



Dave Yost • Auditor of State

VILLAGE OF MECHANICSBURG
CHAMPAIGN COUNTY

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ACCOUNTANT'S REPORT

Village of Mechanicsburg
Champaign County
18 North Main Street
Mechanicsburg, Ohio 43044

To the Village Council:

We have selectively tested certain accounts, financial records, files and reports of the Village of Mechanicsburg, Champaign County (the Village) as of and for the years ended December 31, 2014, 2013, and 2012 following Ohio Admin. Code §117-4-02.

There are reportable findings and conditions as a result of performing these procedures. Our reportable findings and conditions follow the financial presentation. Our engagement was not designed to result in expressing an opinion on the accompanying financial statements, and we express no opinion on them.

We intend this report solely for the information and use of management, the Village Council, and other officials authorized to receive this report under Section 117.26, Ohio Rev. Code and it is not intended to be and should not be used by anyone other than these specified parties.

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

Dave Yost
Auditor of State
Columbus, Ohio

December 4, 2015

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**VILLAGE OF MECHANICSBURG
CHAMPAIGN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:				
Property and Other Local Taxes	\$34,055	\$66,064		\$100,119
Municipal Income Tax	353,405			353,405
Intergovernmental	38,068	94,975		133,043
Charges for Services		319,522		319,522
Fines, Licenses and Permits	16,076	1,196		17,272
Gifts and Contributions		1,717		1,717
Interest	1,075	416	\$745	2,236
Miscellaneous	17,636	5,234		22,870
Total Cash Receipts	<u>460,315</u>	<u>489,124</u>	<u>745</u>	<u>950,184</u>
Cash Disbursements:				
Current:				
General Government	177,170			177,170
Security of Persons and Property	258,481	369,041		627,522
Basic Utility Services	10,515			10,515
Transportation		72,551		72,551
Capital Outlay	34,029			34,029
Debt Service:				
Principal Retirement		4,720		4,720
Interest and Fiscal Charges		831		831
Total Cash Disbursements	<u>480,195</u>	<u>447,143</u>		<u>927,338</u>
Net Change in Fund Cash Balances	(19,880)	41,981	745	22,846
Fund Cash Balances, January 1	<u>325,356</u>	<u>149,425</u>	<u>3,762</u>	<u>478,543</u>
Fund Cash Balances, December 31:				
Restricted		189,406		189,406
Committed		2,000		2,000
Assigned	24,122		4,507	28,629
Unassigned (Deficit)	281,354			281,354
Fund Cash Balances, December 31	<u>\$305,476</u>	<u>\$191,406</u>	<u>\$4,507</u>	<u>\$501,389</u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF MECHANICSBURG
CHAMPAIGN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals</u>
	<u>Enterprise</u>	<u>Agency</u>	<u>(Memorandum Only)</u>
Operating Cash Receipts:			
Charges for Services	\$823,416		\$823,416
Other Operating Receipts	1,387	\$15,474	16,861
Total Operating Cash Receipts	<u>824,803</u>	<u>15,474</u>	<u>840,277</u>
Operating Cash Disbursements:			
Personal Services	178,135	2,975	181,110
Contractual Services	67,206		67,206
Supplies and Materials	170,684		170,684
Other	3,119	4,182	7,301
Total Operating Cash Disbursements	<u>419,144</u>	<u>7,157</u>	<u>426,301</u>
Operating Income (Loss)	<u>405,659</u>	<u>8,317</u>	<u>413,976</u>
Non-Operating Receipts (Disbursements):			
Intergovernmental	310,460		310,460
Capital Outlay	(310,460)		(310,460)
Principal Retirement	(139,164)		(139,164)
Interest and Other Fiscal Charges	(49,299)		(49,299)
Total Non-Operating Receipts (Disbursements)	<u>(188,463)</u>		<u>(188,463)</u>
Net Change in Fund Cash Balances	217,196	8,317	225,513
Fund Cash Balances, January 1	<u>741,976</u>	<u>15,498</u>	<u>757,474</u>
Fund Cash Balances, December 31	<u>\$959,172</u>	<u>\$23,815</u>	<u>\$982,987</u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF MECHANICSBURG
CHAMPAIGN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:				
Property and Other Local Taxes	\$28,582	\$63,739		\$92,321
Municipal Income Tax	344,011			344,011
Intergovernmental	229,197	143,721		372,918
Charges for Services		263,813		263,813
Fines, Licenses and Permits	14,336			14,336
Gifts and Contributions	250			250
Interest	1,056	409		1,465
Miscellaneous	22,187	129,425		151,612
Total Cash Receipts	<u>639,619</u>	<u>601,107</u>		<u>1,240,726</u>
Cash Disbursements:				
Current:				
General Government	178,355	57		178,412
Security of Persons and Property	253,393	399,635		653,028
Basic Utility Services	13,736			13,736
Transportation		62,705		62,705
Capital Outlay		205,276		205,276
Total Cash Disbursements	<u>445,484</u>	<u>667,673</u>		<u>1,113,157</u>
Excess of Receipts Over (Under) Disbursements	<u>194,135</u>	<u>(66,566)</u>		<u>127,569</u>
Other Financing Receipts (Disbursements):				
Transfers In		100,138		100,138
Transfers Out	(100,138)			(100,138)
Total Other Financing Receipts (Disbursements)	<u>(100,138)</u>	<u>100,138</u>		
Net Change in Fund Cash Balances	93,997	33,572		127,569
Fund Cash Balances, January 1	<u>231,359</u>	<u>115,853</u>	<u>3,762</u>	<u>350,974</u>
Fund Cash Balances, December 31:				
Restricted		147,425		147,425
Committed		2,000		2,000
Assigned	205,395		3,762	209,157
Unassigned (Deficit)	119,961			119,961
Fund Cash Balances, December 31	<u>\$325,356</u>	<u>\$149,425</u>	<u>\$3,762</u>	<u>\$478,543</u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF MECHANICSBURG
CHAMPAIGN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals</u>
	<u>Enterprise</u>	<u>Agency</u>	<u>(Memorandum Only)</u>
Operating Cash Receipts:			
Charges for Services	\$734,277		\$734,277
Other Operating Receipts	9,780	\$20,028	29,808
Total Operating Cash Receipts	<u>744,057</u>	<u>20,028</u>	<u>764,085</u>
Operating Cash Disbursements:			
Personal Services	164,632	3,500	168,132
Contractual Services	31,519		31,519
Supplies and Materials	224,876		224,876
Other	4,456	4,572	9,028
Total Operating Cash Disbursements	<u>425,483</u>	<u>8,072</u>	<u>433,555</u>
Operating Income (Loss)	<u>318,574</u>	<u>11,956</u>	<u>330,530</u>
Non-Operating Receipts (Disbursements):			
Intergovernmental	1,598,001		1,598,001
Capital Outlay	(1,598,001)		(1,598,001)
Principal Retirement	(104,497)		(104,497)
Interest and Other Fiscal Charges	(33,560)		(33,560)
Total Non-Operating Receipts (Disbursements)	<u>(138,057)</u>		<u>(138,057)</u>
Net Change in Fund Cash Balances	180,517	11,956	192,473
Fund Cash Balances, January 1	<u>561,459</u>	<u>3,542</u>	<u>565,001</u>
Fund Cash Balances, December 31	<u>\$741,976</u>	<u>\$15,498</u>	<u>\$757,474</u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF MECHANICSBURG
CHAMPAIGN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:				
Property and Other Local Taxes	\$31,001	\$64,418		\$95,419
Municipal Income Tax	305,315			305,315
Intergovernmental	45,495	92,506		138,001
Charges for Services		275,913		275,913
Fines, Licenses and Permits	19,295	429		19,724
Gifts and Contributions	270			270
Interest	1,069	412		1,481
Miscellaneous	8,497	6,385		14,882
Total Cash Receipts	<u>410,942</u>	<u>440,063</u>		<u>851,005</u>
Cash Disbursements:				
Current:				
General Government	191,914			191,914
Security of Persons and Property	295,980	347,928		643,908
Basic Utility Services	14,270			14,270
Transportation		86,450		86,450
Total Cash Disbursements	<u>502,164</u>	<u>434,378</u>		<u>936,542</u>
Excess of Receipts Over (Under) Disbursements	<u>(91,222)</u>	<u>5,685</u>		<u>(85,537)</u>
Other Financing Receipts (Disbursements):				
Transfers In		40,000		40,000
Transfers Out	(40,000)			(40,000)
Total Other Financing Receipts (Disbursements)	<u>(40,000)</u>	<u>40,000</u>		
Net Change in Fund Cash Balances	(131,222)	45,685		(85,537)
Fund Cash Balances, January 1, Restated	<u>362,581</u>	<u>70,168</u>	<u>3,762</u>	<u>436,511</u>
Fund Cash Balances, December 31:				
Non-spendable				
Restricted		113,853		113,853
Committed		2,000		2,000
Assigned	2,763		3,762	6,525
Unassigned (Deficit)	228,596			228,596
Fund Cash Balances, December 31	<u>\$231,359</u>	<u>\$115,853</u>	<u>\$3,762</u>	<u>\$350,974</u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF MECHANICSBURG
CHAMPAIGN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals</u>
	<u>Enterprise</u>	<u>Agency</u>	<u>(Memorandum Only)</u>
Operating Cash Receipts:			
Charges for Services	\$671,621		\$671,621
Other Operating Receipts	18,658	\$21,014	39,672
Total Operating Cash Receipts	<u>690,279</u>	<u>21,014</u>	<u>711,293</u>
Operating Cash Disbursements:			
Personal Services	168,875	3,426	172,301
Contractual Services	49,382		49,382
Supplies and Materials	200,381		200,381
Other	3,835	11,891	15,726
Total Operating Cash Disbursements	<u>422,473</u>	<u>15,317</u>	<u>437,790</u>
Operating Income (Loss)	<u>267,806</u>	<u>5,697</u>	<u>273,503</u>
Non-Operating Receipts (Disbursements):			
Intergovernmental	123,073		123,073
Capital Outlay	(123,073)		(123,073)
Principal Retirement	(110,869)		(110,869)
Interest and Other Fiscal Charges	(35,485)		(35,485)
Total Non-Operating Receipts (Disbursements)	<u>(146,354)</u>		<u>(146,354)</u>
Net Change in Fund Cash Balances	121,452	5,697	127,149
Fund Cash Balances, January 1 - Restated	<u>440,007</u>	<u>(2,155)</u>	<u>437,852</u>
Fund Cash Balances, December 31	<u>\$561,459</u>	<u>\$3,542</u>	<u>\$565,001</u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF MECHANICSBURG
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014, 2013, AND 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Mechanicsburg, Champaign County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides general government services, including water and sewer utilities, and police and fire protection.

The Village participates in a public entity risk pool. Note 8 to the financial statements provide additional information for this entity.

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

B. Accounting Basis

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

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

C. Deposits and Investments

The Village maintains checking accounts and certificates of deposits. The Village has no investments.

D. Fund Accounting

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

1. General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

2. Special Revenue Funds

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

Street Construction, Maintenance and Repair Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing Village streets.

**VILLAGE OF MECHANICSBURG
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014, 2013, AND 2012
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fire/EMS Fund – This fund receives contract money from the adjoining Townships for the purpose of providing fire protection and EMS receipts from a billing service for EMS services provided by the Village to individuals and other governments. The Fund is used to provide and maintain emergency vehicles and apparatus, maintain radio equipment and payment of permanent, part-time or volunteer Fire and EMS personnel and dispatchers.

3. Capital Project Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

4. Enterprise Funds

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

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

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

5. Fiduciary Funds

Fiduciary funds include agency funds. Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency fund account for the mayor's court activity.

Mayor's Court Fund - This fund receives monies for court fees, fines, and forfeitures. These collections are remitted to the Village and the State of Ohio.

E. Budgetary Process

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

1. 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.

2. 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.

VILLAGE OF MECHANICSBURG
CHAMPAIGN COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014, 2013, AND 2012
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. 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 re-appropriated.

A summary of 2014, 2013 and 2012 budgetary activity appears in Note 3.

F. 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:

1. Non-spendable

The Village classifies assets as *non-spendable* when legally or contractually required to maintain the amounts intact.

2. 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.

3. 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.

4. 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.

5. Unassigned

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

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

**VILLAGE OF MECHANICSBURG
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014, 2013, AND 2012
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Property, Plant, and Equipment

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

H. Accumulated Leave

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

2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS

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

	2014	2013	2012
Demand deposits	\$1,479,869	\$1,231,529	\$911,505
Certificates of deposit	4,507	4,488	4,470
Total deposits	\$1,484,376	\$1,236,017	\$915,975

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by securities specifically pledged by the financial institution of the Village.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2012, 2013, and 2014 as follows:

2012 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$432,102	\$410,942	(\$21,160)
Special Revenue	426,700	480,063	53,363
Enterprise	725,000	813,352	88,352
Fiduciary	22,700	21,014	(1,686)
Total	\$1,606,502	\$1,725,371	\$118,869

2012 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$575,652	\$544,927	\$30,725
Special Revenue	431,539	463,984	(32,445)
Enterprise	725,201	696,215	28,986
Fiduciary	34,340	15,317	19,023
Total	\$1,766,732	\$1,720,443	\$46,289

**VILLAGE OF MECHANICSBURG
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014, 2013, AND 2012
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2013 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$584,755	\$639,619	\$54,864
Special Revenue	655,324	701,245	45,921
Enterprise	711,765	2,342,058	1,630,293
Fiduciary	22,506	20,028	(2,478)
Total	<u>\$1,974,350</u>	<u>\$3,702,950</u>	<u>\$1,728,600</u>

2013 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$462,625	\$548,841	(\$86,216)
Special Revenue	619,192	698,145	(78,953)
Enterprise	2,016,194	2,178,472	(162,278)
Fiduciary	19,767	8,072	11,695
Total	<u>\$3,117,778</u>	<u>\$3,433,530</u>	<u>(\$315,752)</u>

2014 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$385,089	\$460,315	\$75,226
Special Revenue	353,741	489,124	135,383
Capital Projects		745	745
Enterprise	708,428	1,135,263	426,835
Fiduciary	18,622	15,474	(3,148)
Total	<u>\$1,465,880</u>	<u>\$2,100,921</u>	<u>\$635,041</u>

2014 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$577,257	\$482,319	\$94,938
Special Revenue	496,100	456,300	39,800
Enterprise	1,090,643	920,664	169,979
Fiduciary	8,352	7,157	1,195
Total	<u>\$2,172,352</u>	<u>\$1,866,440</u>	<u>\$305,912</u>

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Fire fund by \$20,241 for the year ended December 31, 2012; and for the year ended December 31, 2013 in the Fire fund, General fund, and Enterprise funds by \$99,645, \$86,216, and \$162,278, respectively.

4. 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.

**VILLAGE OF MECHANICSBURG
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014, 2013, AND 2012
(Continued)**

4. PROPERTY TAX (Continued)

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

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

5. LOCAL INCOME TAX

The Village levies a municipal income tax of one percent whose proceeds are placed into the General Fund. The Village levies the tax on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

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

Effective December 31, 2004, the Village contracted with the Regional Income Tax Agency (RITA) and authorized them to administer the municipal income tax collections on behalf of the Village. Municipal income tax receipts for 2014, 2013 and 2012 were \$353,405, \$344,011, and \$305,315, respectively.

6. DEBT

Debt outstanding at December 31, 2014 was as follows:

	Principal
OWDA Elevated Storage Tank Loan	\$244,015
OWDA WWTP Influent Lift Station	441,890
OWDA San. Sewer Rehabilitation Improv.	1,485,216
OWDA WTS Improvements Design	206,338
OWDA WWTP Improvements	98,752
Fire Truck Loan	20,280
Total	\$2,496,491

During 2004, the Village entered into a loan agreement with the Ohio Water Development Authority for assistance in expanding and improving the Village's elevated storage tank. The total loan amount was for \$316,661 with an interest rate of 5.01%. The Village will repay the loan in semiannual installments of \$11,176, including interest, over 25 years. As of December 31, 2014, the Village has an outstanding balance on the loan of \$244,015.

During 2011, the Village entered into a loan agreement with the Ohio Water Development Authority for improvements to the Influent Lift Station. The total loan amount was for \$522,418 with an interest rate of 1.50%. The Village will repay the loan in semiannual installments of \$15,166, including interest, over 20 years. As of December 31, 2014, the Village has an outstanding balance on the loan of \$441,890.

During 2013, the Village entered into a loan agreement with the Ohio Water Development Authority for Sanitary Sewer Rehabilitation improvements. The total loan amount was for \$1,588,596 with an interest rate of 1.5%. The Village will repay the loan in semiannual installments of \$46,117, including interest, over 20 years. As of December 31, 2014, the Village has an outstanding balance on the loan of \$1,485,216.

**VILLAGE OF MECHANICSBURG
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014, 2013, AND 2012
(Continued)**

6. DEBT (Continued)

During 2010, the Village entered into a loan agreement with the Ohio Water Development Authority for Wastewater Treatment System improvements design. The OWDA approved a loan in the amount of \$233,571 for the project and as of December 31, 2014, the Village has drawn down \$232,975. An additional \$20,077 in capitalized interest has been added to the principal balance since inception. The Village has made principal payments totaling \$46,714, making the total outstanding balance at December 31, 2014 \$206,338.

During 2014, the Village entered into an agreement with the Ohio Public Works Commission (OPWC) for Wastewater Treatment Plant Improvements. Financing for the project includes an OPWC grant up to \$400,000, an OPWC loan up to \$384,368. As of December 31, 2014, there have been no disbursements on the OPWC loan. As part of the project, the Ohio Environmental Protection Agency will contribute \$784,368. This funding has been secured through an OWDA loan. As of December 31, 2014, the Village has drawn down \$125,648 through OWDA. The Village has made principal payments totaling \$26,896, making the total outstanding balance at December 31, 2014 \$98,752.

During 2014, the Village obtained a loan to finance the purchase of a new fire truck. The total loan amount was for \$25,000. The Village will repay the loan in annual installments of \$5,551, including interest, over 4 years.

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

Year ending December 31:	OWDA Loans*	Fire Truck Loan	Total
2015	\$144,918	\$5,551	\$150,469
2016	144,918	5,551	\$150,469
2017	144,918	5,551	\$150,469
2018	144,918	5,551	\$150,469
2019	144,918		\$144,918
2020 - 2024	724,591		\$724,591
2025 - 2029	724,591		\$724,591
2030 - 2033	390,670		\$390,670
Total	<u>\$2,564,442</u>	<u>\$22,204</u>	<u>\$2,586,646</u>

* - The OWDA Wastewater Treatment System improvements design loan did not have a debt to maturity as of December 31, 2014 due to the project still being in progress and therefore was omitted from the annual debt requirement schedule.

* - The OWDA Wastewater Treatment Plant Improvements loan did not have a debt to maturity as of December 31, 2014 due to the project still being in progress and therefore was omitted from the annual debt requirement schedule.

7. RETIREMENT SYSTEMS

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

**VILLAGE OF MECHANICSBURG
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014, 2013, AND 2012
(Continued)**

7. RETIREMENT SYSTEMS (Continued)

The Ohio Revised Code also prescribes contribution rates. From January 1, 2012 through June 30, 2013, OP&F participants contributed 10% of their wages. For July 1, 2013 through June 30, 2014, OP&F participants contributed 10.75% of their wages. For July 1, 2014 through December 31, 2014, OP&F participants contributed 11.5% of their wages. For 2014, 2013 and 2012, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages and 24% of full-time firefighters' wages. For 2014, 2013, and 2012, 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 through December 31, 2014.

8. RISK MANAGEMENT

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

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

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

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2014, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

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

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2013 and 2014:

	2013	2014
Assets	\$34,411,883	\$35,402,177
Liabilities	(12,760,194)	(12,363,257)
Net Position	\$21,651,689	\$23,038,920

At December 31, 2013 and 2014, respectively, the liabilities above include approximately 11.6 million and \$11.1 million of estimated incurred claims payable. The assets above also include approximately \$11.1 million and \$10.8 million of unpaid claims to be billed. The Pool's membership increased from 475 members in 2013 to 488 members in 2014. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2014, the Village's share of these unpaid claims collectible in future years is approximately \$26,000.

**VILLAGE OF MECHANICSBURG
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014, 2013, AND 2012
(Continued)**

8. RISK MANAGEMENT (Continued)

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

Contributions to PEP		
2012	2013	2014
<u>\$37,540</u>	<u>\$38,872</u>	<u>\$38,831</u>

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

9. SUBSEQUENT EVENTS

On November 3, 2015, voters approved a 5 year, 0.5 mill replacement tax levy for maintaining and operating Maple Grove Cemetery. The levy commences in 2015 and is first due in calendar year 2016.

On November 3, 2015, voters approved a 5 year, 2.5 mill additional tax levy for replacement of fire and EMS emergency vehicles. The levy commences in 2015 and is first due in calendar year 2016.

10. RESTATEMENT OF FUND BALANCES

A fund reclassification was required in order to report the Village's Fire Trust fund in accordance with GASB Statement No. 54. In addition, the Water Guarantee Fund was restated from Fiduciary Funds to Enterprise Funds. This was treated as a prior period adjustment to restate beginning fund balance at January 1, 2012. The restatement had the following effect on fund balances as previously reported at December 31, 2011:

	Special Revenue Funds	Enterprise Funds	Fiduciary Funds
Fund Balances, December 31, 2011	\$68,168	\$422,311	\$17,541
Fire Trust Fund	2,000		(2,000)
Water Guarantee Fund		17,696	(17,696)
Restated Fund Balances, January 1, 2012	<u>\$70,168</u>	<u>\$440,007</u>	<u>(\$2,155)</u>

**VILLAGE OF MECHANICSBURG
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014, 2013, AND 2012
(Continued)**

11. COMPLIANCE

In addition to the non-compliance indicated in Note 3, the Village failed to comply with the following:

- Ohio Admin. Code §117-2-02(A), (C), and (D) and Ohio Rev. Code §733.28 – Maintain adequate accounting records and exhibit accurate statements of all money received and expended
- Ohio Rev. Code §5705.10(C) and (D) – Credit special levy revenues to a special fund
- Ohio Rev. Code §145.03, 145.47, 145.48, and 145.01 and 26 USC §3402 – Withhold pension or social security
- Ohio Rev. Code §1905.21 – Maintain Mayor’s Court docket
- Ohio Rev. Code §733.40 – Remit court moneys to the State of Ohio
- Ohio Rev. Code §1907.261 – Determine court fees
- Ohio Rev. Code §4511.193 – Remit court moneys to Municipal Court
- Ohio Rev. Code §5705.36 and 5705.40 – Amend estimated resources and appropriations and include amounts in accounting system



Dave Yost • Auditor of State

ACCOUNTANT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS

Village of Mechanicsburg
Champaign County
18 North Main Street
Mechanicsburg, Ohio 43044

To the Village Council:

We have selectively tested certain accounts, financial records, files and reports of the Village of Mechanicsburg, Champaign County (the Village) as of and for the years ended December 31, 2014, 2013, and 2012 following Ohio Admin. Code §117-4-02. Our engagement was not designed to result in expressing an opinion on the accompanying financial statements, internal control over financial reporting, or compliance. We therefore express no opinion on these matters.

Internal Control Over Financial Reporting

During our procedures related to the internal control over financial reporting, we noted matters that, in our judgment, could adversely affect the Village's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. In addition, these matters could result in the occurrence of a misstatement that is caused by error or fraud that would not be detected in a timely manner by employees when performing the assigned functions. These matters are described in the Schedule of Findings as items 2014-011 through 2014-014.

Compliance and Other Matters

We tested compliance with certain provisions of laws, regulations, contract, and grant agreements applicable to the Village. Noncompliance with these requirements could impact the Village's ability to determine financial statement amounts. The results of our tests disclosed instances of noncompliance or other matters that are reported in the accompanying Schedule of Findings as items 2014-001 through 2014-010.

Purpose of this Report

We intend this report solely for the information and use of the management, Village Council, other officials authorized to receive this report under Section 117.26, Ohio Rev. Code, and others within the Village. We intend it for no one other than these specified parties.

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

Dave Yost
Auditor of State
Columbus, Ohio

December 4, 2015

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**VILLAGE OF MECHANICSBURG
CHAMPAIGN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2014, 2013 AND 2012**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS

FINDING NUMBER 2014-001

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

Ohio Admin. Code §117-2-02(C) states the following systems and documents may be used to effectively maintain the accounting and budgetary records of the local public office:

1. All local public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system.
2. Purchase orders should be used to approve purchase commitments and to encumber funds against the applicable appropriation account(s), as required
3. Vouchers may be used as a written order authorizing the drawing of a check in payment of a lawful obligation of the public office.

Ohio Admin. Code §117-2-02(D) states all local public offices may maintain accounting records in a manual or computerized format. The records used should be based on the nature of operations and services the public office provides, and should consider the degree of automation and other factors. Such records should include the following:

1. Cash journal
2. Receipts ledger
3. Appropriation ledger
4. In addition, all local public offices should maintain or provide a report similar to the following accounting records:
 - a. Payroll records
 - b. Utilities billing records
 - c. Capital asset records

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

The Village utilized two different accounting systems during the audit period, which provided the necessary accounting functions for the Village. However, the Village did not maintain accurate records. The Village started with unknown balances when it converted to UAN in 2014. In addition, the Village did not reconcile the funds to the bank balances for all months of the audit period. In some months, no reconciliation was completed. This resulted in unreconciled fund balances and inaccurate financial statements at the end of 2013. The bank reconciliations were reconstructed by Local Government Services to balance the Village. The reconstruction resulted in \$77,568 in fund balance adjustments. The financial statements for 2012, 2013, and 2014 required extensive adjustments and reclassifications to properly report activity for the years.

The monthly bank reconciliation serves as a basic control to verify accuracy and completeness of the Village's recording of receipts and expenditures. Failure to maintain accurate monthly bank reconciliations increases the possibility the Village would not promptly detect errors or funds being altered, lost, or stolen.

**FINDING NUMBER 2014-001
(Continued)**

To strengthen controls over the reconciliation process:

- Monthly bank reconciliations should be promptly performed
- All cash reconciliation supporting documentation should be maintained
- Reconciliations should agree to the reported fund cash balances

Council should review monthly bank reconciliations to determine proper procedures are followed and accounts are reconciled. In addition, review should be documented by signatures/initials and approval of the bank reconciliations by Council at monthly meetings.

FINDING NUMBER 2014-002

Ohio Rev. Code §5705.10(C) states "all revenue derived from a special levy shall be credited to a special fund for the purpose for which the levy was made." Additionally, **Ohio Rev. Code §5705.10(D)** states "except as otherwise provided by resolution adopted pursuant to section 3315.01 of the Revised Code, all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose, shall be paid into a special fund for such purpose."

In 2012, 2013, and 2014 the Village posted receipts totaling \$9,815, \$9,913, and \$10,123, respectively, in homestead and rollback revenue for the Fire & EMS Fund to the General Fund.

Failure to post receipts to the correct funds based on millage allocations provided by the County Auditor's Office results in inaccurate fund balances being reported in the Village's accounting records and could result in the monies being used for purposes other than the levy allows.

The Village should implement procedures to review allocations of receipts to ensure they are properly recorded. Furthermore, the Fiscal Officer should be diligent in assuring funds are properly posted to the correct funds in accordance with the County tax settlement information and the Ohio Revised Code.

FINDING NUMBER 2014-003

Ohio Revised Code §145.03(A) states "a public employees retirement system is hereby created for the public employees of the state and of the several local authorities mentioned in section 145.01 of the Revised Code. Except as provided in division (B) of this section, membership in the system is compulsory upon being employed and shall continue as long as public employment continues."

Ohio Revised Code §145.47(B) states "the head of each state department, institution, board, and commission, and the fiscal officer of each local authority subject to this chapter, shall transmit to the system for each contributor subsequent to the date of coverage an amount equal to the applicable per cent of each contributor's earnable salary at such intervals and in such form as the system shall require. The head of each state department and the fiscal officer of each local authority subject to this chapter shall transmit promptly to the system a report of contributions at such intervals and in such form as the system shall require, showing thereon all the contributions and earnable salary of each contributor employed, together with warrants, checks, or electronic payments covering the total of such deductions. A penalty shall be added when such report, together with warrants, checks, or electronic payments to cover the total amount due from the earnable salary of all amenable employees of such employer, is filed thirty or more days after the last day of such reporting period. The system, after making a record of all receipts under this division, shall deposit the receipts with the treasurer of state for use as provided by this chapter."

FINDING NUMBER 2014-003
(Continued)

Ohio Revised Code §145.48(A) states "each employer shall pay to the public employees retirement system an amount that shall be a certain per cent of the earnable salary of all contributors to be known as the 'employer contribution,' except that the public employees retirement board may raise the employer contribution to a rate not to exceed fourteen per cent of the earnable salaries of all contributors."

As defined in **Ohio Revised Code §145.01(R)(1)** "earnable salary" means all salary, wages, and other earnings paid to a contributor by reason of employment in a position covered by the retirement system. The salary, wages, and other earnings shall be determined prior to determination of the amount required to be contributed to the employees' savings fund under section 145.47 of the Revised Code and without regard to whether any of the salary, wages, or other earnings are treated as deferred income for federal income tax purposes. "Earnable salary" includes the following:

- (a) Payments made by the employer in lieu of salary, wages, or other earnings for sick leave, personal leave, or vacation used by the contributor;
- (b) Payments made by the employer for the conversion of sick leave, personal leave, and vacation leave accrued, but not used if the payment is made during the year in which the leave is accrued, except that payments made pursuant to section 124.383 or 124.386 of the Revised Code are not earnable salary;
- (c) Allowances paid by the employer for maintenance, consisting of housing, laundry, and meals, as certified to the retirement board by the employer or the head of the department that employs the contributor;
- (d) Fees and commissions paid under section 507.09 of the Revised Code;
- (e) Payments that are made under a disability leave program sponsored by the employer and for which the employer is required by section 145.296 of the Revised Code to make periodic employer and employee contributions;
- (f) Amounts included pursuant to former division (K)(3) and former division (Y) of this section and section 145.2916 of the Revised Code.

26 U.S.C. §3402 requires every employer making payment of wages to deduct and withhold upon such wages a tax determined in accordance with tables or computational procedures prescribed by the Secretary of Treasury.

The Village did not withhold OPERS or social security from the earnable salary of one employee. The amount of salary which was not subject to OPERS or social security withholding was \$3,500.

The Village should implement policies and procedures to ensure all employees' pay is subject to retirement withholding. Failure to properly withhold retirement could result in penalties being assessed.

FINDING NUMBER 2014-004

Ohio Revised Code §1905.21 states "the mayor of a municipal corporation and a mayor's court magistrate shall keep a docket. Neither the mayor of a municipal corporation nor a mayor's court magistrate shall retain or receive for his own use any of the fines, forfeitures, fees, or costs he collects. A mayor's court magistrate shall account for all such fines, forfeitures, fees, and costs he collects and transfer them to the mayor. The mayor shall account for and dispose of all such fines, forfeitures, fees, and costs he collects, including all such fines, forfeitures, fees, and costs that are transferred to him by a mayor's court magistrate, as provided in section 733.40 of the Revised Code."

The Village was unable to provide a completed docket for the mayor's court for the audit period. In addition, the Village was not remitting funds to the General Fund monthly. The Village should adopt policies and procedures to verify all documentation is properly maintained. Failure to retain these required records may result in an incomplete audit trail, create potential problems for future management decisions, and may result in findings for recovery in future audits.

FINDING NUMBER 2014-005

Ohio Revised Code §733.40 states "except as otherwise provided in section 4511.193 of the Revised Code, all fines, forfeitures, and costs in ordinance cases and all fees that are collected by the mayor, that in any manner come into the mayor's hands, or that are due the mayor or a marshal, chief of police, or other officer of the municipal corporation, any other fees and expenses that have been advanced out of the treasury of the municipal corporation, and all money received by the mayor for the use of the municipal corporation shall be paid by the mayor into the treasury of the municipal corporation on the first Monday of each month. At the first regular meeting of the legislative authority each month, the mayor shall submit a full statement of all money received, from whom and for what purposes received, and when paid into the treasury. Except as otherwise provided by section 307.515 or 4511.19 of the Revised Code, all fines, and forfeitures collected by the mayor in state cases, together with all fees and expenses collected that have been advanced out of the county treasury, shall be paid by the mayor to the county treasury on the first business day of each month. Except as otherwise provided by section 307.515 or 4511.19 of the Revised Code, the mayor shall pay all court costs and fees collected by the mayor in state cases into the municipal treasury on the first business day of each month.

This section does not apply to fines collected by a mayor's court for violations of division (B) of section 4513.263 of the Revised Code, or for violations of any municipal ordinance that is substantively comparable to that division, all of which shall be forwarded to the treasurer of state as provided in division (E) of section 4513.263 of the Revised Code."

The Village was making monthly remittances to the state; however, as the required Mayor's Court records were not maintained by the Village, it was unable to be determined if the amount being remitted was correct.

The Village should implement policies and procedures to verify that the Mayor's Court amounts due to the State of Ohio and the Village are properly remitted. Failure to do so could result in funds being used for unallowable purposes.

FINDING NUMBER 2014-006

Ohio Revised Code §1907.261(A)(1) states "a county court may determine that for the efficient operation of the court additional funds are required to computerize the court, to make available computerized legal research services, or to do both. Upon making a determination that additional funds are required for either or both of those purposes, the court shall include in its schedule of fees and costs under section 1907.24 of the Revised Code one additional fee not to exceed three dollars on the filing of each cause of action or appeal equivalent to one described in division (A), (Q), or (U) of section 2303.20 of the Revised Code and shall direct the clerk of the court to charge the fee."

Additionally, **Ohio Revised Code §1907.261(B)(1)** states "a county court may determine that, for the efficient operation of the court, additional funds are required to computerize the office of the clerk of the court and, upon that determination, may include in its schedule of fees and costs under section 1907.24 of the Revised Code an additional fee not to exceed ten dollars on the filing of each cause of action or appeal, on the filing, docketing, and endorsing of each certificate of judgment, or on the docketing and indexing of each aid in execution or petition to vacate, revive, or modify a judgment that is equivalent to one described in division (A), (P), (Q), (T), or (U) of section 2303.20 of the Revised Code. Subject to division (B)(2) of this section, all moneys collected under division (B)(1) of this section shall be paid on or before the twentieth day of the month following the month in which they are collected to the county treasurer. The treasurer shall place the funds from the fees in a separate fund to be disbursed, upon an order of the county court and subject to an appropriation by the board of county commissioners, in an amount no greater than the actual cost to the court of procuring and maintaining computer systems for the office of the clerk of the county court."

FINDING NUMBER 2014-006
(Continued)

The Village was unable to provide a schedule of fees for the mayor's court for the audit period. The Village should implement policies and procedures to ensure a schedule of fees is adopted by Council and utilized by the Mayor's Court. Failure to do so could result in unauthorized fees being charged, which could result in findings for recovery in future audits.

FINDING NUMBER 2014-007

Ohio Revised Code §4511.193(A) states "twenty-five dollars of any fine imposed for a violation of a municipal OVI ordinance shall be deposited into the municipal or county indigent drivers alcohol treatment fund created pursuant to division (H) of section 4511.191 of the Revised Code in accordance with this section and section 733.40, divisions (A) , (B), and (C) of section 1901.024, division (F) of section 1901.31, or division (C) of section 1907.20 of the Revised Code. Regardless of whether the fine is imposed by a municipal court, a mayor's court, or a juvenile court, if the fine was imposed for a violation of an ordinance of a municipal corporation that is within the jurisdiction of a county-operated municipal court or a municipal court that is not a county-operated municipal court, the twenty-five dollars that is subject to this section shall be deposited into the indigent drivers alcohol treatment fund of the county in which that municipal corporation is located if the municipal court that has jurisdiction over that municipal corporation is a county-operated municipal court or of the municipal corporation in which is located the municipal court that has jurisdiction over that municipal corporation if that municipal court is not a county-operated municipal court. Regardless of whether the fine is imposed by a county court, a mayor's court, or a juvenile court, if the fine was imposed for a violation of an ordinance of a municipal corporation that is within the jurisdiction of a county court, the twenty-five dollars that is subject to this section shall be deposited into the indigent drivers alcohol treatment fund of the county in which is located the county court that has jurisdiction over that municipal corporation. The deposit shall be made in accordance with section 733.40, divisions (A), (B), and (C) of section 1901.024, division (F) of section 1901.31, or division (C) of section 1907.20 of the Revised Code."

Additionally, **Ohio Revised Code §4511.193(B)** states "any court cost imposed as a result of a violation of a municipal ordinance that is a moving violation and designated for an indigent drivers alcohol treatment fund established pursuant to division (H) of section 4511.191 of the Revised Code shall be deposited into the municipal or county indigent drivers alcohol treatment fund created pursuant to division (H) of section 4511.191 of the Revised Code in accordance with this section and section 733.40, divisions (A), (B), and (C) of section 1901.024, division (F) of section 1901.31, or division (C) of section 1907.20 of the Revised Code. Regardless of whether the court cost is imposed by a municipal court, a mayor's court, or a juvenile court, if the court cost was imposed for a violation of an ordinance of a municipal corporation that is within the jurisdiction of a county-operated municipal court or a municipal court that is not a county-operated municipal court, the court cost that is subject to this section shall be deposited into the indigent drivers alcohol treatment fund of the county in which that municipal corporation is located if the municipal court that has jurisdiction over that municipal corporation is a county-operated municipal court or of the municipal corporation in which is located the municipal court that has jurisdiction over that municipal corporation if that municipal court is not a county-operated municipal court. Regardless of whether the court cost is imposed by a county court, a mayor's court, or a juvenile court, if the court cost was imposed for a violation of an ordinance of a municipal corporation that is within the jurisdiction of a county court, the court cost that is subject to this section shall be deposited into the indigent drivers alcohol treatment fund of the county in which is located the county court that has jurisdiction over that municipal corporation. The deposit shall be made in accordance with section 733.40, divisions (A), (B), and (C) of section 1901.024, division (F) of section 1901.31, or division (C) of section 1907.20 of the Revised Code."

The Village did not remit any funds from the Mayor's Court to the Champaign County Municipal Court for the indigent drivers alcohol treatment fund during the audit period. The Village should implement policies and procedures to verify that the Mayor's Court amounts due to the Champaign County Municipal Court are properly remitted. Failure to do so could result in funds being used for unallowable purposes.

FINDING NUMBER 2014-008

Ohio Rev. Code §5705.41(B) requires that no subdivision or taxing unit shall make any expenditure of money unless it has been appropriated.

For the year ended December 31, 2013, expenditures exceeded appropriations in the General fund, Fire/EMS fund, and Enterprise funds in the amounts of \$86,216, \$99,645 and \$162,278, respectively. For the year ended December 31, 2012, expenditures exceeded appropriations in the Fire/EMS fund by \$20,241.

The Village should monitor its expenditures and amend its appropriations for any fund when expenditures are expected to exceed current appropriations. Failure to do so could result in an increased risk of deficit spending.

FINDING NUMBER 2014-009

Ohio Rev. Code §5705.36(A)(2) states that upon determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be greater or less than the amount included in an official certificate, the fiscal officer may certify the amount of the deficiency or excess to the commission, and if the commission determines that the fiscal officer's certification is reasonable, the commission shall certify an amended official certificate reflecting the deficiency or excess.

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

For 2014, 2013, and 2012, there were discrepancies between the estimated receipts per the final Amended Certificate of Estimated Resources and the estimated receipts recorded in the Village's accounting system as follows:

Fund Type	Amended Estimated Receipts	Accounting System	Variance
General Fund - 2014	\$385,089	\$509,689	(\$124,600)
Fire/EMS Fund - 2014	\$310,120	\$422,491	(\$112,371)
General Fund - 2013	\$584,755	\$434,600	\$150,155
Fire/EMS Fund - 2013	\$591,573	\$321,300	\$270,273
Fire/EMS Fund - 2012	\$345,000	\$300,192	\$44,808

Additionally, in 2013, the final appropriations approved by the Council for the General fund were \$462,625. The appropriations recorded in the Village's accounting system were \$445,708, which resulted in a variance of \$5,917.

Failure to record accurate budgetary information in the accounting system results in inaccurate reports, which can lead to overspending of resources.

The Village's budgetary information should be updated in the accounting system as revisions are made to appropriations and estimated receipts. Monitoring accurate budgetary information helps to assure that expenditures are being made in accordance with the approved budget, receipts are received in accordance with the Certificate of Estimated Resources, and that overspending does not occur.

FINDING NUMBER 2014-010

Section 5.02 "Sick Leave Conversion" of the Village's Personnel Policy and Procedure Manual states that upon retirement, an employee shall receive payment of accrued but unused sick leave for active service with the Village in accordance with the following schedule: 25% of accumulated unused sick leave not to exceed 240 hours. Payment shall be based on the employee's rate of pay at the time of retirement.

In a letter dated January 15, 2014, the Village's Fiscal Officer approved a payment to a retiring employee for 50% of accrued but unused sick leave, despite the policy manual which only allows for a payment of 25% of accrued but unused sick leave. This resulted in an overpayment of \$1,415. The payment was not approved by Village Council at the time of payment; however, Council retroactively approved the payment on August 17, 2015.

Failure to follow approved policies can result in improper payments. The Village should implement procedures to ensure all Village policies are adhered to. Furthermore, Council should approve any payments that differ from approved policies.

FINDING NUMBER 2014-011

Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, introduced five fund balance classifications and clarified the existing governmental fund type definitions. The fund balance classifications relate to constraints placed upon the use of resources reported in governmental funds.

Special revenue funds are used to 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. GASB 54 states that donations can be given so a specific department or fund in which case there is an implied constraint imposed by the donor. When this is combined with a resolution/ordinance recognizing the implied consent on the use of the dollars, the fund balance is committed.

The Village established a Fire Trust fund in 2004 by a resolution approved by Council, which states that the fund is an expendable trust, and specifies that the disbursements from the fund shall be used to enhance the fire department's stature within the community, goods and service(s) to the community it serves, and promotional items deemed necessary to enhance fund raising efforts. Sources of revenues in the fund were donations, interest and revenue from fundraising. The Village classified its Fire Trust fund as a private purpose trust fund within the accounting records and financial statements. Reclassifications were needed in 2012, 2013, and 2014 to report the Fire Trust fund as a Special Revenue fund with a committed fund balance.

Additionally, the Village's subsequent year appropriation measure exceeded the estimated receipts in the General fund by \$21,998 and \$202,176 in 2014 and 2013, respectively. As a result, a reclassification to the financial statements was needed to report those amounts in the General fund as assigned fund balance required to meet subsequent year appropriations. Also in 2014, 2013, and 2012, reclassifications in the amounts of \$2,124, \$3,219, and \$2,763 were needed to report outstanding encumbrances in the General fund as assigned.

To improve financial reporting, the Village should review the requirements of GASB 54 and implement procedures to properly classify funds and fund balances as applicable.

FINDING NUMBER 2014-012

The Village entered into various loan agreements with the Ohio Water Development Authority and an agreement with the Ohio Public Works Commission (OPWC) for a loan and a grant. Auditor of State Bulletin 2002-004 outlines the accounting requirements for the OPWC grant. The OPWC will make payments to the contractor(s) for its share based on invoices submitted by the fiscal officer or to the local government as a reimbursement. For payments made to the contractor, the State will notify the fiscal officer of the amount disbursed. Upon receipt of this notice, each local government shall record a receipt and expenditure in the Enterprise capital project fund equal to the amount disbursed by the OPWC.

The Village did not record all payments made directly to contractors as part of ongoing OWDA and OPWC projects. The amount of unrecorded activity in 2014, 2013, and 2012 totaled \$243,483, \$1,453,283, and \$5,470, respectively.

Failure to record grant and loan activity results in understated receipts and disbursements on the financial statements.

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

FINDING NUMBER 2014-013

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

The following reclassifications were made to the Village's financial statements to properly report revenues and disbursements:

- In 2013, a reclassification in the amount of \$190,879 in the General fund to report estate taxes as intergovernmental revenue rather than as property and local taxes.
- In 2013, a reclassification in the amount of \$115,138 in the Fire/EMS fund to report a capital contribution from Goshen Township for the purchase of a fire truck as Miscellaneous rather than Special Assessments.
- In 2014 a reclassification in the amount of \$194,014 was made in the Fire/EMS, Water, and Sewer funds to report debt payments as principal payments and interest and fiscal charges rather than other various disbursement classifications. In 2013 and 2012, respectively, reclassifications in the amount of \$138,057 and \$146,354 were made in the Water and Sewer funds (Enterprise Funds) to report debt payments as principal and interest and fiscal charges rather than other various disbursement classifications.

In addition, the Water Guarantee Fund was previously reported as an Agency Fund. A prior period adjustment/restatement was included to report the fund as part of the Enterprise Fund type.

The failure to correctly classify financial activity in the accounting records and financial statements may impact the user's understanding of the financial operations, the Village's ability to make sound financial decisions or comply with budgetary law. The Village should have procedures in place to help assure the accurate and complete recording of financial activity and balances in the accounting records and financial statements to assist in the effective management and reporting of financial resources.

FINDING NUMBER 2014-014

Non-salaried employees leave accrual and usage is tracked by Paychex, Inc. The Village Personnel Policies and Procedures Manual Section 5 indicated employees are to complete a Request for Leave of Absences Form and submit the form to the Village Administrator. The Village Administrator is to review each completed Request for Leave of Absence Form and a recommendation for approval or denial shall be made with the appropriate signature place on the form. If approved, the form shall be forwarded to the Fiscal Officer. Request for Leave of Absence Forms were not completed consistently by all employees and there was no notation on the form as to whether the leave was approved or denied with the appropriate signature.

Salaried employees' leave accrual and usage is tracked by the Village Administrator on a spreadsheet; however, salaried employees' leave has only been tracked within the last few years (beginning July 2013). As a result, the Village Administrator had to determine beginning leave balances to utilize for each salaried employee. Accuracy of beginning balances could not be verified due to lack of support being maintained in previous years. Furthermore, salaried employees were not completing Request for Leave of Absence Forms consistently nor were the forms being approved by the appropriate authority.

Employees also received and utilized flex time; however documentation of employees' requests to schedule flex time, including the signature of the employee and Administrator if approved, were not completed as required by the Village Flex Time Policy. Employees' Flex Time continually rolls over, which is not in compliance with the Village's Flex Time Policy as the policy states flexing time shall only occur within the same pay period.

In addition, not all employees' files included a job position, job description, hire date, pay rate, etc. which would validate if leave accrual was at the proper rate. The Village began an evaluation process towards the end of 2013/beginning of 2014, which included a job description and employee status change form, but it did not appear the process was consistent for all employees. There was no documentation to determine an employee's pay rate did or did not change from 2012 to 2014. The Village Council or appropriate authority did not approve individual employee pay rates for 2012 and 2013, rather the Council approved pay ranges by position. For sixteen of the twenty-three (69.5%) employees tested, the employees' pay rates were not properly approved and/or supported by an Ordinance or Employee Status Change Form.

The Village should ensure the policies and procedures for all types of leave and flex time are properly followed by all employees. The Village should also ensure all employees' hire date is documented within personnel files.

Failure to properly document employees' hire dates and leave usage could result in improper payment of leave upon an employees' termination of employment.

Officials Response:

We have reviewed, discussed and understand the findings included in this audit report. We feel the audit report fairly reflects our financial operations and we have begun to develop processes to address the findings and areas for improvement as we enter 2016.

**VILLAGE OF MECHANICSBURG
CHAMPAIGN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2014, 2013 AND 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2011-001	Noncompliance – Ohio Revised Code Section 5705.41D – Failure to properly encumber	No	Reported in a separate letter to management of the Village
2011-002	Significant Deficiency – Record Retention	No	Reissued as Findings 2014-004 through 2014-007 and 3024-014 for other forms of records retention
2011-003	Noncompliance – Ohio Revised Code Section 5705.39 – Appropriations in excess of estimated resources	Yes	
2011-004	Noncompliance – Ohio Revised Code Section 5705.41(B) – Expenditures in excess of appropriations	No	Reissued as Finding 2014-008
2011-005	Material Weakness – Cash Reconciliation	No	Reissued as Finding 2014-001
2011-006	Noncompliance/Material Weakness – Ohio Revised Code Section 145 – Failure to properly account for pension withholdings	No	Reissued as Finding 2014-003
2011-007	Material Weakness—Utility Deposits	Yes	
2011-008	Noncompliance – Ohio Revised Code Section 5705.36 – Appropriations in excess of actual resources	No	Reissued as Finding 2014-009
2011-009	Significant Deficiency – Employee Timecards	Yes	
2011-010	Noncompliance – Ohio Revised Code Section 5705.10 – Negative fund balances	Yes	
Finding for Recovery	Finding for Recovery for public money illegally expended - \$474 – utility fund petty cash account	Yes	



Dave Yost • Auditor of State

VILLAGE OF MECHANICSBURG

CHAMPAIGN COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JANUARY 19, 2016