand deposits	\$112,023

2016

Deposits

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

Note 5 – Property Tax

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

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

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

Miami County Notes to the Financial Statements For the Year Ended December 31, 2016

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 per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

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.

Assets \$14,765,712 Liabilities (9,531,506) Members' Equity \$5,234,206

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

Miami County Notes to the Financial Statements For the Year Ended December 31, 2016

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, 2016.

Social Security

Several 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. OPERS contributes 2 percent of the employer contribution to fund these benefits.

Note 9 – Debt

Debt outstanding at December 31, 2016 was as follows:

	Principal	Interest Rate
General Oligation Bonds	\$108,000	3.65%
Ohio EPA Emergency Loan	24,500	0.00%
Ohio Public Works Commission (OPWC)	9,526	0.00%
Total	\$142,026	

In 2012, the Village issued bonds in the sum of \$180,000 for a renovation project at the water treatment plant for needed improvements. The bonds were sold to Fifth Third Bank at an interest rate of 2.9%. The bond is being repaid in annual installments of \$18,00, plus interest, beginning on June 1 of 2013 and ending on December 1, 2022.

In 2015, the Village received a drinking water protection fund emergency loan from the Ohio EPA for \$24,500 for the costs incurred to replace 320 feet of waterline. The loan is interest free and repayment was to be made 12 months after issuance; however, no payments were made in 2016.

Miami County Notes to the Financial Statements For the Year Ended December 31, 2016

The OPWC loan relates to a Main Street Reconstruction project. The original loan amount was \$9,854 with semiannual installments of \$164 over 30 years.

Note 9 – Debt – Continued

Amortization

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

	General		
Year	Obligation	Ohio	OPWC
Ended	Bonds	EPA	#CK06P
2017	\$21,175	\$ 24,500	\$ 328
2018	20,646	-	328
2019	20,117	-	328
2020	19,592	-	328
2021	19,058	-	328
2022-2026	18,529	-	1,640
2027-2031	-	-	1,640
2032-2036	-	-	1,640
2037-2041	-	-	1,640
2042-2045		-	1.326
Total	\$119,117	\$24,500	\$9,526

Note 10 – Contingent Liabilities/Subsequent Events

Management believes there are no pending claims or lawsuits.

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Charles E. Harris & Associates, Inc

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Village of Fletcher Miami County 71 N. Walnut Street Fletcher, Ohio 45326

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the cash balances, receipts, and disbursements by fund type of the Village of Fletcher, Miami County, (the Village) as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, and have issued our report thereon dated September 20, 2018, wherein we noted that 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

In planning and performing our audit of the financial statements, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and corrected on a timely basis. 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 deficiencies in control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Audit Findings that we consider to be a material weakness. We consider finding 2017-001 to be a material weakness.

Village of Fletcher
Miami County
Independent Auditor's Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*Page 2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free from material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Audit Findings as items 2017-002 and 003.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated September 20, 2018.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Charles Having Assaciation

Charles E. Harris & Associates, Inc. September 20, 2018

VILLAGE OF FLETCHER MIAMI COUNTY

Schedule of Audit Findings December 31, 2017 and 2016

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

Finding Number 2017-001 - Material Weakness

Audit Adjustments and Reclassifications

During 2017 and 2016, errors were noted in the Village's financial statements that required audit adjustments and reclassifications, the most significant of which are as follows:

- In the General Fund, Unassigned fund balance of \$5,913 in 2017 and \$14,275 in 2016 was reclassified as Assigned fund balance as the result of subsequent year appropriations exceeding subsequent year budgeted receipts.
- Wages of \$4,692 in 2017 and \$6.761 in 2016 which were incorrectly recorded as fringe benefits and other expenses were reclassified to Personal services in the Water fund.
- Various General fund expenses of \$2,658 in 2017 and \$8,934 in 2016 which were mis-classified as Other Financing Uses were reclassified.
- Debt service payments of \$21,557 in 2017 and \$23,129 in 2016 which were classified as contractual or general government expenses were reclassified.
- A bridge repair of \$10,285 in 2017 was reclassified from leisure expense to transportation expense.

The accompanying financial statements and the Village's records have been adjusted to properly reflect these transactions.

Sound financial reporting is the responsibility of the Village and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. We recommend management use Governmental Accounting Standards Board Statement No. 54, Auditor of State Bulletin 2011-004, the Village Officer's Handbook, the Uniform Accounting Network Manual, and other Auditor of State guidance to aid in properly identifying account classifications and fund balance categories when preparing annual financial statements.

Management's Response:

We did not receive a management response.

VILLAGE OF FLETCHER MIAMI COUNTY

Schedule of Audit Findings - Continued December 31, 2017 and 2016

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

Finding Number 2017-002 - Non Compliance

In connection with our testing of debt and payroll, we noted the Village was not remitting payroll taxes on a timely basis. The Internal Revenue Code as well as various state and local laws require the timely remittance of withheld and employer payroll taxes. Contrary to these requirements, the Village's remittances were 6 to 9 months in arrears.

We recommend that the Village prepare and remit all required tax returns in a timely manner.

Management's Response:

We did not receive a management response.

Finding Number 2017-003 - Non Compliance

The Village obtained an emergency loan from the Ohio EPA in December 2015 to repair a waterline. The loan terms of the loan called for repayment in 12 months. However, the Village has not repaid the loan or made any loan payments and the EPA has not attempted any enforcement action. We further noted that the Village made late payments on other loans resulting in late fees exceeding \$1,000.

We recommend the Village contact the Ohio EPA and structure a repayment agreement and establish a procedure to ensure payments on all loans are made timely.

Management's Response:

We did not receive a management response.



VILLAGE OF FLETCHER

MIAMI 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.

CLERK OF THE BUREAU

Susan Babbitt

CERTIFIED MARCH 19, 2019