

Village of South Webster
Scioto County
Regular Audit
For the Years Ended December 31, 2018 and 2017



Millhuff-Stang, CPA, Inc.
1428 Gallia Street, Portsmouth, Ohio 45662 / Phone: 740.876.8548
45 West Second Street, Suite D, Chillicothe, Ohio 45601 / Phone: 740.851.4978
Fax: 888.876.8549
natalie@millhuffstangcpa.com / roush@millhuffstangcpa.com
www.millhuffstangcpa.com

OHIO AUDITOR OF STATE
KEITH FABER



88 East Broad Street
Columbus, Ohio 43215
IPAReport@ohioauditor.gov
(800) 282-0370

Village Council
Village of South Webster
PO Box 38
South Webster, Ohio 45682

We have reviewed the *Independent Auditor's Report* of the Village of South Webster, Scioto County, prepared by Millhuff-Stang, CPA, Inc., 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. In conjunction with the work performed by the Independent Public Accountant, the Auditor of State is issuing the following:

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 South Webster 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

February 11, 2020

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Village of South Webster
Scioto County
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For the Years Ended December 31, 2018 and 2017

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Independent Auditor's Report

Village Council
Village of South Webster
P.O. Box 38
South Webster, Ohio 45682

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 South Webster, Scioto 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.

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

As described in Note 1 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.

Village of South Webster
Scioto County
Independent Auditor's Report

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

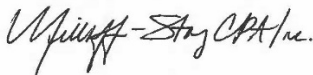
In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2018 and 2017, and the respective 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 South Webster, Scioto County, Ohio, 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 1.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 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 the effectiveness of the Village's 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.



Millhuff-Stang, CPA, Inc.
Portsmouth, Ohio

September 20, 2019

**Village of South Webster
Scioto County, Ohio**

*Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2018*

	General Fund	Special Revenue Funds	Totals (Memorandum Only)
Cash Receipts:			
Property and Other Local Taxes	\$77,012	\$3,387	\$80,399
Intergovernmental	20,991	31,081	52,072
Charges for Services	0	2,976	2,976
Fines, Licenses and Permits	407	0	407
Earnings on Investments	157	17	174
Miscellaneous	700	0	700
Total Cash Receipts	99,267	37,461	136,728
Cash Disbursements:			
Current:			
Security of Persons and Property	15,079	1,261	16,340
Public Health Services	4,455	0	4,455
Leisure Time Activities	0	4,480	4,480
Transportation	0	15,607	15,607
General Government	45,518	0	45,518
Capital Outlay	0	33,910	33,910
Total Cash Disbursements	65,052	55,258	120,310
Total Receipts Over (Under) Disbursements	34,215	(17,797)	16,418
Other Financing Receipts/(Disbursements):			
Transfers In	0	2,000	2,000
Transfers Out	(2,000)	0	(2,000)
Total Other Financing Receipts/(Disbursements)	(2,000)	2,000	0
Net Change in Fund Cash Balances	32,215	(15,797)	16,418
Fund Cash Balances, January 1	36,502	112,572	149,074
Assigned	4,025	0	4,025
Restricted	0	97,791	97,791
Unassigned	64,692	(1,016)	63,676
Fund Cash Balances, December 31	\$68,717	\$96,775	\$165,492

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

Village of South Webster
Scioto County, Ohio
Combined Statement of Receipts, Disbursements and
Changes in Fund Balances (Regulatory Cash Basis)
Proprietary Fund Type
For the Year Ended December 31, 2018

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$ 297
Total Operating Cash Receipts	297
Operating Income	297
Fund Cash Balances, January 1	219
Fund Cash Balances, December 31	\$516

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

Village of South Webster
Scioto County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 1 – Reporting Entity and Summary of Significant Accounting Policies

Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of South Webster, Scioto County, Ohio (the Village), as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides general governmental services and maintenance of Village roads.

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

Basis of Accounting and 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 change in fund balances (regulatory cash basis) for the proprietary fund type. 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.

Fund Accounting

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

General Fund

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

Special Revenue Funds

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

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

Permissive Motor Vehicle License Tax – This fund accounts for and reports additional motor vehicle registration fees restricted for maintenance and repair of streets within the Village that were levied under State law by the Village.

Village of South Webster
Scioto County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Street Lights Fund – This fund receives property tax receipts used for the construction, maintenance and operation of Village street lights.

Enterprise Funds

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

Sewer Fund – This fund receives charges for services from residents and commercial customers to cover sewer service costs.

Budgetary Process

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

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

Estimated Resources Estimated resources include estimates of cash to be received 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 appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over and need not be re-appropriated.

A summary of the 2018 budgetary activity appears in Note 2.

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.

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 South Webster
Scioto County
Notes to the Financial Statements
For the Year Ended December 31, 2018

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 2 – Budgetary Activity

Budgetary activity for the year ending December 31, 2018:

Fund Type	2018 Budgeted vs. Actual Receipts		
	Budgeted Receipts	Actual Receipts	Variance
General	\$93,945	\$99,267	\$5,322
Special Revenue	30,400	39,444	9,044
Sewer	0	297	297
Total	\$124,345	\$139,008	\$14,663

Fund Type	2018 Budgeted vs. Actual Budgetary Basis Expenditures		
	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$71,077	(\$71,077)
Special Revenue	0	55,241	(55,241)
Total	\$0	\$126,318	(\$126,318)

Village of South Webster
Scioto County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 3 – Equity in Pooled Deposits and Investments

The Village maintains a deposits and investments 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:

	2018
Demand Deposits	\$161,008
Certificate of Deposit	5,000
Total Deposits	\$166,008

Deposits are insured by the Federal Depository Insurance Corporation.

Note 4 – Property Tax

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

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

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

Note 5 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Village 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 as follows:

<i>Retirement Rates</i>	<i>Year</i>	<i>Member Rate</i>	<i>Employer Rate</i>
<i>OPERS – Local</i>	<i>2012-2018</i>	<i>10%</i>	<i>14%</i>

The Village has paid all contributions required through December 31, 2018.

Village of South Webster
Scioto County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 6 - 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 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.

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.

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

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

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 764 members as of December 31, 2017 (the latest information available).

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

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

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2017. (latest available)

	<u>2017</u>
Assets	\$14,853,620
Liabilities	<u>(9,561,108)</u>
Members'	
Equity	<u>\$5,292,512</u>

Village of South Webster
Scioto County
Notes to the Financial Statements
For the Year Ended December 31, 2018

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

Note 8 – Contingent Liabilities

The Village is not currently party to any legal proceedings.

Note 9 – Deficit Balance

The Village had a deficit fund balance in the senior building fund of (\$1,016) at December 31, 2018.

Note 10 – Compliance

The elected officials of the Village failed to attend the required public records training, which is contrary to Ohio Revised Code Sections 109.43(B) and 149.43 (E)(1).

The Village failed to properly evidence an official minute record and also failed to include required actions of Council, which is contrary to Ohio Revised Code Section 121.22.

The Village failed to maintain proper support for various transactions, contrary to Ohio Revised Code Section 149.351(A).

The Village Clerk failed to attend the required investment training and annual continuing training programs, contrary to Ohio Revised Code Sections 135.22 and 733.27.

The Village incurred negative fund balances, which is contrary to Ohio Revised Code Section 5705.10.

The Village did not properly document the adoption of appropriations as required by Ohio Revised Code Section 5705.38(A), nor were the appropriations measures filed with the County Auditor.

The Village had expenditures in excess of appropriations, which is contrary to Ohio Revised Code Section 5705.41 (B).

The Village did not properly certify the availability of funds through an encumbrance process, which is contrary to Ohio Revised Code Section 5705.41 (D).

The Village did not properly prepare bank reconciliations, contrary to Ohio Revised Code Section 117-2-01(D)(3) and (5) and 117-2-02(A).

The Village did not timely report or remit retirement contributions to the Ohio Public Employees Retirement System, which is contrary to Ohio Revised Code Section 145.47(B).

The Village did not deposit funds timely in accordance Ohio Revised Code Section 9.38.

The Village did not properly file its quarterly Tax Forms 941 with the federal government, which is contrary to Title 26 IRC, Subtitle C, Chapter 24, Sections 3403 and 3404.

**Village of South Webster
Scioto 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 Fund	Special Revenue Funds	Totals (Memorandum Only)
Cash Receipts:			
Property and Other Local Taxes	\$76,469	\$6,922	\$83,391
Intergovernmental	20,350	30,459	50,809
Charges for Services	0	1,900	1,900
Fines, Licenses and Permits	440	0	440
Earnings on Investments	160	0	160
Miscellaneous	29	325	354
Total Cash Receipts	97,448	39,606	137,054
Cash Disbursements:			
Current:			
Security of Persons and Property	11,918	815	12,733
Public Health Services	5,185	0	5,185
Leisure Time Activities	0	4,386	4,386
Transportation	0	16,553	16,553
General Government	52,287	83	52,370
Capital Outlay	0	33,001	33,001
Total Cash Disbursements	69,390	54,838	124,228
Total Receipts Over (Under) Disbursements	28,058	(15,232)	12,826
Other Financing Receipts/(Disbursements):			
Sale of Fixed Assets	9,750	0	9,750
Transfers Out	(19,625)	0	(19,625)
Total Other Financing Receipts/(Disbursements)	(9,875)	0	(9,875)
Net Change in Fund Cash Balances	18,183	(15,232)	2,951
Fund Cash Balances, January 1	18,319	127,804	146,123
Assigned	167	0	167
Restricted	0	114,084	114,084
Unassigned (Deficit)	36,335	(1,512)	34,823
Fund Cash Balances, December 31	\$36,502	\$112,572	\$149,074

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

Village of South Webster
Scioto County
Combined Statement of Receipts, Disbursements and
Changes in Fund Balances (Regulatory Cash Basis)
Proprietary Fund Type
For the Year Ended December 31, 2017

	Proprietary Fund Type
	Enterprise
Non-Operating Cash Receipts:	
Transfers In	\$19,625
Total Non-Operating Cash Receipts	19,625
Fund Cash Balances, January 1	(19,406)
Fund Cash Balances, December 31	\$219

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

Village of South Webster
Scioto County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 1 – Summary of Significant Accounting Policies

Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of South Webster, Scioto County, Ohio (the Village), as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides general governmental services and maintenance of Village roads.

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

Basis of Accounting and 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 change in fund balances (regulatory cash basis) for the proprietary fund type. 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.

Fund Accounting

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

General Fund

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

Special Revenue Funds

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

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

Permissive Motor Vehicle License Tax – This fund accounts for and reports additional motor vehicle registration fees restricted for maintenance and repair of streets within the Village that were levied under State law by the Village.

Village of South Webster
Scioto County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Street Lights Fund – This fund receives property tax receipts used for the construction, maintenance and operation of Village street lights.

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 Fund:

Sewer Fund – This fund receives charges for services from residents and commercial customers to cover sewer service costs. During 2014, the Village transferred all assets and operations of the sewer fund to Scioto County. Although operations have ceased, the Village still receives delinquent sewer payments from customers and the receipts will continue to be posted to the sewer fund when received.

Budgetary Process

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

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

Estimated Resources Estimated resources include estimates of cash to be received 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 appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be re-appropriated.

A summary of the 2017 budgetary activity appears in Note 2.

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.

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 South Webster
Scioto County
Notes to the Financial Statements
For the Year Ended December 31, 2017

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 2 – Budgetary Activity

Budgetary activity for the year ending December 31, 2017:

Fund Type	2017 Budgeted vs. Actual Receipts		
	Budgeted Receipts	Actual Receipts	Variance
General	\$68,523	\$107,198	\$38,675
Special Revenue	55,000	39,606	(15,394)
Enterprise	0	19,625	19,625
Total	\$123,523	\$166,429	\$42,906

Fund Type	2017 Budgeted vs. Actual Budgetary Basis Expenditures		
	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$89,015	(\$89,015)
Special Revenue	0	54,838	(54,838)
Total	\$0	\$143,853	(\$143,853)

Village of South Webster
Scioto County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 3 – Equity in Pooled Deposits and Investments

The Village maintains a deposit and investments 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:

	2017
Demand Deposits	\$144,293
Certificate of Deposit	5,000
Total Deposits	\$149,293

Deposits are insured by the Federal Depository Insurance Corporation.

Note 4 – Property Tax

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

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

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

Note 5 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Village 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 as follows:

<i>Retirement Rates</i>	<i>Year</i>	<i>Member Rate</i>	<i>Employer Rate</i>
<i>OPERS – Local</i>	<i>2012-2017</i>	<i>10%</i>	<i>14%</i>

The Village has paid all contributions required through December 31, 2017.

Village of South Webster
Scioto County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 6 - Postemployment Benefits

OPERS 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 2.0 percent during calendar year 2016, and 1.0 percent during calendar year 2017.

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.

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

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

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 764 members as of December 31, 2017.

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

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

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2017.

	<u>2017</u>
Assets	<u>\$14,853,620</u>
Liabilities	<u>(9,561,108)</u>
Members'	
Equity	<u>\$5,292,512</u>

Village of South Webster
Scioto County
Notes to the Financial Statements
For the Year Ended December 31, 2017

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

Note 8 – Contingent Liabilities

The Village is not currently party to any legal proceedings.

Note 9 – Deficit Balance

The Village had a deficit fund balance in the senior building fund of (\$1,512) at December 31, 2017.

Note 10 – Compliance

The elected officials of the Village failed to attend the required public records training, which is contrary to Ohio Revised Code Sections 109.43(B) and 149.43 (E)(1).

The Village failed to properly evidence an official minute record and also failed to include required actions of Council, which is contrary to Ohio Revised Code Section 121.22.

The Village failed to maintain proper support for various transactions, contrary to Ohio Revised Code Section 149.351(A).

The Village Clerk failed to attend the required investment training and annual continuing training programs, contrary to Ohio Revised Code Sections 135.22 and 733.27.

The Village incurred negative fund balances, which is contrary to Ohio Revised Code Section 5705.10.

The Village did not properly maintain the appropriations resolution as required by Ohio Revised Code Section 5705.38(A), nor were the appropriations measures filed with the County Auditor.

The Village had expenditures in excess of appropriations, which is contrary to Ohio Revised Code Section 5705.41 (B).

The Village did not properly certify the availability of funds through an encumbrance process, which is contrary to Ohio Revised Code Section 5705.41 (D).

The Village did not properly prepare bank reconciliations, contrary to Ohio Revised Code Section 117-2-01(D)(3) and (5) and 117-2-02(A).

The Village did not timely report or remit retirement contributions to the Ohio Public Employees Retirement System, which is contrary to Ohio Revised Code Section 145.47(B).

The Village did not deposit funds timely in accordance Ohio Revised Code Section 9.38.

The Village did not properly file its quarterly Tax Forms 941 with the federal government, which is contrary to Title 26 IRC, Subtitle C, Chapter 24, Sections 3403 and 3404.

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Independent Auditor's Report

Village Council
Village of South Webster
P.O. Box 38
South Webster, Ohio 45682

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Village of South Webster, Scioto County, Ohio (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 September 20, 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

In planning and performing our audit of the financial statements, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2018-002, 2018-003, 2018-005 through 2018-007, and 2018-009 through 2018-017 that we consider to be material weaknesses.

Village of South Webster
Scioto County

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance With *Government Auditing Standards*

Page 2

Compliance and Other Matters

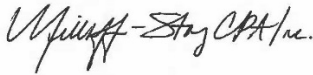
As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2018-001 through 2018-009, and 2018-015 through 2018-017.

Village's Responses to Findings

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Village's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Millhuff-Stang, CPA, Inc.
Portsmouth, Ohio

September 20, 2019

Village of South Webster
Scioto County
Schedule of Findings and Responses
For the Years Ended December 31, 2018 and 2017

Findings Related to the Financial Statements Required to be Reported in Accordance With GAGAS

Finding 2018-001 – Noncompliance – Public Records Training

Ohio Revised Code Sections 109.43(B) and 149.43(E)(1) state that all state and local elected officials, or their designees, must attend at least 3 hours of training on Ohio’s Public Records Laws during each term of office. The training received must be certified by the Ohio Attorney General. Proof that training has been completed must include documentation that either the Attorney General’s Office or another entity certified by the Attorney General provided the training to the elected official, or his/her designee. Attendees who successfully complete the training will receive a certificate to serve as proof of training.

Support was not provided to indicate that any elected official of the Village, or their designee, attended public records training. We recommend elected officials attend public records training or appoint a designee to attend on their behalf. Documentation of attendance should be maintained to support compliance with the requirement.

Client Response:

Officials chose not to respond.

Finding 2018-002 – Noncompliance/Material Weakness – Deficiencies in Maintenance of Minute Record

Ohio Revised Code Section 121.22(C) states that all meetings of any public body are to be open to the public at all times. A member of a public body must be present in person at a meeting open to the public to be considered present or to vote and for determining whether a quorum is present. The minutes of a regular or special meeting of any such public body shall be promptly recorded and open to public inspection. The minutes need only reflect the general subject matter of discussions in executive sessions.

Ohio Revised Code Section 121.22(H) states that a resolution, rule, or formal action of any kind is invalid unless adopted in an open meeting of the public body. A resolution, rule, or formal action adopted in an open meeting that results from deliberations in a meeting not open to the public is invalid unless the deliberations were for a purpose specifically authorized above.

The minutes were not signed by Village Officials. In addition, the Fiscal Officer’s report was approved, however bank reconciliations are not a part of this report. Lastly, the Village failed to include the adoption of its 2018 appropriation measure in the minutes. This results in the inability to determine whether the minute record is accurate and complete and whether proper monitoring is occurring. We recommend that meeting minutes are signed by the Fiscal Officer and the Village Council President, indicating the official minutes of record. We further recommend that the financial reports containing the appropriate documents, such as bank reconciliations, be presented to the Village Council for monitoring purposes. Lastly, the Village should ensure monitoring processes are effectively functioning to ensure minutes contain all required actions of the Council, including adoption of appropriation measures.

Client Response:

Officials chose not to respond.

Village of South Webster
Scioto County
Schedule of Findings and Responses
For the Years Ended December 31, 2018 and 2017

Finding 2018-003 – Noncompliance/Material Weakness – Maintenance of Supporting Documentation

Ohio Revised Code Section 149.351(A) states that all records are property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commissions provided for under Sections 149.38 to 149.42 of the Revised Code or under the records programs established by the boards of trustees of state-supported institutions of higher education under Section 149.33 of the Revised Code. Such records shall be delivered by outgoing officials and employees to their successors and shall not be otherwise removed, transferred, or destroyed unlawfully.

We noted two instances where supporting documentation for nonpayroll disbursements could not be provided. Alternative procedures could not be performed for only one of these disbursements to gain assurances and determine the reasonableness of the amounts. During receipt testing, we noted that check receipt dates were not always maintained so we could not determine if deposits were made timely. Further, the Village was unable to provide support for two OPERS pay reports in 2018. The Village should implement procedures to ensure that all records and documentation are maintained for audit purposes and that no disbursements are made unless supporting documentation is available and maintained for future reference and auditing purposes.

Client Response:

Officials chose not to respond.

Finding 2018-004 – Noncompliance – Annual Clerk Training and Investment Training/Exemptions

Ohio Revised Code Section 135.22 states that subdivision treasurers must complete annual continuing education programs provided by the Treasurer of State (TOS). The TOS issues certificates indicating that the treasurer has successfully completed the continuing education program.

The continuing education requirement does not apply to a subdivision treasurer who annually provides a notice of exemption to the Auditor of State, certified by the Treasurer of State that the treasurer is not subject to the continuing education requirements because the treasurer invests or deposits public funds in the following investments only:

- (1) Interim deposits pursuant to Section 135.14(B)(3);
- (2) STAR Ohio pursuant to Section 135.14(B)(6);
- (3) No-load money market mutual funds pursuant to Section 135.14(B)(5)

Ohio Revised Code Section 733.27 states that Village Fiscal Officers must attend annual training programs for new village fiscal officer *and* annual continuing education programs provided by the Auditor of State.

The Fiscal Officer did not attend the appropriate trainings or obtain the appropriate investment training exemptions for both 2018 and 2017. The Village should implement procedures to ensure that the proper training is attended or that the appropriate exemptions are obtained.

Client Response:

Officials chose not to respond.

Village of South Webster
Scioto County
Schedule of Findings and Responses
For the Years Ended December 31, 2018 and 2017

Finding 2018-005 – Noncompliance/Material Weakness – Negative Fund Balances

Ohio Revised Code Section 5705.10(H) states that money paid into a fund must be used only for the purposes for which such fund has been established. As a result, a negative fund cash balance indicates that money from one fund was used to cover the expenses of another fund. In 2017 and 2018, the senior building fund had a negative fund balance at year end. We also noted that the sewer fund and the senior building fund had negative fund balances throughout the audit period. The Village should implement proper budgetary procedures to ensure that deficit fund balances do not occur.

Client Response:

Officials chose not to respond.

Finding 2018-006 – Noncompliance/Material Weakness – Adoption of Appropriations

Ohio Revised Code Section 5705.38(A) requires that on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until no later than April 1st.

Council passed the 2017 appropriations measure on February 13, 2017. Council approval of 2018 appropriations was not documented in the minutes. Additionally, the Village did not file appropriations either year with the County, nor were they maintained for support.

The Council should pass an appropriation measure on or about the first day of each fiscal year. If Council adopts a temporary measure, they must adopt a permanent measure no later than April 1. In addition, approved appropriations measures should be filed with the County Auditor for the approval of the Budget Commission.

Client Response:

Officials chose not to respond.

Finding 2018-007 – Noncompliance/Material Weakness – Expenditures in Excess of Appropriations

Ohio Revised Code Section 5705.41(B) states that no subdivision or taxing unit is to expend money unless it has been appropriated. Because the 2017 appropriations were not timely adopted, all disbursements prior to the adoption date were deemed to be without spending authority. In addition, as appropriations measures were not filed with the County Auditor for either year, they were deemed ineffective, resulting in no spending authority for either year. The Village should implement procedures to ensure that appropriations are timely adopted and filed with the County Auditor to ensure there is proper spending authority in place for disbursing of Village funds.

Client Response:

Officials chose not to respond.

Finding 2018-008 – Noncompliance – Prior Certification of Funds

Ohio Revised Code Section 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

Village of South Webster
Scioto County
Schedule of Findings and Responses
For the Years Ended December 31, 2018 and 2017

Finding 2018-008 – Noncompliance – Prior Certification of Funds (Continued)

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in Sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" Certificate – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.

2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket Certificate – The Board may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Instances were noted where the Village did not certify the availability of funds prior to purchase commitment.

The Village did not have sufficient internal controls in place to ensure the certification of the availability of funds. Failure to certify the availability of funds properly can result in overspending funds and negative cash balances. Unless the Village uses the exceptions noted above, prior certification is not only required by statute but is also a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend that the Fiscal Officer certify that funds are or will be available prior to an obligation being incurred by the Village. When prior certification is not possible, "then and now" certification should be used.

Failure to certify the availability of funds properly can result in overspending funds and negative cash fund balances.

We recommend the Village obtain the Fiscal Officer's certification of the availability of funds prior to the commitment being incurred. The most convenient certification method is to use purchase orders that include the certification language Ohio Revised Code Section 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification at the time the Village incurs a commitment, and only when the requirements of Ohio Revised Code Section 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

Client Response:

Officials chose not to respond.

Village of South Webster
Scioto County
Schedule of Findings and Responses
For the Years Ended December 31, 2018 and 2017

Finding 2018-009 – Noncompliance/Material Weakness – Bank Reconciliations

Ohio Administrative Code Sections 117-2-01(D)(3) and (5) state that when designing the public office's system of internal control and the specific control activities, management should ensure adequate security of assets and records, and verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.

Ohio Administrative Code Section 117-2-02(A) requires public offices to 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, document compliance with finance-related legal and contractual requirements and prepare financial statements.

Maintenance of a current outstanding check listing is pertinent for a properly functioning reconciliation process.

Accurate monthly reconciliations of the ending bank account balance to the Village's ending book balance were not performed timely during 2017 and 2018 by the Fiscal Officer for the Village's bank accounts. Further, it was noted that in both 2017 and 2018, Village bank reconciliations contained outstanding checks that were greater than one year old. We also noted checks listed as outstanding that had been voided by the Village or were written and never sent out for payment. In addition, there were two payments listed as outstanding on the December 2018 bank reconciliation that did not agree to the amount that cleared the bank the following month. In addition, we noted other adjusting factors that continued to be carried on the reconciliation. Lastly, we noted December 2017 payments to elected officials that were included in the December 2017 bank reconciliation outstanding payment listing even though the checks weren't dated until the first week of January 2018.

We recommend that the Fiscal Officer prepare detailed bank reconciliations that include all bank account balances being reconciled to total accounting system fund balances and to look into variances. We also recommend that the Fiscal Officer follow up on items which have been outstanding for an extended period of time to ensure that proper credit is given to the Village for outstanding deposits, outstanding deposits are properly supported and outstanding checks are voided and paid into an unclaimed monies fund or reissued. We further recommend copies of bank reconciliations be presented to the Village Council for review, approval, and use in managing and making decisions for the Village.

Client Response:

Officials chose not to respond.

Finding 2018-010 – Material Weakness – Cancelled Check Images

Auditor of State Bulletin 2004-010 states that an auditor can regard electronic imaging of checks as evidence when performing an audit. The Bulletin provides, in part, that a bank may use the electronic image to create a "substitute check" for a bank that chooses to continue receiving paper checks. This substitute check has the same legal effect as the original paper check.

A substitute check is a paper reproduction of the original check that: contains an image of the front and back of the original check; bears a magnetic ink character recognition (MICR) line containing all of the information appearing on the original check's MICR line, with certain exceptions; conforms, in paper stock, dimension, and otherwise, with generally applicable banking industry standards for substitute checks; and is as suitable for automated processing as the original check. A substitute check that meets these requirements and bears the following legend is considered to be the legal equivalent of the original paper check.

Village of South Webster
Scioto County
Schedule of Findings and Responses
For the Years Ended December 31, 2018 and 2017

Finding 2018-010 – Material Weakness – Cancelled Check Images (Continued)

For governments that do not receive their cancelled original or substitute checks, it is suggested these governments request that their banks send images of the front and back of all issued checks. This will enable governments to review and scrutinize the transactions and ensure that the payees as well as the various endorsements are appropriate. As monthly bank statements are received, reconciliations between check numbers and the amounts paid should be conducted promptly. If questionable items are identified, governments should immediately request their bank investigate these items for possible adjustment to the government's account. Furthermore, a government may want to request a substitute check or the best available source document from the bank (e.g., copy of the front and back of the check) when a questionable item is identified that requires investigation.

During testing of nonpayroll disbursements, it was discovered that although the bank did provide images of the front side of cancelled checks, they did not provide optical images of the reverse sides. By not having the reverse side of the check, it is not possible to ensure that endorsements are appropriate. This could result in the lack of sufficient audit evidence or could relate in the failure to follow records retention laws.

We recommend the Fiscal Officer consult with the bank to have the bank provide images of the reverse side of each cancelled check for disbursements. As an alternative, the bank could send the original cancelled checks back to the Village or provide this information in electronic form (i.e., CD).

Client Response:

Officials chose not to respond.

Finding 2018-011 –Material Weakness – Controls Over Disbursements

Sound internal controls over disbursement of funds is pertinent to ensure that disbursements are accurate, complete, in compliance with applicable laws and regulations, and issued for a proper public purpose.

Although the Village utilizes the UAN accounting system to process all disbursements, the Village did not have an adequate system of internal controls as the following deficiencies were noted:

- Checks were signed by only one individual, although the established procedure is for both the fiscal officer and a council member to sign.
- Noted two instances where the Fiscal Officer paid the same invoice twice. We verified credits were received for one invoice. For the other, the Fiscal Officer should have voided in system as the payment never cleared the bank.
- Several manual checks were issued in 2017 and 2018.
- We noted several late payments by the Village that resulted in penalty and interest payments. For items tested, the Village paid \$14.01 in late fees from the general fund and \$58.13 in late fees from special revenue funds in 2017. For 2018, the Village paid \$102.68 in late fees from the general fund and \$14.59 in late fees from special revenue funds.
- We noted one instance where the Village paid \$10 more than amount invoiced.

These deficiencies in the process of issuance of checks increases the possibility for unrecorded disbursements, incorrectly recorded disbursements, potential fraud or theft issues, and can lead to difficulties attempting to reconcile. We recommend the Village address each of the deficiencies noted above.

Client Response:

Officials chose not to respond.

Village of South Webster
Scioto County
Schedule of Findings and Responses
For the Years Ended December 31, 2018 and 2017

Finding 2018-012 – Material Weakness – Controls Over Personnel Files

Personnel files should be maintained for all employees to support information recorded in the payroll records. Personnel files should include the following types of information:

- a. Name,
- b. Hiring authorization,
- c. Position and authorized salary rate,
- d. Department(s)/fund(s) to which salary will be charged,
- e. Deduction authorizations, such as deferred compensation programs or charitable contributions,
- f. Retirement system participation,
- g. Federal withholding authorization Form W-4,
- h. State and local income tax withholding authorization.

During testing of payroll, we noted that the Village was unable to provide personnel files which should include such necessary as salary notices or approved pay rates for employees, state withholding forms, federal tax withholding forms, pension plan forms, and fraud notification forms. Failure to maintain proper documentation in employee personnel files could result in an inability to support authorized pay rates, amounts disbursed to employees and outside agencies, withholding amounts, and noncompliance with state/federal requirements. We recommend that personnel files be maintained for all employees and include the types of information noted above including salary notices, contracts, tax and pension withholding forms, Auditor of State's fraud notification sign off sheets, and other necessary documents to support payroll disbursements and compliance.

Client Response:

Officials chose not to respond.

Finding 2018-013 – Material Weakness – Financial Reporting

Sound financial reporting is the responsibility of the Fiscal Officer and Village Council and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. Receipts and disbursements should be posted to the fund and line item accounts as established by the Ohio Administrative Code. During the course of testing, we identified several receipts and disbursements that were not properly recorded within the accounting system, whether improperly classified, posted to incorrect funds, or posted net of fees. This results in the inability to provide accurate financial information to those in charge of decision making. The Auditor of State's Local Government Services Division was procured for reconciliation procedures.

The accompanying financial statements were adjusted to correct these errors. As a result of the above conditions, we suggest the following recommendations:

- We recommend the Village Council and Fiscal Officer review all receipt and disbursement items to help ensure accuracy and reliability in the financial reporting process. These reviews should include procedures to ensure that all sources of receipts and disbursements are properly identified and classified in the financial statements.
- We recommend the Fiscal Officer refer to the Ohio Administrative Code and/or the Ohio Village Officer's Handbook for guidance to determine the proper establishment of receipt and disbursement accounts and posting of receipts and disbursements.
- We recommend the Fiscal Officer reconcile bank balances to the Village's book balance at the end of each month and provide the reconciliation as well as financial activity reports to the Village Council to review and approve.

Village of South Webster
Scioto County
Schedule of Findings and Responses
For the Years Ended December 31, 2018 and 2017

Finding 2018-013 – Material Weakness – Financial Reporting (Continued)

- We recommend the Village Council review the bank reconciliations monthly to make sure all transactions are being recorded and no unexplained differences or long outstanding items exist or are reported on the reconciliations.
- We recommend the Village Council adopt policies and procedures, including a final review of the statements and footnotes by the Fiscal Officer and Village Council to identify and correct errors or omissions prior to submission to the State through the Hinkle System and as presented for audit.

Client Response:

Officials chose not to respond.

Finding 2018-014 – Material Weakness – Budgetary Information Within UAN

Accurate budgetary information within the Village’s accounting system is pertinent to ensure that the Village has accurate and complete information for decision-making processes. For both 2018 and 2017, estimated revenue and appropriations recorded in the accounting system did not agree to the certificate of estimated resources or appropriations throughout the year. As a result, budget to actual activity within the accounting system is not reliable for planning and decision-making processes. The Fiscal Officer should maintain official documents to support appropriations, supplemental appropriations, official certificates of estimated resources, and amended official certificates of estimated resources. We further recommend these amounts be recorded in the UAN system and the Fiscal Officer reconcile each amended certificate of estimated resources and each amended appropriations measure to the accounting system periodically to ensure that they are in agreement.

Client Response:

Officials chose not to respond.

Finding 2018-015 – Noncompliance/Material Weakness – Retirement Reporting and Remittances

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

We noted several instances where monthly retirement reports and withholdings were not timely filed or paid, which resulted in penalties and interest charges in both years. We also noted that wages reported on remittances did not reconcile back to the payroll records. This could result in additional and unnecessary disbursements by the Village for fines and penalties in addition to underpayment of retirement contributions. We recommend the Village implement the appropriate procedures to ensure that contributions and reports are remitted timely and that reporting of wages and contributions are accurate and complete. The Village should also consider reconciling remittance reports back to the payroll records to ensure no additional retirement contributions are due to the retirement system.

Client Response:

Officials chose not to respond.

Village of South Webster
Scioto County
Schedule of Findings and Responses
For the Years Ended December 31, 2018 and 2017

Finding 2018-016 – Noncompliance/Material Weakness – Timely Deposit of Public Funds

Ohio Revised Code Section 9.38 requires that public money must be deposited with the treasurer of the public office or to a designated depository on the business day following the day of receipt. Public money collected for other public offices must be deposited by the first business day following the date of receipt.

If the amount of daily receipts does not exceed \$1,000 and the receipts can be safeguarded, public offices may adopt a policy permitting their officials who receive the money to hold it past the next business day, but the deposit must be made no later than 3 business days after receiving it. If the public office is governed by a legislative authority (counties, municipalities, townships, and school districts), only the legislative authority may adopt the policy. The policy must include provisions and procedures to safeguarded, the public official must then deposit the money on the first business day following the date of receipt.

The Village was holding deposits for lengthy amounts of time. This could lead to the possibility of financial records not being properly reported and increases the chances of monies being lost or stolen. It also may lead to cumbersome reconciliation procedures. We recommend the Fiscal Officer deposit funds in the Village's financial institution within Ohio Revised Code Section 9.38 guidelines.

Client Response:

Officials chose not to respond.

Finding 2018-017 – Noncompliance/Material Weakness – Tax Forms 941

Title 26: Internal Revenue Code; Subtitle C: Employment Taxes; Chapter 24: Collection of Income Tax at Source on Wages; Sections 3403 and 3404. Section 3403, Liability for Tax, state that the employer shall be liable for the payment of the tax required to be deducted and withheld under this chapter and shall not be liable to any person for the amount of any such payment. Further, the Internal Revenue Service requires the Village to file Form 941 quarterly. The Village has not properly filed its quarterly Forms 941 with the federal government since 2013. Further, the Auditor could not tell if the payments were made for 2018. Noncompliance with Internal Revenue Service law could lead to payment of an incorrect amount for the Village's taxes. Further, it could cause penalties and fines for the Village.

Client Response:

Officials chose not to respond.

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Village of South Webster
Scioto County
Schedule of Prior Audit Findings
For the Years Ended December 31, 2018 and 2017

Finding Number	Finding Summary	Fully Corrected?	Not Corrected; Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2016-001	Noncompliance Citation – Annual Financial Reports	Yes	
2016-002	Noncompliance Citation – Ohio Revised Code Sections 109.43(B) and 149.43(E)(1) – Public Records Training	No	Reissued as Finding 2018-001
2016-003	Noncompliance Citation/Material Weakness– Ohio Revised Code Section 121.22 – Deficiencies in Maintenance of Minute Record	No	Reissued as Finding 2018-002
2016-004	Noncompliance Citation/Material Weakness – Ohio Revised Code Section 149.351(A) – Maintenance of Supporting Documentation	No	Reissued as Finding 2018-003
2016-005	Noncompliance Citation – Ohio Revised Code Sections 733.27 and 135.22 – Annual Clerk Training and Investment Training/Exemptions	No	Reissued as Finding 2018-004
2016-006	Noncompliance Citation/Material Weakness – Ohio Revised Code Section 5705.10 – Negative Fund Balances	No	Reissued as Finding 2018-005
2016-007	Noncompliance/Material Weakness – Ohio Revised Code Section 5705.38(A) – Adoption of Appropriations	Yes	Reissued as Finding 2018-006
2016-008	Noncompliance Citation/Material Weakness – Ohio Revised Code Section 5705.41(B) – Expenditures in Excess of Appropriations	No	Reissued as Finding 2018-007
2016-009	Noncompliance Citation – Ohio Revised Code Section 5705.41(D) – Prior Certification of Funds	No	Reissued as Finding 2018-008
2016-010	Noncompliance Citation/Material Weakness – Ohio Administrative Code Sections 117-2-01(D)(3) and (5) and 117-2-02(A) – Bank Reconciliations	No	Reissued as Finding 2018-009
2016-011	Material Weakness – Cancelled Check Images	No	Reissued as Finding 2018-010
2016-012	Material Weakness – Controls Over Disbursements	No	Reissued as Finding 2018-011
2016-013	Material Weakness – Controls Over Personnel Files	No	Reissued as Finding 2018-012
2016-014	Material Weakness – Financial Reporting	No	Reissued as Finding 2018-013
2016-015	Material Weakness – Controls over Sewer Receipts	No	No longer valid
2016-016	Material Weakness – Budgetary Information Within UAN	No	Reissued as Finding 2018-014
2016-017	Noncompliance/Material Weakness – Ohio Revised Code Section 145.47(B) - Retirement Reporting and Remittances	No	Reissued as Finding 2018-015

Village of South Webster
Scioto County
Schedule of Prior Audit Findings
For the Years Ended December 31, 2018 and 2017

2016-018	Noncompliance Citation/Material Weakness – Ohio Revised Code Section 9.38 Timely Deposit of Public Funds	No	Reissued as Finding 2018-016
2016-019	Noncompliance/Material Weakness – Tax Forms 941	No	Reissued as Finding 2018-017

OHIO AUDITOR OF STATE
KEITH FABER



VILLAGE OF SOUTH WEBSTER

SCIOTO 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
FEBRUARY 25, 2020**