

428 Second St.
Marietta, OH 45750
740.373.0056

1035 Murdoch Ave.
Parkersburg, WV 26101
304.422.2203

104 South Sugar St.
St. Clairsville, OH 43950
740.695.1569



Certified Public Accountants, A.C.

**VILLAGE OF SUGAR GROVE
FAIRFIELD COUNTY
Regular Audit**

For the Years Ended December 31, 2015 and 2014

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...“bringing more to the table”

Tax– Accounting – Audit – Review – Compilation – Agreed Upon Procedure – Consultation – Bookkeeping – Payroll
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Members: American Institute of Certified Public Accountants

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- Association of Certified Anti - Money Laundering Specialists •



Dave Yost • Auditor of State

Village Council
Village of Sugar Grove
101 Bridge Street
Sugar Grove, Ohio 43155

We have reviewed the *Independent Auditor's Report* of the Village of Sugar Grove, Fairfield County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2014 through December 31, 2015. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

August 22, 2016

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VILLAGE OF SUGAR GROVE
FAIRFIELD COUNTY

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INDEPENDENT AUDITOR'S REPORT

June 9, 2016

Village of Sugar Grove
Fairfield County
101 Bridge Street
Sugar Grove, Ohio 43155

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 Sugar Grove**, Fairfield County, (the Village) as of and for the years ended December 31, 2015 and 2014.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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



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

As described in Note 1B of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2015 and 2014, or changes in financial position or 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 combined cash balances of the Village of Sugar Grove, Fairfield County, as of December 31, 2015 and 2014, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1B.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 9, 2016, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

**VILLAGE OF SUGAR GROVE
FAIRFIELD COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>General</u>	<u>Special Revenue</u>	<u>Permanent</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts				
Property and Other Local Taxes	\$ 33,028	\$ 67	\$ -	\$ 33,095
Municipal Income Tax	91,308	-	-	91,308
Intergovernmental	16,905	27,089	-	43,994
Fines, Licenses and Permits	4,309	70	-	4,379
Earnings on Investments	654	96	-	750
Miscellaneous	1,804	-	-	1,804
<i>Total Cash Receipts</i>	<u>148,008</u>	<u>27,322</u>	<u>-</u>	<u>175,330</u>
Cash Disbursements				
Current:				
Security of Persons and Property	43,589	-	-	43,589
Public Health Services	1,748	-	-	1,748
Transportation	-	39,510	-	39,510
General Government	76,174	-	-	76,174
<i>Total Cash Disbursements</i>	<u>121,511</u>	<u>39,510</u>	<u>-</u>	<u>161,021</u>
<i>Net Change in Fund Cash Balances</i>	26,497	(12,188)	-	14,309
<i>Fund Cash Balances, January 1</i>	<u>195,298</u>	<u>77,774</u>	<u>5,214</u>	<u>278,286</u>
Fund Cash Balances, December 31				
Nonspendable	-	-	5,214	5,214
Restricted	-	65,586	-	65,586
Unassigned	221,795	-	-	221,795
<i>Fund Cash Balances, December 31</i>	<u>\$ 221,795</u>	<u>\$ 65,586</u>	<u>\$ 5,214</u>	<u>\$ 292,595</u>

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

**VILLAGE OF SUGAR GROVE
FAIRFIELD 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, 2015**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts			
Charges for Services	\$ 191,612	\$ -	\$ 191,612
Fines, Licenses and Permits	-	1,100	1,100
<i>Total Operating Cash Receipts</i>	<u>191,612</u>	<u>1,100</u>	<u>192,712</u>
Operating Cash Disbursements			
Personal Services	19,301	-	19,301
Employee Fringe Benefits	5,706	-	5,706
Contractual Services	153,247	-	153,247
Supplies and Materials	10,398	-	10,398
Other	-	906	906
<i>Total Operating Cash Disbursements</i>	<u>188,652</u>	<u>906</u>	<u>189,558</u>
<i>Operating Income</i>	<u>2,960</u>	<u>194</u>	<u>\$3,154</u>
Non-Operating Receipts (Disbursements)			
Debt Proceeds	50,367	-	50,367
Capital Outlay	(24,761)	-	(24,761)
Principal Retirement	(31,156)	-	(31,156)
Interest and Fiscal Charges	(9,717)	-	(9,717)
<i>Total Non-Operating (Disbursements)</i>	<u>(15,267)</u>	<u>-</u>	<u>(15,267)</u>
<i>Net Change in Fund Cash Balances</i>	<u>(12,307)</u>	<u>194</u>	<u>(\$12,113)</u>
<i>Fund Cash Balances, January 1</i>	<u>267,414</u>	<u>-</u>	<u>267,414</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 255,107</u>	<u>\$ 194</u>	<u>\$255,301</u>

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

**VILLAGE OF SUGAR GROVE
FAIRFIELD 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>Permanent</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts				
Property and Other Local Taxes	\$ 30,831	\$ 863	\$ -	\$ 31,694
Municipal Income Tax	104,381	-	-	104,381
Intergovernmental	14,019	24,478	-	38,497
Fines, Licenses and Permits	3,844	-	-	3,844
Earnings on Investments	627	104	-	731
Miscellaneous	4,118	-	-	4,118
<i>Total Cash Receipts</i>	<u>157,820</u>	<u>25,445</u>	<u>-</u>	<u>183,265</u>
Cash Disbursements				
Current:				
Security of Persons and Property	40,521	-	-	40,521
Public Health Services	1,723	-	-	1,723
Leisure Time Activities	-	74	-	74
Community Environment	5,832	-	-	5,832
Transportation	-	18,590	-	18,590
General Government	83,212	3,053	-	86,265
<i>Total Cash Disbursements</i>	<u>131,288</u>	<u>21,717</u>	<u>-</u>	<u>153,005</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>26,532</u>	<u>3,728</u>	<u>-</u>	<u>30,260</u>
Other Financing Receipts (Disbursements)				
Transfers Out	(12,150)	-	-	(12,150)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(12,150)</u>	<u>-</u>	<u>-</u>	<u>(12,150)</u>
<i>Net Change in Fund Cash Balances</i>	14,382	3,728	-	18,110
<i>Fund Cash Balances, January 1</i>	<u>180,916</u>	<u>74,046</u>	<u>5,214</u>	<u>260,176</u>
Fund Cash Balances, December 31				
Nonspendable	-	-	5,214	5,214
Restricted	-	77,774	-	77,774
Unassigned	195,298	-	-	195,298
<i>Fund Cash Balances, December 31</i>	<u>\$ 195,298</u>	<u>\$ 77,774</u>	<u>\$ 5,214</u>	<u>\$ 278,286</u>

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

**VILLAGE OF SUGAR GROVE
FAIRFIELD COUNTY**

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

	Enterprise
Operating Cash Receipts	
Charges for Services	177,979
<i>Total Operating Cash Receipts</i>	177,979
Operating Cash Disbursements	
Personal Services	20,728
Employee Fringe Benefits	5,795
Contractual Services	109,858
Supplies and Materials	5,733
<i>Total Operating Cash Disbursements</i>	142,114
<i>Operating Income</i>	35,865
Non-Operating Receipts (Disbursements)	
Intergovernmental	91,238
Debt Proceeds	3,818
Capital Outlay	(108,040)
Principal Retirement	(30,486)
Interest and Fiscal Charges	(9,944)
Transfers In	12,150
<i>Total Non-Operating Receipts (Disbursements)</i>	(41,264)
<i>Net Change in Fund Cash Balances</i>	(5,399)
<i>Fund Cash Balances, January 1</i>	272,813
<i>Fund Cash Balances, December 31</i>	\$ 267,414

**VILLAGE OF SUGAR GROVE
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

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 Sugar Grove, Fairfield 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, sewer and sanitation utilities, maintenance of Village roads and bridges, park operations, police services, and Mayor's Court.

The Village participates in a public entity risk pool. Note 8 to the financial statements provides additional information for this entity. This organization is:

Public Entity Risk Pool:

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments.

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

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

C. Deposits and Investments

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

The Village invests all available funds in a checking account and U.S. Treasury Bonds.

D. Fund Accounting

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

1. General Fund

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

**VILLAGE OF SUGAR GROVE
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

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.

Permissive Motor Vehicle License Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing Village streets.

3. Permanent Funds

These funds account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs (for the benefit of the government or its citizenry). The Village had the following significant permanent fund:

Cemetery Bequest Fund – This fund receives interest earned on the nonexpendable corpus from a trust agreement. These earnings are used for the general maintenance and upkeep of the Village's cemetery.

4. Enterprise Funds

This fund accounts 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 the costs of providing the citizens of the Village with water services.

Sewer Fund - This fund receives charges for services from residents to cover the costs of providing the citizens of the Village with sewer services.

Sanitation Fund - This fund receives charges for services from residents for the garbage and trash services provided to the citizens of the Village and commercial users.

5. Fiduciary Funds

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs.

**VILLAGE OF SUGAR GROVE
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Fund Accounting (Continued)

5. Fiduciary Funds (Continued)

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 accounts for Mayor's Court. The Village Mayor's Court restarted operations in 2015.

E. Budgetary Process

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

1. Appropriations

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

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 reappropriated.

A summary of 2015 and 2014 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. Nonspendable

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

VILLAGE OF SUGAR GROVE
FAIRFIELD COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Fund Balance

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.

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.

**VILLAGE OF SUGAR GROVE
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Continued)**

2. EQUITY IN POOLED DEPOSITS

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

	2015	2014
Demand Deposits	\$ 542,896	\$ 540,700
Total deposits	542,896	540,700
U.S. Treasury Bond	5,000	5,000
Total investments	5,000	5,000
Total deposits and investments	\$ 547,896	\$ 545,700

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

Investments: The U.S. Treasury Bond is held in book-entry form by the Federal Reserve, in the name of the Village's financial institution. The financial institution maintains records identifying the Village as owner of these securities.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2015 and 2014 follows:

2015 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 143,710	\$ 148,008	\$ 4,298
Special Revenue	22,050	27,322	5,272
Enterprise	175,000	241,979	66,979
Total	\$ 340,760	\$ 417,309	\$ 76,549

2015 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 194,507	\$ 122,746	\$ 71,761
Special Revenue	54,900	39,817	15,083
Enterprise	242,393	330,472	(88,079)
Total	\$ 491,800	\$ 493,035	\$ (1,235)

2014 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 143,710	\$ 157,820	\$ 14,110
Special Revenue	22,050	25,445	3,395
Enterprise	175,000	281,185	106,185
Total	\$ 340,760	\$ 464,450	\$ 123,690

**VILLAGE OF SUGAR GROVE
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 137,320	\$ 144,538	\$ (7,218)
Special Revenue	35,977	21,717	14,260
Enterprise	267,088	303,140	(36,052)
Total	\$ 440,385	\$ 469,395	\$ (29,010)

Contrary to Ohio Revised Code Section 5705.41(B), budgetary expenditures exceeded appropriation authority in the General, Parks and Recreation, Mayors Court Computer, Water Operating, Water Operating Replacement, and Sewer Stabilization funds by \$7,287, \$74, \$3,053, \$33,075, \$1,710, and \$2,855 for the year ended December 31, 2014. In 2015 the Permissive Motor Vehicle, and Water Treatment Design funds had expenditures exceed the appropriation authority by \$3,351, and \$101,500, 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.

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 .75 percent 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. The Village contracts with the Regional Income Tax Agency for its collection and processing of its income tax.

**VILLAGE OF SUGAR GROVE
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Continued)**

6. DEBT

Debt outstanding at December 31, 2015 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OWDA Wastewater Treatment Plant Improvements Design - 6274	\$ 66,301	3.74%
OWDA Water Treatment Plant Improvement Design - 5737	39,971	3.91%
OWDA Waterline Replacement - 4859	214,392	4.45%
OWDA Water Treatment Plant Improvement Design - 6915	29,069	3.06%
OPWC Waterline Replacement Phase I - CQ16K	155,604	0.00%
OPWC Sanitary Sewer Improvement - CQ07N	31,715	0.00%
OPWC Waterline Replacement Phase II - CQ22L	53,114	0.00%
OPWC Sanitary Sewer Rehabilitation Phase II - CT38P	95,125	0.00%
OPWC WWTP Repair - CQ15Q	17,271	0.00%
Total	<u>\$ 702,562</u>	

The Ohio Water Development Authority (OWDA) Wastewater Treatment Plant Improvement Design #6274 loan is not yet finalized, thus, no amortization exists. The OWDA Water Treatment Plant Improvements Design #5737 loan is not yet finalized, thus, no amortization exists. The OWDA Water Treatment Plant Improvement Design #6915 loan is not yet finalized, thus, no amortization exists. The OWDA Waterline Replacement #4859 and the Ohio Public Works Commission (OPWC) loans are for water and sewer line replacement and repairs.

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

Year ending December 31:	OWDA #4859	OPWC CQ16K	OPWC CQ07N	OPWC CQ22L	OPWC CT38P	OPWC CQ15Q
2016	\$ 14,028	\$ 11,121	\$ 1,220	\$ 3,663	\$ 3,397	\$ 886
2017	14,053	11,121	1,220	3,663	3,397	886
2018	14,079	11,121	1,220	3,663	3,397	886
2019	14,106	11,121	1,220	3,663	3,397	886
2020	14,135	11,121	1,220	3,663	3,397	886
2021-2025	71,150	55,604	6,100	18,315	16,987	4,429
2026-2030	72,085	44,394	6,100	16,484	16,987	4,429
2031-2035	73,249	-	6,100	-	16,987	3,983
2036-2040	44,625	-	6,100	-	16,987	-
2041-2045	-	-	1,215	-	10,192	-
Total	<u>\$ 331,510</u>	<u>\$ 155,603</u>	<u>\$ 31,715</u>	<u>\$ 53,114</u>	<u>\$ 95,125</u>	<u>\$ 17,271</u>

7. RETIREMENT SYSTEMS

The Village's elected officials and employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multi-employer plan. The Ohio Revised Code prescribes this plan's benefits, which includes postretirement healthcare, and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2015 and 2014, 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, 2015.

**VILLAGE OF SUGAR GROVE
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Continued)**

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. 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 York. 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, 2015, 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 auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2014 and 2015:

	<u>2014</u>	<u>2015</u>
Assets	\$35,402,177	\$38,307,677
Liabilities	<u>(12,363,257)</u>	<u>(12,759,127)</u>
Net Position	<u>\$23,038,920</u>	<u>\$25,548,550</u>

At December 31, 2014 and 2015, respectively, the liabilities above include approximately 11.1 million and \$11.5 million of estimated incurred claims payable. The assets above also include approximately \$10.8 million and \$11.0 million of unpaid claims to be billed. The Pool's membership increased from 488 members in 2014 to 499 members in 2015. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2015, the Village's share of these unpaid claims collectible in future years is approximately \$8,000.

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.

**VILLAGE OF SUGAR GROVE
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Continued)**

8. RISK MANAGEMENT (Continued)

<u>Contributions to PEP</u>	
<u>2014</u>	<u>2015</u>
\$ 12,257	\$ 12,678

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. CONTINGENT LIABILITIES

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor, principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.



428 Second St.
Marietta, OH 45750
740.373.0056

1035 Murdoch Ave.
Parkersburg, WV 26101
304.422.2203

104 South Sugar St.
St. Clairsville, OH 43950
740.695.1569

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

June 9, 2016

Village of Sugar Grove
Fairfield County
101 Bridge Street
Sugar Grove, Ohio 43155

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements cash balances, receipts and disbursements by fund type of the **Village of Sugar Grove**, Fairfield County, (the Village) as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements and have issued our report thereon dated June 9, 2016, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Entity's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of audit findings that we consider material weaknesses. We consider findings 2015-001 through 2015-004 to be material weaknesses.



...*"bringing more to the table"*

Tax - Accounting - Audit - Review - Compilation - Agreed Upon Procedure - Consultation - Bookkeeping - Payroll
Litigation Support - Financial Investigations

Members: American Institute of Certified Public Accountants

- Ohio Society of CPAs • West Virginia Society of CPAs • Association of Certified Fraud Examiners •
- Association of Certified Anti - Money Laundering Specialists •



Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of audit findings as items 2015-003 and 2015-005.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated June 9, 2016.

Entity's Response to Findings

The Entity's responses to the findings identified in our audit are described in the accompanying schedule of audit findings. We did not audit the Entity's responses and, accordingly, we express no opinion on them.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

VILLAGE OF SUGAR GROVE
FAIRFIELD COUNTY

SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

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

FINDING NUMBER 2015-001

Material Weakness

Utility Billing

Effective controls over utility billing are critical for the Village to help ensure customers are being billed properly in accordance with the established Village rates. This helps ensure funds will be available to sustain the utility and provide for future debt service and utility improvement disbursements.

The Village bills quarterly for water, sewer and trash. In 2015, 74% and in 2014, 63% did not have correct billing rates for water and sewer.

The Village is not billing and collecting monies in accordance with its approved rate structure and therefore not realizing utility revenues.

We recommend the Village review these discrepancies and determine via a Council vote if they will forgive the unbilled amounts or recoup the fees from the citizens. We further recommend the Village perform quarterly internal billing recomputations on a number of citizens to help ensure this does not occur in the future.

Management's Response – The Village will review the ordinances and utility billing software, the Village will make the necessary changes by either amending the ordinance or updating the utility billing software, the correction will not take place until the 3rd quarter billing, which is September 15, 2016.

FINDING NUMBER 2015-002

Material Weakness

Maintaining Utility Records

The Village offers water, sewage, and trash services to its residents. The Village did not maintain supporting documents for amounts received or the amounts billed for the first three quarters of 2014. Beginning in September of 2014, all supporting documentation was available.

Inadequate supporting documentation eliminates a significant control point, obscures the audit trail and provides for the opportunity for errors and irregularities occurring and not being detected by management in a timely manner.

The Village should keep all documentation to support water, sewer, and trash collections and delinquent accounts. The Village should keep ledgers showing billed amounts, paid amounts, dates paid and amounts due by customer for each month as well as keep deposit slips and a receipts ledger for all amounts paid.

Management's Response – With the new Fiscal Officer as of September 1, 2014, all documentation to support water, sewer, trash collections and delinquent accounts has been kept.

VILLAGE OF SUGAR GROVE
FAIRFIELD COUNTY

SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Continued)

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

FINDING NUMBER 2015-003

Material Weakness/Noncompliance

Budgetary Controls

The budget is an instrument of public policy: A governing board expresses its desires for using a government's limited resources through its appropriations. Ohio Rev. Code Section 5705 deals with a variety of budgetary requirements that all subdivisions must comply with in order to ensure fiscal responsibility.

In performing the audit we noted several violations of budgetary law which, although they do not in and of themselves, result in errors in financial reporting, may lead to the Village making financial decisions based on incorrect or incomplete information. We noted the following:

- Violations of 5705.39 indicating appropriations cannot exceed estimated resources and;
- Violations of 5705.41(B) stating no subdivision is to expend money unless it has been appropriated (expenditures exceeded appropriations).

In addition, The Village did not have a control procedure in place to ensure that appropriations and estimated receipts, as authorized by the Village Council and approved by the County Budget Commission, were reconciled to the appropriations and estimated receipts posted to the accounting system.

This resulted in incorrect amounts posted to the accounting system and information available to Village officials to monitor year-to-date total comparison of budgeted amounts versus actual amounts was not accurate. We recommend the Village implement procedures to ensure appropriations and estimated receipts are accurately posted to the accounting system and reconciled to the amounts approved by the budget commission after each amendment.

Council does not monitor for budgetary compliance. Although Council approves budgets for revenue and expenses and receives monthly reports of budget and actual information, it does not ensure budgetary forms are properly completed, submitted to the County Budget Commission timely or that transfers are done in compliance with laws and regulations.

Council should review the requirements of ORC section 5705 to be familiar with these laws and to make sure the Village is complying with applicable sections. We recommend the Village establish a procedure that ensures budgetary forms are submitted to the County accurately and timely. This could include a checklist of forms and due dates. Council should also consider the need to move from a manual system to a computerized system that will incorporate budgetary requirements. If Council does not consider this necessary, steps should be taken to make sure amounts are encumbered (purchase orders are used and assigned to each purchase prior to ordering), certifications of available funds are done by the Fiscal Officer prior to purchasing and unencumbered balances are tracked for each line item.

Management's Response – Council approved the additions to appropriation, the sending the Resolution slipped by the Fiscal Officer. Will monitor additional income/appropriations more closely, make sure that all changes for sent to the County Auditor.

VILLAGE OF SUGAR GROVE
FAIRFIELD COUNTY

SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Continued)

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

FINDING NUMBER 2015-004

Material Weakness

Restatement of Beginning Fund Balance Due to Unposted Expenditures

In 2014, the Village posted adjustments from the previous audit incorrectly. This resulted in the Village needing to make fund balance adjustments to the Capital Projects and Enterprise Funds to reverse these incorrect adjustments. These adjustments were deemed necessary to record the Sewer Stabilization Capital Projects Fund activity properly as an Enterprise Fund.

We recommend the Village post all audit adjustments correctly. A review by management should occur to ensure audited balances agree to the Village ending accounting system balance.

Management's Response – The Fiscal Officer, will review the prior audit adjustment and will make the necessary fund balance adjustments, sometime in July 2016.

FINDING NUMBER 2015-005

Noncompliance

Ohio Rev. Code Sections 2743.70 and 2949.091 require the Court, in which any person is convicted of or pleads guilty to any offense other than a traffic offense that is not a moving violation, to impose and collect additional costs to be used for the State's Reparations Fund and the State's General Fund, respectively. All such moneys collected during a month under Ohio Rev. Code Section 2743.70 shall be transmitted on the first business day of each month by the Clerk of the Court to the Treasurer of State and deposited by the Treasurer in the Reparations Fund. All such moneys collected during a month under Ohio Rev. Code Section 2949.091 shall be transmitted on or before the twentieth day of the following month by the Clerk of the Court to the Treasurer of State and deposited by the Treasurer into the General Fund.

Ohio Revised Code 733.40 requires, except as otherwise provided in Ohio Revised Code Section 4511.193, all fines, forfeitures, and cost in ordinance cases and all fees collected by the mayor, or which in any manner come into his or her hands, or which are due to such mayor or a marshal, chief of police, or other officer of the municipal corporation, any other fees and expenses which have been advanced out of the treasury of the municipal corporation, and all money received by such mayor for the use of such municipal corporation, shall be paid by clerk into the Village's treasury on the first Monday of each month.

During the audit period, the Village Mayor's Court collected, but failed to remit payments to the State and Village in a timely manner. The Village Mayor's Court should remit moneys owed to the State and Village in a timely manner.

Management's Response – Will do a better job of filing reports timely.

**VILLAGE OF SUGAR GROVE
FAIRFIELD COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2013-VOSG-001	Financial Statement Presentation	No	Partially Corrected; Repeated as Finding number 2015-004
2013-VOSG-002	Utility Billing	No	Not Corrected; Repeated as Finding number 2015-001
2013-VOSG-003	5705.41(D) Proper encumbrances	Yes	
2013-VOSG-004	5705.38(C) Appropriating at the legal level of control	Yes	



Dave Yost • Auditor of State

VILLAGE OF SUGAR GROVE

FAIRFIELD 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
SEPTEMBER 1, 2016