



Dave Yost • Auditor of State



VILLAGE OF HUNTSVILLE  
LOGAN COUNTY  
DECEMBER 31, 2016 AND 2015

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Village of Huntsville  
Logan County  
P.O. Box 107  
Huntsville, Ohio 43324

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 Huntsville, Logan County, (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 opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

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

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

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

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

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

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

***Emphasis of Matter***

As discussed in Note 2 to the financial statements, during 2015, the Village revised its financial presentation from that comparable to the requirements of Governmental Accounting Standard No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments to a format Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 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

March 28, 2018

**Village of Huntsville, Ohio**

Logan County

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

All Governmental Fund Types

For the Year Ended December 31, 2016

|   | General         | Special<br>Revenue | Capital<br>Projects | Permanent        | Totals<br>(Memorandum<br>Only) |
|---|-----------------|--------------------|---------------------|------------------|--------------------------------|
| <b>Cash Receipts</b>                                  |                 |                    |                     |                  |                                |
| Property and Other Local Taxes                        | \$7,650         |                    |                     |                  | \$7,650                        |
| Municipal Income Tax                                  | 76,661          |                    |                     |                  | 76,661                         |
| Intergovernmental                                     | 14,265          | \$20,900           | \$25,082            |                  | 60,247                         |
| Charges for Services                                  | 40,001          | 43,335             |                     |                  | 83,336                         |
| Fines, Licenses and Permits                           | 1,968           |                    |                     |                  | 1,968                          |
| Earnings on Investments                               | 214             | 42                 |                     |                  | 256                            |
| Miscellaneous   | 1,625           |                    |                     |                  | 1,625                          |
| <i>Total Cash Receipts</i>                            | <u>142,384</u>  | <u>64,277</u>      | <u>25,082</u>       |                  | <u>231,743</u>                 |
| <b>Cash Disbursements</b>                             |                 |                    |                     |                  |                                |
| Current:  |                 |                    |                     |                  |                                |
| Security of Persons and Property                      | 76,848          | 18,619             |                     |                  | 95,467                         |
| Public Health Services                                | 2               |                    |                     |                  | 2                              |
| Leisure Time Activities                               | 1,793           |                    |                     |                  | 1,793                          |
| Community Environment                                 | 2,867           |                    |                     |                  | 2,867                          |
| Basic Utility Services                                | 2,161           |                    |                     |                  | 2,161                          |
| Transportation  | 11,319          | 19,573             |                     |                  | 30,892                         |
| General Government                                    | 58,573          | 1,165              |                     |                  | 59,738                         |
| Capital Outlay  | 996             | 9,951              | 1,883               |                  | 12,830                         |
| <i>Total Cash Disbursements</i>                       | <u>154,559</u>  | <u>49,308</u>      | <u>1,883</u>        |                  | <u>205,750</u>                 |
| <i>Excess of Receipts Over (Under) Disbursements</i>  | <u>(12,175)</u> | <u>14,969</u>      | <u>23,199</u>       |                  | <u>25,993</u>                  |
| <b>Other Financing Receipts (Disbursements)</b>       |                 |                    |                     |                  |                                |
| Sale of Capital Assets                                | 3,001           |                    |                     |                  | 3,001                          |
| Advances In   |                 | 3,425              |                     |                  | 3,425                          |
| Advances Out  | (3,425)         |                    |                     |                  | (3,425)                        |
| <i>Total Other Financing Receipts (Disbursements)</i> | <u>(424)</u>    | <u>3,425</u>       |                     |                  | <u>3,001</u>                   |
| <i>Net Change in Fund Cash Balances</i>               | <u>(12,599)</u> | <u>18,394</u>      | <u>23,199</u>       |                  | <u>28,994</u>                  |
| <i>Fund Cash Balances, January 1</i>                  | <u>40,061</u>   | <u>65,057</u>      | <u>18,530</u>       | <u>\$272,000</u> | <u>395,648</u>                 |
| <b>Fund Cash Balances, December 31</b>                |                 |                    |                     |                  |                                |
| Nonspendable  |                 |                    |                     | 272,000          | 272,000                        |
| Restricted  |                 | 7,677              | 41,729              |                  | 49,406                         |
| Committed   |                 | 75,774             |                     |                  | 75,774                         |
| Assigned  | 27,462          |                    |                     |                  | 27,462                         |
| <i>Fund Cash Balances, December 31</i>                | <u>\$27,462</u> | <u>\$83,451</u>    | <u>\$41,729</u>     | <u>\$272,000</u> | <u>\$424,642</u>               |

See accompanying notes to the financial statement

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**Village of Huntsville, Ohio**  
*Logan County*  
*Notes to the Financial Statement*  
*For the Year Ended December 31, 2016*

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**Note 1 - Reporting Entity**

The Village of Huntsville (the Village), Logan County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides park operations, street maintenance, and ambulance services. The Village contracts with the Logan County Sheriff's department to provide security of persons and property. The Village appropriates general fund money to support a volunteer fire department.

**Public Entity Risk Pool**

The Village participates in a public entity risk pool. Note 6 to the financial statement provides additional information for this entity. The Village's management believes this financial statement presents all activities for which the Village is financially accountable.

**Note 2 - Summary of Significant Accounting Policies**

**Basis of Presentation**

The Village's financial statement consists of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types.

**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:

**Ambulance Fund** The fund receives charges for services to pay for the operation and maintenance of the Village EMS department.

**Street Construction, Maintenance, and Repair Fund** The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

**State Highway Fund** The state highway fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of the state highway within the Village.

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

**Other Capital Projects Fund** The Village receives grants that are restricted for the purchase of fire equipment.

**Village of Huntsville, Ohio**  
*Logan County*  
*Notes to the Financial Statement*  
*For the Year Ended December 31, 2016*  
*(Continued)*

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

**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:

**Public Utility Proceeds Fund** This fund was established when the Village sold its utilities. The interest earned is used for the general operations of the Village per ordinance 330.

**Basis of Accounting**

This financial statement follows 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).

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

**Budgetary Process**

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

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

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

**Encumbrances** The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2015 budgetary activity appears in Note 3.

**Capital Assets**

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

**Fund Balance**

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

**Village of Huntsville, Ohio**  
*Logan County*  
*Notes to the Financial Statement*  
*For the Year Ended December 31, 2016*  
*(Continued)*

**Note 2 - Summary of Significant Accounting Policies (Continued)**

**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 December 31, 2016 follows:

| 2016 Budgeted vs. Actual Receipts |                      |                    |          |
|-----------------------------------|----------------------|--------------------|----------|
| Fund Type                         | Budgeted<br>Receipts | Actual<br>Receipts | Variance |
| General                           | \$134,500            | \$145,385          | \$10,885 |
| Special Revenue                   | 60,747               | 67,702             | 6,955    |
| Capital Projects                  | 0                    | 25,082             | 25,082   |
| Total                             | \$195,247            | \$238,169          | \$42,922 |

**Village of Huntsville, Ohio**  
*Logan County*  
*Notes to the Financial Statement*  
*For the Year Ended December 31, 2016*  
*(Continued)*

**Note 3 - Budgetary Activity (Continued)**

| 2016 Budgeted vs. Actual Budgetary Basis Expenditures |                            |                           |          |
|---|----------------------------|---------------------------|----------|
| Fund Type   | Appropriation<br>Authority | Budgetary<br>Expenditures | Variance |
| General   | \$165,446                  | \$157,984                 | \$7,462  |
| Special Revenue                                       | 68,190                     | 49,308                    | 18,882   |
| Capital Projects                                      | 1,883                      | 1,883                     | 0        |
| Total   | \$235,519                  | \$209,175                 | \$26,344 |

**Note 4 – Deposits**

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

|                         |           |
|-------------------------|-----------|
| Demand deposits         | \$152,642 |
| Certificates of deposit | 272,000   |
| Total deposits          | \$424,642 |

***Deposits***

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

**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 statement includes 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 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 Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

**Village of Huntsville, Ohio**  
*Logan County*  
*Notes to the Financial Statement*  
*For the Year Ended December 31, 2016*  
*(Continued)*

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**Note 6 - Risk Management**

***Risk Pool Membership***

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, 2016, 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, 2016.

|              | <b><u>2016</u></b>  |
|--------------|---------------------|
| Assets       | \$42,182,281        |
| Liabilities  | <u>(13,396,700)</u> |
| Net Position | <u>\$28,785,581</u> |

At December 31, 2016 the liabilities above include approximately 12.0 million of estimated incurred claims payable. The assets above also include approximately \$11.5 million of unpaid claims to be billed. The Pool's membership increased to 520 members in 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, the Village's share of these unpaid claims collectible in future years is approximately \$7,000.

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 Huntsville, Ohio**  
*Logan County*  
*Notes to the Financial Statement*  
*For the Year Ended December 31, 2016*  
*(Continued)*

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**Note 6 - Risk Management (Continued)**

|  |
|--|
| <b><u>2016 Contributions to PEP</u></b><br><b>\$11,523</b> |
|--|

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.

**Note 7 - Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

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

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

***Social Security***

Several of the Village's employees contributed to social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2016.

**Note 8 - Postemployment Benefits**

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to healthcare for members in the Traditional Pension Plan and Combined Plan was 2 percent during calendar year 2016.

**Village of Huntsville, Ohio**

Logan County

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

All Governmental Fund Types

For the Year Ended December 31, 2015

|   | General         | Special<br>Revenue | Capital<br>Projects | Permanent        | Totals<br>(Memorandum<br>Only) |
|---|-----------------|--------------------|---------------------|------------------|--------------------------------|
| <b>Cash Receipts</b>                                  |                 |                    |                     |                  |                                |
| Property and Other Local Taxes                        | \$8,367         |                    |                     |                  | \$8,367                        |
| Municipal Income Tax                                  | 74,216          |                    |                     |                  | 74,216                         |
| Intergovernmental                                     | 11,785          | \$18,822           | \$14,747            |                  | 45,354                         |
| Charges for Services                                  | 40,001          | 43,003             |                     |                  | 83,004                         |
| Fines, Licenses and Permits                           | 1,928           |                    |                     |                  | 1,928                          |
| Earnings on Investments                               | 1,737           | 2                  |                     |                  | 1,739                          |
| Miscellaneous   | 10,228          |                    |                     |                  | 10,228                         |
| <i>Total Cash Receipts</i>                            | <u>148,262</u>  | <u>61,827</u>      | <u>14,747</u>       |                  | <u>224,836</u>                 |
| <b>Cash Disbursements</b>                             |                 |                    |                     |                  |                                |
| Current:  |                 |                    |                     |                  |                                |
| Security of Persons and Property                      | 61,821          | 46,919             |                     |                  | 108,740                        |
| Leisure Time Activities                               | 933             |                    |                     |                  | 933                            |
| Community Environment                                 | 2,951           |                    |                     |                  | 2,951                          |
| Basic Utility Services                                | 2,168           |                    |                     |                  | 2,168                          |
| Transportation  | 13,779          | 27,685             |                     |                  | 41,464                         |
| General Government                                    | 54,918          | 1,026              |                     |                  | 55,944                         |
| Capital Outlay  | 9,149           | 10,405             | 11,469              |                  | 31,023                         |
| <i>Total Cash Disbursements</i>                       | <u>145,719</u>  | <u>86,035</u>      | <u>11,469</u>       |                  | <u>243,223</u>                 |
| <i>Excess of Receipts Over (Under) Disbursements</i>  | <u>2,543</u>    | <u>(24,208)</u>    | <u>3,278</u>        |                  | <u>(18,387)</u>                |
| <b>Other Financing Receipts (Disbursements)</b>       |                 |                    |                     |                  |                                |
| Transfers In  |                 | 6,247              |                     |                  | 6,247                          |
| Transfers Out   | (6,247)         |                    |                     |                  | (6,247)                        |
| Advances In   |                 | 560                |                     |                  | 560                            |
| Advances Out  | (560)           |                    |                     |                  | (560)                          |
| <i>Total Other Financing Receipts (Disbursements)</i> | <u>(6,807)</u>  | <u>6,807</u>       |                     |                  |                                |
| <i>Net Change in Fund Cash Balances</i>               | <u>(4,264)</u>  | <u>(17,401)</u>    | <u>3,278</u>        |                  | <u>(18,387)</u>                |
| <i>Fund Cash Balances, January 1</i>                  | <u>44,325</u>   | <u>82,458</u>      | <u>15,252</u>       | <u>\$272,000</u> | <u>414,035</u>                 |
| <b>Fund Cash Balances, December 31</b>                |                 |                    |                     |                  |                                |
| Nonspendable  |                 |                    |                     | 272,000          | 272,000                        |
| Restricted  |                 | 2,883              | 18,530              |                  | 21,413                         |
| Committed   |                 | 62,174             |                     |                  | 62,174                         |
| Assigned  | 30,946          |                    |                     |                  | 30,946                         |
| Unassigned  | 9,115           |                    |                     |                  | 9,115                          |
| <i>Fund Cash Balances, December 31</i>                | <u>\$40,061</u> | <u>\$65,057</u>    | <u>\$18,530</u>     | <u>\$272,000</u> | <u>\$395,648</u>               |

See accompanying notes to the financial statement

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**Village of Huntsville, Ohio**  
*Logan County*  
*Notes to the Financial Statement*  
*For the Year Ended December 31, 2015*

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**Note 1 - Reporting Entity**

The Village of Huntsville (the Village), Logan County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides park operations, street maintenance, and ambulance services. The Village contracts with the Logan County Sheriff's department to provide security of persons and property. The Village appropriates general fund money to support a volunteer fire department.

**Public Entity Risk Pool**

The Village participates in a public entity risk pool. Note 7 to the financial statement provides additional information for this entity. The Village's management believes this financial statement presents all activities for which the Village is financially accountable.

**Note 2 - Summary of Significant Accounting Policies**

**Basis of Presentation**

The Village's financial statement consists of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types.

**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:

**Ambulance Fund** The fund receives charges for services to pay for the operation and maintenance of the Village EMS department.

**Street Construction, Maintenance, and Repair Fund** The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

**State Highway Fund** The state highway fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of the state highway within the Village.

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

**Other Capital Projects Fund** The Village receives grants that are restricted for the purchase of fire equipment.

**Village of Huntsville, Ohio**  
*Logan County*  
*Notes to the Financial Statement*  
*For the Year Ended December 31, 2015*  
*(Continued)*

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

**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:

**Public Utility Proceeds Fund** This fund was established when the Village sold its utilities. The interest earned is used for the general operations of the Village per ordinance 330.

**Basis of Accounting**

This financial statement follows 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).

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

**Budgetary Process**

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

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

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

**Encumbrances** The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2015 budgetary activity appears in Note 4.

**Capital Assets**

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

**Fund Balance**

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

**Village of Huntsville, Ohio**  
*Logan County*  
*Notes to the Financial Statement*  
*For the Year Ended December 31, 2015*  
*(Continued)*

**Note 2 - Summary of Significant Accounting Policies (Continued)**

**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 law, budgetary expenditures exceeded appropriation authority in the Street Construction, Maintenance, and Repair fund; Ambulance fund; and Other Capital Projects fund by \$3,600, \$10,626, and \$11,469, respectively, for the year ended December 31, 2015.

**Note 4 - Budgetary Activity**

Budgetary activity for the year ending December 31, 2015 follows:

| 2015 Budgeted vs. Actual Receipts |                      |                    |          |
|-----------------------------------|----------------------|--------------------|----------|
| Fund Type                         | Budgeted<br>Receipts | Actual<br>Receipts | Variance |
| General                           | \$128,000            | \$148,262          | \$20,262 |
| Special Revenue                   | 71,130               | 68,634             | (2,496)  |
| Capital Projects                  | 11,021               | 14,747             | 3,726    |
| Total                             | \$210,151            | \$231,643          | \$21,492 |

**Village of Huntsville, Ohio**  
*Logan County*  
*Notes to the Financial Statement*  
*For the Year Ended December 31, 2015*  
*(Continued)*

**Note 4 - Budgetary Activity (Continued)**

| 2015 Budgeted vs. Actual Budgetary Basis Expenditures |                            |                           |            |
|---|----------------------------|---------------------------|------------|
| Fund Type   | Appropriation<br>Authority | Budgetary<br>Expenditures | Variance   |
| General   | \$163,565                  | \$152,526                 | \$11,039   |
| Special Revenue                                       | 71,809                     | 86,035                    | (14,226)   |
| Capital Projects                                      | 0                          | 11,469                    | (11,469)   |
| Permanent   | 0                          | 0                         | 0          |
| Total   | \$235,374                  | \$250,030                 | (\$14,656) |

**Note 5 – Deposits**

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

|                         |           |
|-------------------------|-----------|
|                         | 2015      |
| Demand deposits         | \$123,648 |
| Certificates of deposit | 272,000   |
| Total deposits          | \$395,648 |

***Deposits***

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

**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 statement includes 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 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.

**Village of Huntsville, Ohio**  
*Logan County*  
*Notes to the Financial Statement*  
*For the Year Ended December 31, 2015*  
*(Continued)*

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**Note 6 – Taxes (Continued)**

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.

**Note 7 - 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.

***Risk Pool Membership***

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, 2015:

|              | <u><b>2015</b></u>         |
|--------------|----------------------------|
| Assets       | \$38,307,677               |
| Liabilities  | <u>(12,759,127)</u>        |
| Net Position | <u><b>\$25,548,550</b></u> |

At December 31, 2015, the liabilities above include approximately \$11.5 million of estimated incurred claims payable. The assets above also include approximately \$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 \$7,000.

**Village of Huntsville, Ohio**  
*Logan County*  
*Notes to the Financial Statement*  
*For the Year Ended December 31, 2015*  
*(Continued)*

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**Note 7 - Risk Management (Continued)**

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

| <u>Contributions to PEP</u> |
|-----------------------------|
| <u>2015</u>                 |
| \$11,389                    |

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.

**Note 8 - Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

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

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

***Social Security***

Several of the Village's employees contributed to social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2015.

**Note 9 - Postemployment Benefits**

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



# 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 Huntsville  
Logan County  
P.O. Box 107  
Huntsville, Ohio 43324

To the Village Council:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Village of Huntsville, Logan 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 March 28, 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. We noted the Village revised its financial presentation from that comparable to the requirements of Governmental Accounting Standard No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments to a format Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

### ***Internal Control Over Financial Reporting***

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. We consider findings 2016-001 through 2016-003 described in the accompanying schedule of findings to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2016-004 described in the accompanying schedule of findings to be a significant deficiency.

***Compliance and Other Matters***

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2016-001 and 2016-002.

***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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive, flowing style.

**Dave Yost**  
Auditor of State  
Columbus, Ohio

March 28, 2018



**VILLAGE OF HUNTSVILLE  
LOGAN COUNTY  
  
SCHEDULE OF FINDINGS  
DECEMBER 31, 2016 AND 2015**

|  |
|--|
| <b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS<br/>REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b> |
|--|

**FINDING NUMBER 2016-001**

**Noncompliance and Material Weakness - Budgetary**

**Ohio Rev. Code § 5705.40** states, in part, 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 no subdivision or taxing unit shall make any expenditure of money unless it has been appropriated as provided in such chapter.

During fiscal year 2015, appropriations were not accurately included in the accounting system for the General; Street Construction, Maintenance, and Repair; Ambulance; and Other Capital Projects funds. Although the accounting system gave the appearance the Village was in compliance, the appropriations included in the accounting system were not the amounts approved by Council. Actual expenditures and encumbrances exceeded the approved appropriations in the Street Construction, Maintenance, and Repair; Ambulance; and Other Capital Projects funds by \$3,600, \$10,626, and \$11,469, respectively.

Expenditures exceeding approved appropriations and incorrect budgetary information in the accounting system could result in unauthorized and/or deficit spending.

The Village should compare the budgeted amounts in the accounting system to the current appropriations on file with the County to verify that current, accurate budgetary comparison information is being provided to Council. The Village should monitor its expenditures and available appropriations and make necessary spending or budgetary changes to prevent expenditures from exceeding appropriations.

**FINDING NUMBER 2016-002**

**Noncompliance and Material Weakness – Financial Reporting**

**Ohio Rev. Code § 733.28** provides the Village Fiscal Officer shall keep the books of the Village, exhibit accurate statements of all moneys received and expended, of all the property owned by the Village and the income derived there from, and of all taxes and assessments. **Ohio Admin. Code § 117-2-02(A)**, states all public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record, and report its transactions, maintain accountability for the related assets (and liabilities, if generally accepted accounting principles apply), document compliance with finance-related legal and contractual requirements and prepare financial statements required by rule 117-2-03 of the Administrative Code.

**Ohio Rev. Code § 5705.10(D)** states, in part, all revenue derived from a source other than the general property tax, and which the law prescribes shall be used for a particular purpose, shall be paid into a special fund for such purpose.

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

**Ohio Rev. Code § 5735.28** states wherever a municipal corporation is on the line of the state highway system as designated by the director of transportation as an extension or continuance of the state highway system, seven and one-half per cent of the amount paid to any municipal corporation pursuant to sections 4501.04, 5735.23, and 5735.27 of the Revised Code shall be used by it only to construct, reconstruct, repave, widen, maintain, and repair such highways, to purchase, erect, and maintain traffic lights and signals, and to erect and maintain street and traffic signs and markers on such highways, or to pay principal, interest, and charges on bonds and other obligations issued pursuant to Chapter 133 of the Revised Code or incurred pursuant to section 5531.09 of the Revised Code for such purposes.

The financial activity should be recorded in the State Highway Fund.

Additionally, 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.

In 2015, the Village posted \$1,604 in street construction, maintenance, and repair funds (\$1,484) and state highway funds (\$120) to the General Fund. In 2016, the Village posted \$5,959 in street construction, maintenance, and repairs funds (\$5,512) and state highway funds (\$447) to the General Fund. Additionally, in 2016, the Village posted \$152 of the state highway funds to the street construction, maintenance, and repair fund. The Villages financial statements and accounting records have been adjusted.

In addition to the adjustments listed above, we also identified additional misstatements ranging from \$363 to \$10,171 that we have brought to the Village's attention.

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

**FINDING NUMBER 2016-003**

**Material Weakness – GASB 54 Presentation**

Governmental Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, introduced five fund balance classifications and clarifies the existing governmental fund type definitions. The fund balance classifications relate to constraints placed upon the use of resources reported in governmental funds. The five classifications are non-spendable, restricted, committed, assigned, and unassigned. GASB 54 par. 16 (GASB cod. 1800.176) requires that when the appropriation measure is adopted for the subsequent year, if a portion of existing fund balance is included as a budgetary resource, then that portion of fund balance should be classified as assigned. Stated differently, if appropriations (temporary or annual) exceed estimated receipts (not resources), the excess is to be assigned as it uses existing fund balance at year-end. This would be applicable to the general fund as it is the only fund with a positive unassigned fund balance. GASB 54 par. 10 (GASB cod. 1800.170) states amounts that can only be used for specific purposes pursuant to constraint imposed by formal action of the government's highest level of decision making authority should be reported as committed fund balance.

**FINDING NUMBER 2016-003  
(Continued)**

In addition, GASB 54 par. 35 (GASB cod. 1300.108) states that Permanent funds should be used to 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-that is, for the benefit of the government or its citizenry.

In 2016 and 2015, the Village did not appropriately recognize the assigned fund balance in the General fund for the excess of subsequent appropriations over estimated receipts in the amount of \$27,462 and \$30,946, respectively. The Village also reported the Special Revenue Ambulance fund balance as restricted rather than committed, since Village Council imposes constraints, in the amount of \$75,774 in 2016 and \$62,174 in 2015.

Finally, the Village classified its Public Utility Proceeds fund as a Special Revenue fund within the accounting records and financial statements. The revenue source of this fund was from proceeds from selling the Village's utilities in 1969. Ordinance #303 stated that the principal from the sale shall remain as a single unit with no expenditures or withdrawals from it being made without a vote and approval of the residents of the Village of Huntsville. The interest or return of such principal shall be used by the Village Council in whatever manner they deem best for the improvement of Huntsville. Based on this ordinance, the Public Utility Proceeds fund should be classified as a Permanent fund, with a nonspendable fund balance, for reporting purposes. The Village's financial statements and accounting records have been adjusted to include the Public Utility Proceeds fund balances in 2016 and 2015 in the amount of \$272,000 in both years to a Permanent Fund.

The audit adjustments should be reviewed by the Fiscal Officer to help prevent similar errors in subsequent years. The Village should evaluate the fund type criteria when reporting funds in the year-end financial statements to ensure the funds are properly classified within the various fund types. In addition, to improve financial reporting and accountability, the Council should review the financial statements to identify and correct errors and omissions.

**FINDING NUMBER 2016-004**

**Significant Deficiency - Ambulance Billings and Collections**

To help ensure receipts generated from ambulance runs are adequate to cover expenses, Council should approve the fees to be charged. When contracting with a third party administrator (service organization) for processing ambulance runs, the Village should require the service organization to obtain a report on its systems and controls (SOC 1 report). The Village should also receive reports from the service organization to allow for the monitoring of billings and collections. In addition, Council should approve the write-off of uncollectible accounts.

During 2016 and 2015, the following deficiencies were identified in the billing and collection of ambulance run receipts:

- The service organization did not receive any type of report on its systems and controls;
- No support could be found indicating that Council approved the fees charged for ambulance runs but instead were based on an Information Sheet that was sent to the service organization by the fiscal officer prior to the audit period;
- The only reports received from the service organization were the Credit Detail Report and the Credit Summary Report, which showed actual payments by accounts. There were no reports received that would indicate if individuals were being charged the correct rates from the noted Information Sheet above; and
- The Board did not approve the write-offs of uncollectible accounts.

**FINDING NUMBER 2016-004  
(Continued)**

These deficiencies affected the Village's ability to effectively manage and monitor the billing and collection of receipts from ambulance runs. Other alternative procedures were performed to gain assurance over these receipts.

The Village Council should approve the fees to be charged and the write-offs of uncollectible accounts. The service organization should be asked to obtain an annual report on its systems and controls (SOC 1 report). If the service organization does not receive a SOC 1 report on its internal control system, consideration should be given as to what additional controls can be implemented by the Village to help detect billing and collection errors. In addition, the Village should request billing and accounts receivable reports from the service organization.

**Official's Response:**

We did not receive responses from Officials to these findings.



# Dave Yost • Auditor of State

VILLAGE OF HUNTSVILLE

LOGAN 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  
MAY 10, 2018