



**VILLAGE OF ANNA
SHELBY COUNTY
Regular Audit
For the Years Ended December 31, 2018 and 2017**

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1907 Grand Central Ave.
Vienna, WV 26105
304 422 2203

150 W. Main St., #A
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KEITH FABER



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Members of Council
Village of Anna
P.O. Box 140 209 West Main Street
Anna, Ohio 45302

We have reviewed the *Independent Auditor's Report* of the Village of Anna, Shelby County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2017 through December 31, 2018. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

September 5, 2019

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VILLAGE OF ANNA
SHELBY COUNTY

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INDEPENDENT AUDITOR'S REPORT

June 24, 2019

Village of Anna
Shelby County
209 West Main Street
PO Box 140
Anna, Ohio 45302

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 Anna**, Shelby County, Ohio (the Village) as of and for the years ended December 31, 2018 and 2017.

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 permitted 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, 2018 and 2017, or changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Village of Anna, Shelby County as of December 31, 2018 and 2017, and 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 June 24, 2019, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



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

**VILLAGE OF ANNA
SHELBY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND
CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts				
Property and Other Local Taxes	\$ 44,517	\$ 18,565	\$ -	\$ 63,082
Municipal Income Tax	447,848	363,007	-	810,855
Intergovernmental	38,645	63,185	-	101,830
Special Assessments	59,694	57,716	-	117,410
Charges for Services	2,159	65,206	-	67,365
Fines, Licenses and Permits	24,001	2,730	-	26,731
Earnings on Investments	413	-	-	413
Miscellaneous	25,970	40,529	-	66,499
<i>Total Cash Receipts</i>	<u>643,247</u>	<u>610,938</u>	<u>-</u>	<u>1,254,185</u>
Cash Disbursements				
Current:				
Security of Persons and Property	149,956	347,460	-	497,416
Public Health Services	4,064	-	-	4,064
Leisure Time Activities	1,200	32,908	-	34,108
Community Environment	-	2,750	-	2,750
Transportation	84,199	38,231	46,425	168,855
General Government	174,398	35,425	-	209,823
Capital Outlay	-	498,220	137,737	635,957
Debt Service:				
Principal Retirement	19,900	116,674	4,050	140,624
Interest and Fiscal Charges	1,969	11,260	90	13,319
<i>Total Cash Disbursements</i>	<u>435,686</u>	<u>1,082,928</u>	<u>188,302</u>	<u>1,706,916</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>207,561</u>	<u>(471,990)</u>	<u>(188,302)</u>	<u>(452,731)</u>
Other Financing Receipts (Disbursements)				
Other Debt Proceeds	-	483,220	46,425	529,645
Sale of Capital Assets	-	1	-	1
Transfers In	-	8,000	133,210	141,210
Transfers Out	(141,210)	-	-	(141,210)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(141,210)</u>	<u>491,221</u>	<u>179,635</u>	<u>529,646</u>
<i>Net Change in Fund Cash Balances</i>	66,351	19,231	(8,667)	76,915
<i>Fund Cash Balances, January 1</i>	<u>95,929</u>	<u>358,740</u>	<u>157,647</u>	<u>612,316</u>
Fund Cash Balances, December 31				
Restricted	-	377,971	-	377,971
Committed	-	-	148,980	148,980
Assigned	118,753	-	-	118,753
Unassigned	43,527	-	-	43,527
<i>Fund Cash Balances, December 31</i>	<u>\$ 162,280</u>	<u>\$ 377,971</u>	<u>\$ 148,980</u>	<u>\$ 689,231</u>

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

**VILLAGE OF ANNA
SHELBY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND
CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals</u>
	<u>Enterprise</u>	<u>Agency</u>	<u>(Memorandum Only)</u>
Operating Cash Receipts			
Charges for Services	\$ 808,659	\$ -	\$ 808,659
Fines, Licenses and Permits	1,000	-	1,000
<i>Total Operating Cash Receipts</i>	<u>809,659</u>	<u>-</u>	<u>809,659</u>
Operating Cash Disbursements			
Personal Services	161,696	-	161,696
Fringe Benefits	78,143	-	78,143
Contractual Services	245,966	-	245,966
Supplies and Materials	41,973	-	41,973
Other	4,745	-	4,745
<i>Total Operating Cash Disbursements</i>	<u>532,523</u>	<u>-</u>	<u>532,523</u>
<i>Operating Income</i>	<u>277,136</u>	<u>-</u>	<u>277,136</u>
Non-Operating Receipts (Disbursements)			
Miscellaneous Receipts	19,170	-	19,170
Capital Outlay	(82,491)	-	(82,491)
Principal Retirement	(41,345)	-	(41,345)
Interest and Other Fiscal Charges	(8,822)	-	(8,822)
Other Financing Sources	-	2,240	2,240
Other Financing Uses	-	(2,380)	(2,380)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(113,488)</u>	<u>(140)</u>	<u>(113,628)</u>
<i>Net Change in Fund Cash Balances</i>	163,648	(140)	163,508
<i>Fund Cash Balances, January 1</i>	<u>840,365</u>	<u>504</u>	<u>840,869</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 1,004,013</u>	<u>\$ 364</u>	<u>\$ 1,004,377</u>

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

VILLAGE OF ANNA
SHELBY COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Note 1 – Reporting Entity

The Village of Anna (the Village), Shelby 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 water and sewer utilities, park operations and fire and police services.

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 (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory 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 sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village has the following significant Special Revenue Funds:

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 tax registration fees restricted for construction, maintenance and repair of streets within the Village.

State Highway Fund – This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village State Highways.

Park and Recreation Fund – This fund receives money from the General Fund to construct facilities, maintain facilities and ground and host events in the park.

Law Enforcement Trust Fund – This fund receives money from the proceeds from the sale of seized property and cash used for police education.

DUI Enforcement and Education Fund – This fund receives money from fines and is used to enforce and educate the public about driving under the influence.

Street Lighting Assessment Fund – This fund receives money from property tax assessments to provide for street lighting.

VILLAGE OF ANNA
SHELBY COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

Community Reinvestment Area Fund – This fund receives money from the annual fees from businesses to continue their Community Reinvestment Agreements. These funds are used to pay the school to offset the tax abatement received from residential remodels or constructions utilizing the Community Reinvestment.

Mayor's Court Computer Fund – This fund receives money from fines and is used for the maintenance and purchase of hardware and software for the Mayor's Court Clerk.

Fire Department Fund – The Fire Fund accounts for and reports income tax revenue and fire contract revenue to fund the operations of the fire department.

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 funds:

Capital Improvement Fund – The Capital Improvement Fund accounts for and reports income tax revenue transferred from the general fund to be used for various Village capital improvements.

Young Street Reconstruction Fund – The Young Street Reconstruction Fund accounts for and reports grant and loan proceeds from the Ohio Public Works Commission (OPWC) for the Young Street Reconstruction Project.

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

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

Sewer Fund – The Sewer Fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

Refuse Fund – This fund receives money for the sale of garbage bags and tags to pay for the purchase of bags and tags. It also charges for services from resident to cover recycling collection.

Utility Deposit Fund – This fund receives money from renters who must make a deposit for utility services. These funds are used to pay off outstanding bills when renters leave or is refunded if nothing is owed.

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's agency funds account for Mayor's Court activity.

VILLAGE OF ANNA
SHELBY COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

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

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

Budgetary Process

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

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

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

Encumbrances – The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Village did not encumber all commitments required by Ohio law.

A summary of 2018 budgetary activity appears in Note 4.

Deposits and Investments

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

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.

VILLAGE OF ANNA
SHELBY COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

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 – Compliance

Contrary to Ohio law, the Village did not update their budgeted receipts. This caused appropriation authority to exceed actual receipts plus beginning unencumbered balances in the Capital Improvement Fund by \$25,055 in 2017.

Contrary to Ohio law, appropriation authority exceeded resources in the General Fund by \$152,375 for the year ended December 31, 2018.

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Fire Department Fund by \$372,830 for the year ended December 31, 2018.

VILLAGE OF ANNA
SHELBY COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)

Note 4 – Budgetary Activity

Budgetary activity for the year ending December 31, 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 525,071	\$ 643,247	\$ 118,176
Special Revenue	733,354	1,102,159	368,805
Capital Projects	238,782	179,635	(59,147)
Enterprise	807,700	828,829	21,129
Total	\$ 2,304,907	\$ 2,753,870	\$ 448,963

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 773,375	\$ 579,492	\$ 193,883
Special Revenue	840,704	1,134,819	(294,115)
Capital Projects	362,337	223,061	139,276
Enterprise	1,170,365	678,326	492,039
Total	\$ 3,146,781	\$ 2,615,698	\$ 531,083

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:

	2018
Demand deposits	\$ 1,693,608
Total deposits	\$ 1,693,608

Deposits

Deposits are insured by the Federal Depository Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

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.

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

VILLAGE OF ANNA
SHELBY COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)

Note 6 – Taxes (Continued)

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 1.75% 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 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

Workers' Compensation coverage is provided by the State of Ohio. The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs (if material).

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

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, 2018.

Ohio Police and Fire Retirement System

The Village's law enforcement officers and firefighters 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 full-time police and firefighter 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 and an amount equal to 24% of full-time firefighter members' wages. The Village has paid all contributions required through December 31, 2018.

VILLAGE OF ANNA
SHELBY COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)

Note 8 – Defined Benefit Pension Plans (Continued)

Social Security

Village Council Members 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 not paid all contributions required through December 31, 2018.

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. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2018. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2018. OP&F contributes 0.5 percent to fund these benefits.

Beginning January 1, 2019, OP&F is changing its retiree health care model and the current self-insured health care plan will no longer be offered. In its place is a stipend-based health care model. A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses.

Note 10 – Debt

Debt outstanding at December 31, 2018 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OPWC CM19K	\$ 33,049	0.00%
OPWC CM34E	75,662	0.00%
OPWC CM11S	208,852	0.00%
OPWC CM20U	76,228	0.00%
OWDA 6279	255,014	3.24%
US Bank Fire Station	31,711	5.25%
Fire Truck 2012	155,576	2.55%
US Bank Projects 2017	69,650	2.35%
US Bank GMC Truck 2016	4,151	2.55%
US Bank Fire Truck 2018	483,220	3.94%
Total	<u>\$ 1,393,113</u>	

The Main Street Sewer OPWC Loan was issued to install a sewer main that was installed on Main Street during a streetscape project. The original loan amount was \$49,573 for a term of 30 years interest-free. The payments are made semi-annually. Each payment is \$826.22. The loan payments began in January 2009 with the last payment due July 2038. Payments were made from the sewer fund.

VILLAGE OF ANNA
SHELBY COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)

Note 10 – Debt (Continued)

The water tower OPWC loan was issued to build a new water tower. The original loan amount was \$302,650 for a term of 20 years interest-free. The payments are made semi-annually. Each payment is \$7,566.25. The loan payments began in January 2004 with the last payment due July 2023. Payments were made from the water fund.

The Young Street Reconstruction Phase I OPWC loan was issued for the reconstruction of Young Street. The original loan amount was \$223,769.75 for a term of 30 years interest-free. The payments are due semi-annually. Each payment is \$3,729.50. The loan payments began in 2017 with the last payment due July 2046.

The Young Street Reconstruction Phase II OPWC loan was issued for the reconstruction of Young Street. The original loan amount was \$76,228.25 for a term of 20 years interest-free. The payments are due semi-annually. Each payment is \$1,905.71. The loan payments will begin in 2019 with the last payment due July 2038.

The waste water treatment plant (WWTP) upgrade OWDA 6279 loan was issued to renovate and update the waste water treatment plant. The original loan amount was \$308,123.78 for a term of 20 years at 3.24%. The payments are made semi-annually. Each payment is \$10,529.13. The loan payments began July 2014 with the last payment due January 2034. Payments were made from the sewer fund.

The fire station bank loan was issued to build a new fire station. The original loan amount was \$800,000 for a term of 20 years at 5.25%. The payments are made semi-annually. Each payment is \$32,543.50. The loan payments began in December 1999 with the last payment due June 2019. Payments were made from the fire fund.

The fire truck bank loan was issued to purchase a new fire truck. The original loan amount was \$459,075 for a term of 10 years at 3.68%. The payments are made annually. Each payment is \$55,701.71. The loan payments began in November 2012 with the last payment due November 2021. Payments were made from the fire fund.

The US Bank Projects 2017 loan was to fund various projects within the Village (sidewalks, curbs and paving). The original loan amount was \$99,500 for 5 years at 2.3%. the payments are made semi-annually. Each payment is \$9,950. The payments began in 2017 with the last payment due in 2022.

The 2016 GMC crew truck bank loan was issued to purchase a truck. The original loan amount was \$47,503.10 for a term of 3 years at 2.55%. The payments are made monthly. Each payment is \$1,372.05. The loan payments began March 2016 with the last payment due March 2019. Payments were made from the capital improvement fund, water fund, and sewer fund.

The 2018 fire truck loan was issued to purchase a truck. The original loan amount was \$483,220 for a term of 10 years at 3.94%. The payments are made annually. Each payment is \$59,398.83. The loan payments will begin in 2019 with the last payment due August 2028.

VILLAGE OF ANNA
SHELBY COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)

Note 10 – Debt (Continued)

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

Year Ending December 31:	OPWC Loans	OWDA Loan	Bank Loans
2019	\$ 28,057	\$ 21,058	\$ 172,128
2020	28,057	21,058	135,469
2021	28,057	21,058	135,469
2022	28,057	21,058	135,469
2023	28,054	21,058	59,399
2024-2028	64,617	105,290	296,993
2029-2033	64,617	105,290	-
2034-2038	64,603	10,529	-
2039-2043	37,295	-	-
2044-2048	22,377	-	-
Total	<u>\$ 393,791</u>	<u>\$ 326,399</u>	<u>\$ 934,927</u>

VILLAGE OF ANNA
SHELBY COUNTY

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND
CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$ 42,184	\$ 18,845	\$ -	\$ -	\$ 61,029
Municipal Income Tax	405,964	303,505	-	-	709,469
Intergovernmental	38,432	64,029	-	193,000	295,461
Special Assessments	23,035	44,330	-	-	67,365
Charges for Services	1,800	65,265	-	-	67,065
Fines, Licenses and Permits	24,314	2,957	-	-	27,271
Earnings on Investments	406	-	-	-	406
Miscellaneous	88,374	10,732	-	-	99,106
<i>Total Cash Receipts</i>	<u>624,509</u>	<u>509,663</u>	<u>-</u>	<u>193,000</u>	<u>1,327,172</u>
Cash Disbursements					
Current:					
Security of Persons and Property	155,567	246,945	-	-	402,512
Public Health Services	4,130	-	-	-	4,130
Leisure Time Activities	51,200	21,171	-	-	72,371
Community Environment	-	2,250	-	-	2,250
Transportation	188,860	116,568	-	222,803	528,231
General Government	175,477	33,581	-	-	209,058
Capital Outlay	-	-	-	75,164	75,164
Debt Service:					
Principal Retirement	9,950	165,476	-	4,566	179,992
Interest and Fiscal Charges	1,144	14,565	-	185	15,894
<i>Total Cash Disbursements</i>	<u>586,328</u>	<u>600,556</u>	<u>-</u>	<u>302,718</u>	<u>1,489,602</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>38,181</u>	<u>(90,893)</u>	<u>-</u>	<u>(109,718)</u>	<u>(162,430)</u>
Other Financing Receipts (Disbursements)					
Other Debt Proceeds	99,500	-	-	29,803	129,303
Sale of Capital Assets	12,700	-	-	-	12,700
Transfers In	8	8,000	-	123,191	131,199
Transfers Out	(131,191)	-	(8)	-	(131,199)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(18,983)</u>	<u>8,000</u>	<u>(8)</u>	<u>152,994</u>	<u>142,003</u>
<i>Net Change in Fund Cash Balances</i>	19,198	(82,893)	(8)	43,276	(20,427)
<i>Fund Cash Balances, January 1</i>	<u>76,731</u>	<u>441,633</u>	<u>8</u>	<u>114,371</u>	<u>632,743</u>
Fund Cash Balances, December 31					
Restricted	-	358,740	-	-	358,740
Committed	-	-	-	157,647	157,647
Assigned	95,929	-	-	-	95,929
<i>Fund Cash Balances, December 31</i>	<u>\$ 95,929</u>	<u>\$ 358,740</u>	<u>\$ -</u>	<u>\$ 157,647</u>	<u>\$ 612,316</u>

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

**VILLAGE OF ANNA
SHELBY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND
CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals</u>
	<u>Enterprise</u>	<u>Agency</u>	<u>(Memorandum Only)</u>
Operating Cash Receipts			
Charges for Services	\$ 798,332	\$ -	\$ 798,332
Fines, Licenses and Permits	1,850	-	1,850
<i>Total Operating Cash Receipts</i>	<u>800,182</u>	<u>-</u>	<u>800,182</u>
Operating Cash Disbursements			
Personal Services	157,513	-	157,513
Fringe Benefits	91,234	-	91,234
Contractual Services	191,608	-	191,608
Supplies and Materials	24,939	-	24,939
Other	6,326	-	6,326
<i>Total Operating Cash Disbursements</i>	<u>471,620</u>	<u>-</u>	<u>471,620</u>
<i>Operating Income</i>	<u>328,562</u>	<u>-</u>	<u>328,562</u>
Non-Operating Receipts (Disbursements)			
Miscellaneous Receipts	8,233	-	8,233
Capital Outlay	(53,797)	-	(53,797)
Principal Retirement	(41,841)	-	(41,841)
Interest and Other Fiscal Charges	(9,517)	-	(9,517)
Other Financing Sources	-	6,185	6,185
Other Financing Uses	-	(6,050)	(6,050)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(96,922)</u>	<u>135</u>	<u>(96,787)</u>
<i>Net Change in Fund Cash Balances</i>	231,640	135	231,775
<i>Fund Cash Balances, January 1</i>	<u>608,725</u>	<u>369</u>	<u>609,094</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 840,365</u>	<u>\$ 504</u>	<u>\$ 840,869</u>

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

VILLAGE OF ANNA
SHELBY COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

Note 1 – Reporting Entity

The Village of Anna (the Village), Shelby 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 water and sewer utilities, park operations and fire and police services.

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 (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory 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 sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village has the following significant Special Revenue Funds:

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 tax registration fees restricted for construction, maintenance and repair of streets within the Village.

State Highway Fund – This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village State Highways.

Park and Recreation Fund – This fund receives money from the General Fund to construct facilities, maintain facilities and ground and host events in the park.

Law Enforcement Trust Fund – This fund receives money from the proceeds from the sale of seized property and cash used for police education.

DUI Enforcement and Education Fund – This fund receives money from fines and is used to enforce and educate the public about driving under the influence.

Street Lighting Assessment Fund – This fund receives money from property tax assessments to provide for street lighting.

VILLAGE OF ANNA
SHELBY COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

Community Reinvestment Area Fund – This fund receives money from the annual fees from businesses to continue their Community Reinvestment Agreements. These funds are used to pay the school to offset the tax abatement received from residential remodels or constructions utilizing the Community Reinvestment.

Mayor's Court Computer Fund – This fund receives money from fines and is used for the maintenance and purchase of hardware and software for the Mayor's Court Clerk.

Fire Department Fund – The Fire Fund accounts for and reports income tax revenue and fire contract revenue to fund the operations of the fire department.

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 funds:

Capital Improvement Fund – The Capital Improvement Fund accounts for and reports income tax revenue transferred from the general fund to be used for various Village capital improvements.

Young Street Reconstruction Fund – The Young Street Reconstruction Fund accounts for and reports grant and loan proceeds from the Ohio Public Works Commission (OPWC) for the Young Street Reconstruction Project.

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

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

Sewer Fund – The Sewer Fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

Refuse Fund – This fund receives money for the sale of garbage bags and tags to pay for the purchase of bags and tags. It also charges for services from resident to cover recycling collection.

Utility Deposit Fund – This fund receives money from renters who must make a deposit for utility services. These funds are used to pay off outstanding bills when renters leave or is refunded if nothing is owed.

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's agency funds account for Mayor's Court activity.

VILLAGE OF ANNA
SHELBY COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

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

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

Budgetary Process

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

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

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

Encumbrances – The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Village did not encumber all commitments required by Ohio law.

A summary of 2017 budgetary activity appears in Note 4.

Deposits and Investments

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

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.

VILLAGE OF ANNA
SHELBY COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

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 – Compliance

Contrary to Ohio law, the Village did not update their budgeted receipts. This caused appropriation authority to exceed actual receipts plus beginning unencumbered balances in the General Fund by \$398,058 and the Capital Improvement Fund by \$79,420 in 2017.

VILLAGE OF ANNA
SHELBY COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)

Note 4 – Budgetary Activity

Budgetary activity for the year ending December 31, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,128,650	\$ 736,717	\$ (391,933)
Special Revenue	462,996	517,663	54,667
Capital Projects	441,000	345,994	(95,006)
Enterprise	754,000	808,415	54,415
Total	\$ 2,786,646	\$ 2,408,789	\$ (377,857)

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 1,211,506	\$ 721,421	\$ 490,085
Special Revenue	722,668	602,062	120,606
Debt Service	8	8	-
Capital Projects	539,785	302,718	237,067
Enterprise	1,065,381	580,485	484,896
Total	\$ 3,539,348	\$ 2,206,694	\$ 1,332,654

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:

	2017
Demand deposits	\$ 1,453,185
Total deposits	\$ 1,453,185

Deposits

Deposits are insured by the Federal Depository Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

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.

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

VILLAGE OF ANNA
SHELBY COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)

Note 6 – Taxes (Continued)

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 1.75% 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 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

Workers' Compensation coverage is provided by the State of Ohio. The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs (if material).

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

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, 2017.

Ohio Police and Fire Retirement System

The Village's law enforcement officers and firefighters 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 full-time police and firefighter 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 and an amount equal to 24% of full-time firefighter members' wages. The Village has paid all contributions required through December 31, 2017.

VILLAGE OF ANNA
SHELBY COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)

Note 8 – Defined Benefit Pension Plans (Continued)

Social Security

Village Council Members 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 not paid all contributions required through December 31, 2017.

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. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.0% during calendar year 2017. OP&F contributes 0.5 percent to fund these benefits.

Note 10 – Debt

Debt outstanding at December 31, 2017 was as follows:

	Principal	Interest Rate
OPWC CM19K	\$ 34,701	0.00%
OPWC CM34E	90,795	0.00%
OPWC CM11S	216,311	0.00%
OPWC CM20U	29,803	0.00%
OWDA 6279	267,506	3.24%
US Bank Fire Station	92,721	5.25%
Fire Truck 2012	203,781	2.55%
US Bank Projects 2017	89,550	2.35%
US Bank GMC Truck 2016	20,269	2.55%
Total	\$ 1,045,437	

The water tower OPWC loan was issued to build a new water tower. The original loan amount was \$302,650 for a term of 20 years interest-free. The payments are made semi-annually. Each payment is \$7,566.25. The loan payments began in January 2004 with the last payment due July 2023. Payments were made from the water fund.

The Main Street Sewer OPWC Loan was issued to install a sewer main that was installed on Main Street during a streetscape project. The original loan amount was \$49,573 for a term of 30 years interest-free. The payments are made semi-annually. Each payment is \$826.22. The loan payments began in January 2009 with the last payment due July 2038. Payments were made from the sewer fund.

The Young Street Reconstruction Phase I OPWC loan was issued for the reconstruction of Young Street. The original loan amount was \$223,769.75 for a term of 30 years interest-free. The payments are due semi-annually. Each payment is \$3,729.50. The loan payments began in 2017 with the last payment due July 2046.

VILLAGE OF ANNA
SHELBY COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)

Note 10 – Debt (Continued)

The Young Street Reconstruction Phase II OPWC loan was issued for the reconstruction of Young Street. The original loan was for a term of 30 years interest-free. Payments will begin upon completion.

The waste water treatment plant (WWTP) upgrade OWDA 6279 loan was issued to renovate and update the waste water treatment plant. The original loan amount was \$308,123.78 for a term of 20 years at 3.24%. The payments are made semi-annually. Each payment is \$10,529.13. The loan payments began July 2014 with the last payment due January 2034. Payments were made from the sewer fund.

The fire station bank loan was issued to build a new fire station. The original loan amount was \$800,000 for a term of 20 years at 5.25%. The payments are made semi-annually. Each payment is \$32,543.50. The loan payments began in December 1999 with the last payment due June 2019. Payments were made from the fire fund.

The fire truck bank loan was issued to purchase a new fire truck. The original loan amount was \$459,075 for a term of 10 years at 3.68%. The payments are made annually. Each payment is \$55,701.71. The loan payments began in November 2012 with the last payment due November 2021. Payments were made from the fire fund.

The US Bank Projects 2017 loan was to fund various projects within the Village (sidewalks, curbs and paving). The original loan amount was \$99,500 for 5 years at 2.3%. the payments are made semi-annually. Each payment is \$9,950. The payments began in 2017 with the last payment due in 2022.

The 2016 GMC crew truck bank loan was issued to purchase a truck. The original loan amount was \$47,503.10 for a term of 3 years at 2.55%. The payments are made monthly. Each payment is \$1,372.05. The loan payments began March 2016 with the last payment due March 2019. Payments were made from the capital improvement fund, water fund, and sewer fund.

The Village paid off a John Deere Gator Loan during 2017. The prior audit incorrectly stated the balance at December 31, 2016 as \$2,353. The actual balance outstanding was \$1,828.

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

Year Ending December 31:	OPWC Loans	OWDA Loan	Bank Loans
2018	\$ 24,245	\$ 21,058	\$ 157,623
2019	24,245	21,058	112,729
2020	24,245	21,058	76,070
2021	24,245	21,058	76,070
2022	24,245	21,058	10,184
2023-2027	60,687	105,290	-
2028-2032	45,557	105,290	-
2033-2037	45,557	31,587	-
2038-2042	38,945	-	-
2043-2047	29,836	-	-
Total	<u>\$ 341,807</u>	<u>\$ 347,457</u>	<u>\$ 432,676</u>

OPWC CM20U has not been fully disbursed and no amortization schedule is available. The outstanding balance of this loan of \$29,803 has not been included in the above table.



Certified Public Accountants, A.C.

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

June 24, 2019

Village of Anna
Shelby County
209 West Main Street
PO Box 140
Anna, Ohio 45302

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 Anna**, Shelby County (the Village) as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements and have issued our report thereon dated June 24, 2019, 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.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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Internal Control Over Financial Reporting (Continued)

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of audit findings, that we consider material weaknesses. We consider findings 2018-001 through 2018-004 to be material weaknesses.

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 audit findings as items 2018-002 and 2018-004.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated June 24, 2019.

Purpose of this Report

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



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

VILLAGE OF ANNA
SHELBY COUNTY
SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

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

FINDING NUMBER 2018-001

Material Weakness

Posting Receipts, Disbursements, and Fund Balance Classification

The Village should have procedures and controls in place to prevent and detect errors in financial reporting. Fund balances should be properly classified based on Governmental Accounting Standards Statement No. 54 – Fund Balance Reporting and Governmental Fund Type Definitions.

During 2018 and 2017, receipts, disbursements, and fund balances were not always posted or classified correctly. The following posting errors were noted:

- Mayor’s Court Activity was not properly recorded in an Agency Fund in 2018 and 2017;
- Rollback receipts were classified as Property and Other Local Taxes instead of Intergovernmental in 2018 and 2017;
- A receipt for Sale of Capital Assets was classified as Miscellaneous in 2017;
- Debt Proceeds were classified as Special Assessments and Intergovernmental in 2018 and 2017;
- Debt Proceeds and the corresponding Capital Outlay disbursement were not recorded in 2018;
- A Principal Retirement disbursement was classified as Security of Persons and Property in 2018;
- A disbursement for Principal Retirement and Interest and Other Fiscal Charges was classified as Other Financing Uses in 2017;
- Transportation disbursements were classified as Other Financing Uses in 2017;
- During 2018 and 2017, subsequent year appropriations over estimated receipts within the General Fund were classified as Unassigned fund balance rather than Assigned.
- During 2018 and 2017, fund balances in the Park Fund were classified as Assigned instead of Restricted; and
- During 2018 and 2017, fund balances in the Capital Improvement Fund were classified as Restricted instead of Committed.

Not posting receipts, disbursements, and fund balances accurately resulted in the financial statements requiring several adjustments and reclassifications. The Village has made the adjustments to their accounting system. The financial statements reflect all adjustments and reclassifications.

To help ensure accuracy and reliability in the financial reporting process, we recommend that management perform a detailed review of its draft financial statements. Such review should include procedures to ensure that all receipts and disbursements are properly identified and classified on the financial statements.

We also recommend the Fiscal Officer refer to the Ohio Village Officer’s Handbook for guidance to determine the proper establishment of receipts and disbursement accounts and posting receipts and disbursements. The Fiscal Officer should refer to Auditor of State Technical Bulletin 2011-004 for assistance in properly classifying fund balances.

Officials’ Response: We did not receive a response from Officials to this finding.

FINDING NUMBER 2018-002

Noncompliance/Material Weakness

Fire Levy

Section 5, Article XII of the Ohio Constitution states that no tax shall be levied, except in pursuance of law; and every law imposing a tax shall state, distinctly, the object of same, to which only, it shall be applied.

VILLAGE OF ANNA
SHELBY COUNTY
SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (CONTINUED)
--

FINDING NUMBER 2018-002 (Continued)

Additionally, **Ohio Rev. Code Section 5705.10(C)** states that all revenue derived from a special levy shall be credited to a special fund for the purpose for which the levy was made.

The Village established a fire fund in a previous year to account for income tax levy proceeds that have been designated by the voters of the Village for fire department improvements and expenses. The Village's fire fund accounted for all Village expenses related to the fire department. The Village contracted with a local Township to provide fire protection services; however, the related fire contract revenue was recorded in the Village's general fund for 2018 and 2017 despite no related expenses being charged to the general fund. In recording this revenue in the general fund, the Village has essentially used a portion of the Village income tax levy to provide fire protection to the Village. However, the levy was passed to provide fire protection inside the Village; therefore, this would be a violation of the use of the income tax levy monies.

For 2018 and 2017, \$10,834 and \$65,000, respectively, in Village fire contract revenue was incorrectly recorded in the Village's general fund as charges for services revenue. The financial statements were adjusted to record this revenue and related cash to the Village's fire fund, which is a special revenue fund.

The Village's accounting system was also updated to record this revenue in the fire fund rather than the general fund.

Failure to record fire contract revenue in the fire fund could lead to income tax levy proceeds being used for purposes that are not in accordance with the voters' wishes. This could also lead to unreliable financial statement information, fund balance adjustments, and difficulties in determining the true fund balance of the general fund and fire fund.

The Village should implement policies and procedures to verify that all revenue is recorded in the proper fund. If related fire expenses are paid from the Village's fire fund, all fire contract revenue should be recorded in the Village's fire fund.

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

FINDING NUMBER 2018-003

Material Weakness

Income Tax Allocation

The Village levied a 1.75% income tax during the audit period. A Village ordinance allocated 30% of the initial 1% unrestricted income tax to capital improvements. An additional .75% income tax was approved by the voters for fire department improvements and expenses.

The Village initially recorded all income tax revenue to the general fund and then allocated it to other funds via transfers. However, given the approved income tax levy for fire department improvements and expenses, .75% of the 1.75% (42.86%) in income tax receipts should have been recorded directly to the fire fund rather than the general fund. Given this error, income tax revenue in the general fund was overstated and income tax revenue in the fire fund (a special revenue fund) was understated by \$22,448 and \$303,505 for 2018 and 2017, respectively. The financial statements were adjusted for these errors.

Failure to record the proper portion of income tax revenue directly to the fire fund when it is initially received, failure to transfer income tax revenue to the capital improvement fund at the end of the month of receipt, and failure to maintain supporting documentation related to the amounts allocated to the fire fund and capital improvement fund could lead to incorrect amounts recorded in the funds, fund balance errors, expenditure of restricted funds for improper purposes, and misleading financial statement information.

VILLAGE OF ANNA
SHELBY COUNTY
SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (CONTINUED)
--

FINDING NUMBER 2018-003 (Continued)

The Village should implement policies and procedures to verify that the proper portion of income tax revenue is posted directly to the fire fund when received. Additionally, the Village should allocate income tax revenue via transfer to the capital improvements fund properly in accordance with the Village's income tax allocation ordinance in the month that the income tax revenue is received. Also, the Village should prepare and maintain support that shows the amount of income tax revenue determined to be recorded to the fire fund and transferred to the capital improvements fund.

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

FINDING NUMBER 2018-004

Noncompliance/Material Weakness

Budgetary Controls

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

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

- **Violations of 5705.36 (A)** stating that upon determination that the revenue will be greater or less than the amount included in the official certificate of estimated resources, the Village Fiscal Officer should certify an amended certificate;
- **Violations of 5705.39** indicating appropriations cannot exceed estimated resources;
- **Violations of 5705.41(B)** stating no subdivision is to expend money unless it has been appropriated (expenditures exceeded appropriations); and
- **Violations of 5705.41(D)** relating to expenditures having prior certification of availability of funds.

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

Council should review the requirements of ORC section 5705 to be familiar with these laws and to make sure the Village is complying with applicable sections. If the Council does not consider these necessary steps should be taken to make sure amounts are encumbered (purchase orders are used and assigned to each purchase prior to ordering), certifications of available funds are done by the Village Fiscal Officer prior to purchasing and unencumbered balances are tracked for each line item.

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

VILLAGE OF ANNA
SHELBY COUNTY
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

Finding Number	Finding Summary	Status	Additional Information
2016-001	Posting Receipts and Disbursements	Not Corrected	Repeated as Finding 2018-001
2016-002	Ohio Revised Code Section 5705.10(C) – Fire Contract Revenue	Not Corrected	Repeated as Finding 2018-002
2016-003	Income Tax Levy Allocation	Not Corrected	Repeated as Finding 2018-003
2016-004	GASB 54 Classifications	Not Corrected	Repeated as Finding 2018-001
2016-005	Mayor's Court	Not Corrected	Repeated as Finding 2018-001

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OHIO AUDITOR OF STATE KEITH FABER



VILLAGE OF ANNA

SHELBY 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 17, 2019