



Dave Yost • Auditor of State

VILLAGE OF ELIDA
ALLEN COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Village of Elida
Allen County
406 E. Main Street
Elida, Ohio 45807

To the Members of 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 Elida , Allen County, Ohio (the Village) as of and for the years ended December 31, 2016 and 2015.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2016 and 2015, and the respective changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Village of Elida , Allen County as of December 31, 2016 and 2015, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Other Reporting Required by Government Auditing Standards

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



Dave Yost
Auditor of State
Columbus, Ohio

August 10, 2018

Village of Elida, Ohio

Allen County

Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Cash Basis)

All Governmental Fund Types

For the Year Ended December 31, 2016

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$65,581		\$65,581
Municipal Income Tax	497,337		497,337
Intergovernmental	42,846	\$141,185	184,031
Fines, Licenses and Permits	35,472		35,472
Earnings on Investments	34		34
Miscellaneous	5,909	6,432	12,341
<i>Total Cash Receipts</i>	647,179	147,617	794,796
Cash Disbursements			
Current:			
Security of Persons and Property	210,452		210,452
Public Health Services	7,699		7,699
Basic Utility Services	3,046		3,046
Transportation	52,154	114,721	166,875
General Government	209,685		209,685
Capital Outlay	35,761	110,624	146,385
Debt Service:			
Principal Retirement	53,700	12,252	65,952
Interest and Fiscal Charges		2,210	2,210
<i>Total Cash Disbursements</i>	572,497	239,807	812,304
<i>Excess of Receipts Over (Under) Disbursements</i>	74,682	(92,190)	(17,508)
Other Financing Receipts (Disbursements)			
Transfers In		70,000	70,000
Transfers Out	(70,000)		(70,000)
Other Financing Sources	166		166
Other Financing Uses	(2,176)		(2,176)
<i>Total Other Financing Receipts (Disbursements)</i>	(72,010)	70,000	(2,010)
<i>Net Change in Fund Cash Balances</i>	2,672	(22,190)	(19,518)
<i>Fund Cash Balances, January 1</i>	400,876	69,686	470,562
Fund Cash Balances, December 31			
Restricted		47,496	47,496
Assigned	403,548		403,548
<i>Fund Cash Balances, December 31</i>	\$403,548	\$47,496	\$451,044

See accompanying notes to the basic financial statements

Village of Elida, Ohio

Allen 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, 2016

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$1,756,810		\$1,756,810
Fines, Licenses and Permits		\$29,747	29,747
<i>Total Operating Cash Receipts</i>	1,756,810	29,747	1,786,557
Operating Cash Disbursements			
Personal Services	231,772		231,772
Employee Fringe Benefits	91,889		91,889
Contractual Services	1,068,985		1,068,985
Supplies and Materials	131,591		131,591
Other	313,567	29,747	343,314
<i>Total Operating Cash Disbursements</i>	1,837,804	29,747	1,867,551
<i>Operating (Loss)</i>	(80,994)		(80,994)
Non-Operating Receipts (Disbursements)			
Other Debt Proceeds	3,222,513		3,222,513
Miscellaneous Receipts	18,966		18,966
Capital Outlay	(2,517,741)		(2,517,741)
Principal Retirement	(373,655)		(373,655)
Interest and Other Fiscal Charges	(49,364)		(49,364)
<i>Total Non-Operating Receipts (Disbursements)</i>	300,719		300,719
<i>Income before Transfers</i>	219,725		219,725
Transfers In	209,033		209,033
Transfers Out	(209,033)		(209,033)
<i>Net Change in Fund Cash Balances</i>	219,725		219,725
<i>Fund Cash Balances, January 1</i>	870,551		870,551
<i>Fund Cash Balances, December 31</i>	\$1,090,276	\$0	\$1,090,276

See accompanying notes to the basic financial statements

Village of Elida, Ohio
Allen County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 1 - Reporting Entity

The Village of Elida, Allen County, Ohio, (the “Village”) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general governmental services, including public safety, street maintenance, water and sewer utilities and mayor’s court.

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

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Village’s financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

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

State Highway – The fund receives gasoline tax and motor vehicle license registration fees for construction, maintenance, and repair of State Highways in the Village.

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 Operating Fund This fund receives charges for services from residents to cover the cost of providing this utility

Sewer Operating Fund This fund receives charges for services from residents to cover the cost of providing this utility.

Village of Elida, Ohio
Allen County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Waste Water Treatment Plant Fund The utility improvement fund accounts for loan proceeds from the Ohio Water Development Authority restricted to the utility plant expansion.

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. 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 had the following fiduciary fund type (Agency):

Mayor’s Court Fund - This fund receives monies from collections of fines imposed from tickets issued by the Village’s police force. Funds are collected in part on behalf of the State of Ohio. In addition, funds are used for safety programs and general Village operations.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The 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.

Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, except certain agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the department level within a fund. Any budgetary modifications at this level may only be made by resolution of the Village’s Council.

Appropriations

A temporary appropriation to control cash disbursements may be passed on or about January 1 of each year for the period January to March 31st. An annual appropriation measure must be passed by April 1 of each year for the period January 1 to December 31. The appropriations measure may be amended or supplemented during the year as new information becomes available. Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, department level of control. Unencumbered appropriations lapse at year end. Appropriations may not exceed estimated resources.

Village of Elida, Ohio
Allen County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Estimated Resources

The County Budget Commission determines if the budget substantiates a need to levy the full amount of authorized property tax rates and reviews receipt estimates. The County Budget Commission certifies its actions to the Village by September 1. As part of this certification, the Village receives the official certificate of estimated resources, which states the projected receipts of each fund. On or about January 1, the certificate is amended to include unencumbered fund balances at December 31 of the preceding year. Further amendments may be made during the year if the Village determines that receipts collected will be greater than or less than the prior estimates and the Budget Commission find the revised estimates to be reasonable. Prior to December 31, the Village must revise its budget so that the total contemplated expenditures from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure.

Encumbrances

As part of the formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation. At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be appropriated.

A summary of 2016 budgetary activity appears in Note 4.

Deposits and Investments

The Village's accounting basis includes investments as assets. Interest income earned and received by the Village totaled \$33.77 for the year ended December 31, 2016. The Village maintained all money in checking and savings accounts.

Capital Assets

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

Accumulated Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the basis of accounting used by the Village.

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:

Village of Elida, Ohio
Allen County
Notes to the Financial Statements
For the Year Ended December 31, 2016

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

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

Committed Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

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

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

Note 3 - Compliance

Contrary to Ohio Revised Code Section 5705.41 (B), budgetary expenditures exceeded appropriation authority in the Enterprise Water Operating Fund by \$258,138, the Water R&I Fund by \$158,111, and the Wastewater Treatment Fund by \$1,398,829, for the year ended December 31, 2016. Also contrary to Ohio Revised Code Section 5705.38 (C), the Village adopted the 2016 appropriations at the fund/department level, instead of the fund/department/object level and during 2016, appropriation amendments were recorded in the accounting system that were not approved by Council.

Note 4 - Budgetary Activity

Budgetary activity for the year ending 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,221,900	\$647,345	(\$574,555)
Special Revenue	230,775	217,617	(13,158)
Enterprise	5,923,264	5,207,322	(715,942)
Total	\$7,375,939	\$6,072,284	(\$1,303,655)

Village of Elida, Ohio
Allen County
Notes to the Financial Statements
For the Year Ended December 31, 2016

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,602,587	\$644,673	\$957,914
Special Revenue	320,063	239,807	80,256
Enterprise	3,886,540	5,130,042	(1,243,502)
Total	\$5,809,190	\$6,014,522	(\$205,332)

Note 5 – Deposits and Investments

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:

	2016
Demand deposits	\$1,429,046
Other time deposits (savings and NOW accounts)	112,274
Total deposits	\$1,541,320

Deposits

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

Note 6 – Taxes

Property Taxes

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

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

Income Taxes

The Village levies a municipal income tax of three quarters of one 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 City of Cleveland Central Collection Agency (CCA) either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

Village of Elida, Ohio
Allen County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 7 - Risk Management

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

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

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

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

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

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2016 and 2015.

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

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

Note 8 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Twenty-Six employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

Village of Elida, Ohio
Allen County
Notes to the Financial Statements
For the Year Ended December 31, 2016

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10%, of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2016.

Ohio Police and Fire Retirement System

Two full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. The Village has paid all contributions required through December 31, 2016.

Note 9 - Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent of the employer contribution to fund these benefits, and OP&F contributes 0.5 percent to fund these benefits.

Note 10 – Debt

Debt outstanding at December 31, 2016 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
2013 First Federal loan for the Meter System. Payments are due in semi-annual installments of \$27,124.82 through 2017 at an interest rate of 2.64%	\$53,181	2.64%
2011 Ohio Water Development Authority (OWDA) water supply loan relating to the construction of an elevated water tower. Due in semiannual installments of varying amounts through 2030 at an interest of 3.2%	\$915,205	3.20%
2016 OWDA Waste Water Treatment Improvement loan. Payments are due in semi-annual installments beginning July 1, 2017 and continuing through January 1, 2037 at 0%.	\$2,526,193	0.00%
2010 Ohio Public Works Commission (OPWC) for the reconstruction of Main Street Phase I. Payments are due in semiannual installments of \$6,667 through 2042 at an interest rate of 0%	\$340,000	0.00%

Village of Elida, Ohio
Allen County
Notes to the Financial Statements
For the Year Ended December 31, 2016

	Principal	Interest Rate
2010 Ohio Public Works Commission (OPWC) for the reconstruction of Main Street Phase II. Payments are due in semiannual installments of \$4,755.36 through 2043 at an interest of 0%	\$256,791	0.00%
2016 First Federal SR 309 Waterline Project loan. Payments are due in quarterly installments of \$13,007.44 through 2026 at an interest rate of 2.5%	\$376,320	2.50%
2015 KS State Bank for a loan for a Mack Dump Truck. Payments are due in annual installments of \$28,917.97 at an interest rate of 2.6%	\$82,132	2.60%
2016 First Federal loan for a Vactor Truck. Payments are due in quarterly installments of \$9,240.57 at an interest rate of 2.85%	\$299,069	2.85%
2014 Elida Annex. An MOU with Elida Local School District that the Village will pay the School District \$30,856.26 for nine years and \$30,856.28 for the tenth and final year	\$215,994	0.00%
Total	\$5,064,885	

Amortization

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

Year Ending December 31:	Bank and OPWC Loans and MOU	OWDA Loans
2017	\$200,912	\$152,454
2018	171,610	225,201
2019	171,610	225,311
2020	142,692	225,424
2021	142,692	225,541
2022-2026	490,011	1,129,598
2027-2031	114,221	1,051,484
2032-2036	114,221	419,612
2037-2041	114,221	0
2042-2043	45,688	0
Total	\$1,707,878	\$3,654,626

Village of Elida, Ohio
Allen County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 11 – Contingent Liabilities

The Village is not currently involved in litigation

Note 12 – Subsequent Events

On February 28, 2017 the Village Council passed resolution #425-2017 accepting the bid of Kulhman Builders Inc. in the amount \$839,998 for a general trade bid for the construction of a new Village Hall.

On February 28, 2017 the Village Council passed resolution #426 – 2017 accepting the bid of All-Temp Refrigeration Inc. for \$185,184 for the plumbing, electrical, and mechanical contract for the construction of a new Village Hall.

On February 28, 2017 the Village Council Ordinance #1101-2017 approving issuing bonds not to exceed \$1,100,000 for the purpose of paying the costs of acquiring, building, and equipping a new Village Hall.

On March 13, 2018 the Village Council passed Ordinance #1121-2018 approving the issuance of bonds on-behalf of the Lima Convalescent Home Foundation, Inc. project not to exceed \$7,000,000.

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Village of Elida, Ohio

Allen County

Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Cash Basis)

All Governmental Fund Types

For the Year Ended December 31, 2015

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$65,600		\$65,600
Municipal Income Tax	485,067		485,067
Intergovernmental	43,955	\$102,875	146,830
Fines, Licenses and Permits	27,824		27,824
Earnings on Investments	34		34
Miscellaneous	7,285	928	8,213
<i>Total Cash Receipts</i>	629,765	103,803	733,568
Cash Disbursements			
Current:			
Security of Persons and Property	184,500		184,500
Public Health Services	5,051		5,051
Community Environment	1,600		1,600
Transportation	44,625	136,710	181,335
General Government	185,641		185,641
Capital Outlay	198,997	61,386	260,383
Debt Service:			
Principal Retirement	53,700	8,918	62,618
<i>Total Cash Disbursements</i>	674,114	207,014	881,128
<i>Excess of Receipts (Under) Disbursements</i>	(44,349)	(103,211)	(147,560)
Other Financing Receipts (Disbursements)			
Other Debt Proceeds		42,534	42,534
Transfers In		45,000	45,000
Transfers Out	(45,000)		(45,000)
Other Financing Sources	5		5
<i>Total Other Financing Receipts (Disbursements)</i>	(44,995)	87,534	42,539
<i>Net Change in Fund Cash Balances</i>	(89,344)	(15,677)	(105,021)
<i>Fund Cash Balances, January 1</i>	490,220	85,363	575,583
Fund Cash Balances, December 31			
Restricted		89,288	89,288
Assigned	380,687		380,687
Unassigned (Deficit)	20,189	(19,602)	587
<i>Fund Cash Balances, December 31</i>	\$400,876	\$69,686	\$470,562

See accompanying notes to the basic financial statements

Village of Elida, Ohio

Allen 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

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$1,588,479		\$1,588,479
Fines, Licenses and Permits		\$16,630	16,630
<i>Total Operating Cash Receipts</i>	<u>1,588,479</u>	<u>16,630</u>	<u>1,605,109</u>
Operating Cash Disbursements			
Personal Services	241,099		241,099
Employee Fringe Benefits	84,170		84,170
Contractual Services	619,522		619,522
Supplies and Materials	103,513		103,513
Other	925	16,630	17,555
<i>Total Operating Cash Disbursements</i>	<u>1,049,229</u>	<u>16,630</u>	<u>1,065,859</u>
<i>Operating Income</i>	<u>539,250</u>		<u>539,250</u>
Non-Operating Receipts (Disbursements)			
Other Debt Proceeds	212,723		212,723
Miscellaneous Receipts	1,313		1,313
Capital Outlay	(318,890)		(318,890)
Principal Retirement	(156,085)		(156,085)
Interest and Other Fiscal Charges	(48,408)		(48,408)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(309,347)</u>		<u>(309,347)</u>
<i>Income (Loss) before Transfers</i>	229,903		229,903
Transfers In	221,488		221,488
Transfers Out	(221,488)		(221,488)
<i>Net Change in Fund Cash Balances</i>	229,903		229,903
<i>Fund Cash Balances, January 1</i>	<u>640,648</u>		<u>640,648</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$870,551</u></u>	<u><u>\$0</u></u>	<u><u>\$870,551</u></u>

See accompanying notes to the basic financial statements

Village of Elida, Ohio
Allen County
Notes to the Financial Statements
For the Year Ended December 31, 2015

Note 1 - Reporting Entity

The Village of Elida, Allen County, Ohio, (the "Village"), Allen County, is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides general governmental services, including public safety, street maintenance, water and sewer utilities and mayor's court

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

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

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

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 Operating Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

Sewer Operating Fund This fund receives charges for services from residents to cover the cost of providing this utility.

Village of Elida, Ohio
Allen County
Notes to the Financial Statements
For the Year Ended December 31, 2015

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. 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 had the following fiduciary fund type (Agency):

Mayor’s Court Fund – This fund receives monies from collections of fines imposed from tickets issued by the Village’s police force. Funds are collected in part on behalf of the State of Ohio. In addition, funds are used for safety programs and general Village operations.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The 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.

Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolutions are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, except certain agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the object level with a department and fund. Any budgetary modifications at this level may only be made by resolution of the Village’s Council.

Appropriations

A temporary appropriation measure to control cash disbursement may be passed on or about January 1 of each year for the period January to March 31. An annual appropriation measure must be passed by April 1 of each year for the period January 1 to December 31. The appropriations measure may be amended or supplemented during the year as new information becomes available. Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, object, department level if control. Unencumbered appropriations lapse at year end. Appropriations may not exceed estimated resources.

Village of Elida, Ohio
Allen County
Notes to the Financial Statements
For the Year Ended December 31, 2015

Estimated Resources

The County Budget Commission determines if the budget substantiates a need to levy the full amount of authorized property tax rates and reviews receipt estimates. The County Budget Commission certifies its actions to the Village by September 1. As part of this certification, the Village receives the official certificate of estimated resources, which states the projected receipts of each fund. On or about January 1, the certificate is amended to include unencumbered fund balances at December 31 of the preceding year. Further amendments may be made during the year if the Village determines that receipts collected will be greater than or less than the prior estimates and the Budget Commission find the revised estimates to be reasonable. Prior to December 31, the Village must revise its budget so that the total contemplated expenditures from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure.

Encumbrances

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation. At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappointed.

A summary of 2015 budgetary activity appears in Note 3

Deposits and Investments

The Village's accounting basis includes investments as assets. Interest income earned and received by the Village totaled \$33.77 for the year ended December 31, 2015. The Village maintained all money in checking and savings accounts. Interest income earned and received by the Village totaled \$33.66 for the year ended December 31, 2015.

Capital Assets

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

Accumulated Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the basis of accounting used by the Village.

Village of Elida, Ohio
Allen County
Notes to the Financial Statements
For the Year Ended December 31, 2015

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

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

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

Committed Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

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

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

Note 3 - Budgetary Activity

Budgetary activity for the year ending 2015 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,461,150	\$629,770	(\$831,380)
Special Revenue	203,475	191,337	(12,138)
Enterprise	3,803,450	2,024,003	(1,779,447)
Total	\$5,468,075	\$2,845,110	(\$2,622,965)

Village of Elida, Ohio
Allen County
Notes to the Financial Statements
For the Year Ended December 31, 2015

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,948,700	\$719,701	\$1,228,999
Special Revenue	286,560	207,014	79,546
Enterprise	4,327,680	1,822,100	2,505,580
Total	\$6,562,940	\$2,748,815	\$3,814,125

Note 4 – Deposits and Investments

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
Demand deposits	\$1,228,873
Other time deposits (savings and NOW accounts)	112,240
Total deposits	\$1,341,113

Deposits

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

Note 5 – Taxes

Property Taxes

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

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

Income Taxes

The Village levies a municipal income tax of three quarters of one 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 City of Cleveland Central Collection Agency (CCA) either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

Village of Elida, Ohio
Allen County
Notes to the Financial Statements
For the Year Ended December 31, 2015

Note 6 - Risk Management

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

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

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Effective November 1, 2012 (and through October 2014) the plan increased its retention to 50% of the first \$250,000 casualty treaty. Effective November 1, 2014, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 772 members as of December 31, 2015.

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

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

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2015 and 2014.

	2015
Assets	<u>\$14,643,667</u>
Liabilities	<u>(9,112,030)</u>
Members' Equity	<u>\$5,531,637</u>

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

Village of Elida, Ohio
Allen County
Notes to the Financial Statements
For the Year Ended December 31, 2015

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Twenty-five employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10%, of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2015.

Ohio Police and Fire Retirement System

Two full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. Effective through June 30, 2015 participants contributed 11.5% of their wages, however effective July 1, 2015 the rate was 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. The Village has paid all contributions required through December 31, 2015.

Note 8 - Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. During calendar year 2015, OPERS contributed 2 percent of the employer contribution to fund these benefits, and OP&F contributes 0.5 percent to fund these benefits.

Note 9 – Debt

Debt outstanding at December 31, 2015 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
2013 First Federal loan for the Meter System. Payments are due in semi-annual installments of \$27,124.82 through 2017 at an interest rate of 2.64%	\$104,962	2.64%
2011 Ohio Water Development Authority (OWDA) water supply loan relating to the construction of an elevated water tower. Due in semiannual installments of varying amounts through 2030 at an interest rate of 3.2%	\$966,307	3.20%
Ohio Water Development Authority Loan		

Village of Elida, Ohio
Allen County
Notes to the Financial Statements
For the Year Ended December 31, 2015

	<u>Principal</u>	<u>Interest Rate</u>
2010 Ohio Public Works Commission (OPWC) for the reconstruction of Main Street Phase I. Payments are due in semiannual installments of \$6,667 through 2042 at an interest of \$0	353,333	0.00%
2010 Ohio Public Works Commission (OPWC) for the construction of Main Street Phase II. Payments are due in semiannual installments of \$4755.39 through 2043 at an interest rate of 0%	266,302	0.00%
2015 KS State Bank loan for a Mack Dump Truck. Payments are due in annual installments of \$28,917.97 at an interest rate of 2.6%	108,289	2.60%
1994 Bank of New York Mellon. Payments are due in bi-annual installments of variable amounts at an interest rate of 6.625%	130,000	6.63%
2015 OWDA Loan #6844. Payments are due in biannual installments of variable amounts at an interest rate of 2.46%	106,231	2.46%
2014 Elida Annex. An MOU with Elida Local School District that the Village will pay the School District \$30,856.26 for nine years and \$30,856.26 for the tenth and final year	246,850	0.00%
Total	<u>\$2,282,274</u>	

Amortization

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

Year Ending December 31:	Bank and OPWC Loans and MOU	OWDA Loans
2016	\$275,821	\$187,592
2017	137,935	79,814
2018	82,618	79,920
2019	82,618	80,030
2020	53,700	80,143
2021-2025	206,789	402,547
2026-2030	114,221	405,981
2031-2035	114,221	0
2036-2040	114,221	0
2041-2043	68,532	0
Total	<u>\$1,250,676</u>	<u>\$1,316,027</u>

Village of Elida, Ohio
Allen County
Notes to the Financial Statements
For the Year Ended December 31, 2015

Note 10 – Construction and Contractual Commitments

The Village is in the process of updating our Waste Water Treatment Plant. The funding is through OWDA with a 0% interest rate.

Note 11– Contingent Liabilities

The Village is currently in litigation involving a patrolman.

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Dave Yost • Auditor of State

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

Village of Elida
Allen County
406 E. Main Street
Elida, Ohio 45807

To the Members of Council:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Village of Elida, Allen County, (the Village) as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements and have issued our report thereon dated August 10, 2018 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. We consider finding 2016-001 described in the accompanying schedule of findings to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2016-002 described in the accompanying schedule of findings to be a significant deficiency.

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Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2016-003.

Village's Response to Findings

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



Dave Yost
Auditor of State
Columbus, Ohio

August 10, 2018

VILLAGE OF ELIDA
ALLEN COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015

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

FINDING NUMBER 2016-001

Material Weakness – Accuracy of Financial Reporting

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

The following errors were identified in December 31, 2016 financial statements:

- Activity related to the Mayor's Court was not recorded within the Mayor's Court Agency Fund. This resulted in adjustments to record \$29,747 in fines, licenses and permits receipts and \$29,747 in other operating disbursements;
- Mayor's Court State and City Costs were improperly recorded in the General Fund as fines, licenses, and permits receipts and general government disbursements in the amount of \$9,670; this activity was removed from the General Fund financial statements;
- Safe Routes to School grant receipts were recorded as other financing sources receipts in the General Fund in the amount of \$19,602, rather than as intergovernmental receipts in a Safe Routes to Schools Fund within the Special Revenue Fund Type;
- Income tax receipts received from the Village's income tax collection agency were recorded at the net amount instead of the gross amount, which resulted in an understatement of municipal income tax receipts and general government disbursements of \$22,520 in the Village Income Tax Fund which rolls into the General Fund for financial statement presentation;
- Ordinance 1082-2015 authorized the Village income tax to provide funds for the purpose of general municipal operations, maintenance, new equipment, extension and enlargement of municipal services and facilities, and capital improvements of the Village. Per Governmental Accounting Standards Board (GASB) Statement No. 54, paragraph 30 (GASB Codification 1300.105), 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 Statement No. 54, paragraph 29 (GASB Codification 1300.104), states the general fund is used to account for and report all financial resources not accounted for and reported in another fund. Since the income tax use is not restricted, it should be accounted for in the General Fund. Activity related to the Village Income Tax Fund was reported on the financial statements as a Special Revenue Fund instead of being rolled into the General Fund. This resulted in adjustments to record municipal income tax receipts of \$474,817, general government disbursements of \$44,543, transfers out of \$330,000, the January 1 fund balances of \$257,951 and the December 31 fund balance of \$358,225 in the General Fund and to remove this activity from the Special Revenue Fund Type;
- Subsequent year appropriations in the General Fund exceeded estimated receipts by \$403,548 and were classified as unassigned fund balance instead of assigned fund balance. Governmental Accounting Standards Board (GASB) Statement No. 54, paragraph 16 (GASB Codification 1800.176) – *Fund Balance Reporting and Governmental Fund Type Definitions*, states an appropriation of existing fund balance to eliminate a projected budgetary deficit in the subsequent year's budget in an amount no greater than the projected excess of expected expenditures over expected revenues satisfies the criteria to be classified as an assignment of fund balance;
- Debt payments were recorded as other financing uses disbursements in the General Fund in the amount of \$53,700, rather than as principal retirement disbursements;

FINDING NUMBER 2016-001
(Continued)

- Debt payments were recorded as capital outlay disbursements in the Street Construction Maintenance and Repair Fund in the amount of \$14,462, rather than as \$12,252 in principal retirement disbursements and \$2,210 in interest and fiscal charges disbursements;
- Debt proceeds were recorded as non-operating miscellaneous receipts in the Water Operating Fund, in the amount of \$320,000, rather than as other debt proceeds receipts;
- Debt proceeds were recorded as other financing sources in the Water Replacement and Improvement Fund and Wastewater Treatment Plant Fund in the amounts of \$376,320 and \$2,432,221, respectively, rather than as other debt proceeds receipts;
- OWDA loan #6844 payoff activity (rolled into OWDA loan #7193) was not recorded in the accounting records. This resulted in an understatement within the Sewer Replacement and Improvement Fund of other debt proceeds receipts and principal retirement disbursements in the amount of \$93,972;
- Debt payments were recorded as contractual services disbursements in the Sewer Replacement and Improvement Fund in the amount of \$13,356, rather than as \$11,964 in principal retirement disbursements and \$1,392 in interest and other fiscal charges;
- Debt payments were recorded as capital outlay disbursements in the Water Operating Fund, Sewer Operating Fund, and Refuse Operating Fund in the amounts of \$7,772, \$18,861, and \$15,544, respectively, rather than as principal retirement disbursements in the amounts of \$6,616, \$14,989, and \$13,231, respectively, and interest and other fiscal charges disbursements in the amounts of \$1,156, \$3,872, and \$2,313, respectively;
- Debt payments were recorded as other disbursements in the Sewer Operating Fund in the amount of \$100,000, rather than as principal retirement disbursements; and
- Debt interest payments were recorded as other disbursements in the Water Operating Fund in the amount of \$918, rather than as interest and other fiscal charges disbursements.

The following errors were identified in December 31, 2015 financial statements:

- Activity related to the Mayor's Court was not recorded within the Mayor's Court Fund. This resulted in adjustments to record \$16,630 in fines, licenses and permits receipts and \$16,630 in other operating disbursements;
- Mayor's Court State and City Costs were improperly recorded in the General Fund as fines, licenses, and permits receipts and general government disbursements in the amount of \$5,242; this activity was removed from the General Fund financial statements;
- Safe Routes to School grant disbursements were recorded as transportation disbursements in the General Fund in the amount of \$19,602, rather than in a Safe Routes to Schools fund within the special revenue opinion unit;
- Municipal income tax receipts received from the Village's income tax collection agency were recorded at the net amount instead of the gross amount, which resulted in an understatement of municipal income tax receipts and general government disbursements of \$5,639 in the Village Income Tax Fund which rolls into the General Fund for financial statement presentation;
- Ordinance 1082-2015 authorized the Village income tax to provide funds for the purpose of general municipal operations, maintenance, new equipment, extension and enlargement of municipal services and facilities, and capital improvements of the Village. Per Governmental Accounting Standards Board (GASB) Statement No. 54, paragraph 30 (GASB Codification 1300.105), 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 Statement No. 54, paragraph 29 (GASB Codification 1300.104), states the general fund is used to account for and report all financial resources not accounted for and reported in another fund. Since the income tax use is not restricted, it should be accounted for in the General Fund. Activity related to the Village Income Tax Fund was reported on the financial statements as a Special Revenue Fund instead of being rolled into the General Fund.

**FINDING NUMBER 2016-001
(Continued)**

This resulted in adjustments to records municipal income tax receipts of \$479,428, general government disbursements of \$49,783, transfers out of \$660,000, the January 1 fund balance of \$488,306, and the December 31 fund balance of \$257,951 in the General Fund and to remove this activity from the Special Revenue Fund Type;

- Subsequent year appropriations in the General Fund exceeded estimated receipts by \$380,687 and were classified as unassigned fund balance instead of assigned fund balance. Governmental Accounting Standards Board (GASB) Statement No. 54, paragraph 16 (GASB Codification 1800.176) – *Fund Balance Reporting and Governmental Fund Type Definitions*, states an appropriation of existing fund balance to eliminate a projected budgetary deficit in the subsequent year's budget in an amount no greater than the projected excess of expected expenditures over expected revenues satisfies the criteria to be classified as an assignment of fund balance;
- Debt payments were recorded as other financing uses disbursements in the General Fund in the amount of \$53,700, rather than as principal retirement disbursements;
- Debt activity related to the purchase of a dump truck was not recorded in the Street Construction Maintenance and Repair Fund, Water Operating Fund, Sewer Operating Fund, and Refuse Operating Fund in the accounting records which resulted in an understatement of \$42,534, \$23,325, \$23,325, and \$48,023, respectively, in capital outlay disbursements and other debt proceeds receipts;
- Debt payments were recorded as capital outlay disbursements in the Street Construction Maintenance and Repair Fund in the amount of \$8,918, rather than as principal retirement;
- Debt proceeds were recorded as other financing sources in the Wastewater Treatment Plant Fund in the amount of \$118,050 rather than as other debt proceeds receipts;
- Debt payments were recorded as contractual services disbursements in the Sewer Replacement and Improvement Fund in the amount of \$13,356, rather than as \$11,819 in principal retirement disbursements and \$1,537 in interest and other fiscal charges; and
- Debt payments were recorded as capital outlay disbursements in the Water Operating Fund, Sewer Operating Fund, and Refuse Operating Fund in the amounts of \$5,000, \$5,000, and \$10,000, respectively, rather than as principal retirement disbursements.

The 2016 and 2015 notes to the financial statements also had errors such as, but not limited to, errors in the budgetary notes and the debt amortization tables.

The accompanying financial statements and notes to the financial statements have been adjusted to correct these recording errors.

Other recording errors that were not material to the financial statements were identified but not adjusted in the accompanying financial statements.

Errors in the financial statements and supporting ledgers inhibit the ability of both the Fiscal Officer and Council to monitor financial activity and to identify, analyze, and react to risks to make sound financial decisions. Reliance on financial information that contains errors could result in noncompliance with laws and regulations applicable to the Village. In addition, financial information with errors reduces the likelihood that irregularities be detected in a timely manner. Since the notes to the financial statements further the understanding of the financial statements, errors impact the users understanding of the financial statements and the Village.

During 2016 and 2015, Council was only presented with the Fund Status and Payment Listing Report from the accounting system. Council's failure to review detailed financial reports may have contributed to the financial reporting errors identified above not being detected.

**FINDING NUMBER 2016-001
(Continued)**

The errors identified above should be reviewed by the Fiscal Officer to help ensure that similar errors do not occur in subsequent years. In addition to the reports provided, the Fiscal Officer should provide Council with detailed financial reports that show budgeted versus actual receipts and disbursements at the legal level of control along with the monthly bank to book reconciliations. In addition, the Fiscal Officer should review the Ohio Village Officer's Handbook – Appendix A-2, Auditor of State Bulletins and other resources available for guidance at <https://ohioauditor.gov/> in an effort to correctly classify receipts, expenditures, and fund balances.

OFFICIALS' RESPONSE: The Income Tax Fund will be rolled into the General Fund for annual financial reporting each year. Principal and interest accounts have been added for payment of debts. Municipal income tax receipts have been corrected to be receipted in as gross amounts instead of net amounts.

FINDING NUMBER 2016-002

Significant Deficiency – Payroll

The Village should have procedures and/or controls in place to help ensure that payroll is processed at the Council approved hourly or salary rate and that supporting documentation is maintained for all transactions.

The following payroll weaknesses were identified:

- During 2016 and 2015, Village employees prepared time sheets to support the time worked for the pay period; however, when employees were paid from multiple Village funds, the time sheets did not provide supporting documentation to clearly identify which activity should be charged to which fund;
- During 2015, for one employee tested, the employee's salary notice was not maintained to support the specific pay rate that the employee was paid at; however, the employee's pay was within the range approved by Council; and
- During 2016 and 2015, the Village Council approved ordinances that include pay scales for each position, except the Council and Mayor, but the ordinances did not list the specific pay rates for each employee. The Mayor then selected the employees' specific pay within the range and provided a salary notice or a wage increase letter to the employees that were signed.

These deficiencies impacted the Village's ability to monitor payroll transactions. Such deficiencies can result in errors and/or irregularities not being detected timely and could result in funds being charged for activities that were not related to the purpose of the fund. Also, an improper payment to an employee could result in a finding for recovery against those approving the payment and receiving the benefit of the payment.

The Village should implement procedures and/or controls over payroll transactions, including but not limited to maintaining time sheets that provide sufficient detail to support the allocation of time spent and charged to the various funds of the Village; maintaining all salary notices; and also ensuring that all specific pay rates are approved by Council and that documentation of the approval is maintained in the Council minutes.

**FINDING NUMBER 2016-002
(Continued)**

OFFICIALS' RESPONSE: We did not receive a response from Officials to this finding.

FINDING NUMBER 2016-003

Noncompliance Citation

Ohio Rev. Code § 5705.38(A) states, in part, that on or about the first day of each fiscal year, the taxing authority of each subdivision or other taxing unit shall pass an appropriation measure, and thereafter during the year it may pass any supplemental appropriation measures as it finds necessary, based on the revised tax budget or the official certificate of estimated resources or amendments of the certificate.

Ohio Rev. Code § 5705.38(C) requires that appropriation measures shall be classified so as to set forth separately the amounts appropriated for each office, department, and division, and, within each, the amount appropriated for personal services.

Ohio Rev. Code § 5705.40 stipulates that 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.

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

In 2016, Council passed an Annual Appropriation Ordinance; however, the Village adopted the 2016 appropriations at the fund/department level, instead of the fund/department/object level. Also, during 2016, appropriation amendments were recorded in the accounting system that were not approved by Council. These amendments were not considered to be legally adopted and resulted in expenditures plus contract commitments (including outstanding encumbrances) exceeding the total appropriations in the Water Operating Fund by \$258,138, the Water R&I Fund by \$158,111 and the Wastewater Treatment Plant Fund by \$1,398,829.

Council's review of budget versus actual information is a significant internal control in monitoring performance of the Village and helps to identify unexpected fluctuations in the budget. During 2016 and 2015, Council did not review budget versus actual receipt and disbursements reports which may have contributed to the unapproved appropriations not being detected.

The failure to follow budgetary laws not only violates the Ohio Revised Code, but also weakens accountability over spending and could result in disbursements and obligations in excess of available resources which could lead to deficit spending.

The Village should implement a procedure(s) and/or control(s) to ensure that appropriations are adopted at the required level. Throughout the year, Council should be presented with detailed budget versus actual receipt reports and budget versus actual disbursement reports at the legal level of control. These reports should be generated by the accounting system. Council should also verify that these reports reflect the most recent approved estimated receipts and appropriations.

OFFICIALS' RESPONSE: Currently, The Mayor and Village Administrator review and sign all supplemental appropriation amendments. However, from now on Council will approve them. Additionally, future appropriations will be passed by Council at the proper levels.

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Dave Yost • Auditor of State

VILLAGE OF ELIDA

ALLEN 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 11, 2018