



OHIO AUDITOR OF STATE
KEITH FABER



**VILLAGE OF WOODLAWN
HAMILTON COUNTY
DECEMBER 31, 2019 AND 2018**

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OHIO AUDITOR OF STATE KEITH FABER



Corporate Centre of Blue Ash
11117 Kenwood Road
Blue Ash, Ohio 45242-1817
(513) 361-8550 or (800) 368-7419
SouthwestRegion@ohioauditor.gov

REPORT ON THE FINANCIAL STATEMENTS, INTERNAL CONTROL, AND COMPLIANCE

Village of Woodlawn
Hamilton County
10141 Woodlawn Blvd
Woodlawn, Ohio 45215

To the Village Council:

We have selectively tested certain accounts, financial records, reports and other documentation of the Village of Woodlawn, Hamilton County, (the Village)], as of and for the years ended December 31, 2019 and 2018. These procedures were designed to satisfy the audit requirements of Section 117.11, Ohio Rev. Code, and Section 117-4-02, Ohio Admin. Code. Our engagement was not designed as a basis to opine on the accompanying financial statements, internal control over financial reporting, or compliance. We therefore express no opinions on these matters.

Internal Control Over Financial Reporting

Certain of the aforementioned tests relate to internal control over financial reporting. The results of those tests may allow us to identify internal control deficiencies. An internal control deficiency 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, whether caused by error or fraud.

Our internal control tests were not designed to identify all internal control deficiencies that might exist. Therefore, unidentified weaknesses may exist. However, we consider findings 2019-001 through 2019-003, 2019-006, 2019-008, and 2019-019 through 2019-023 reported in the Schedule of Findings to be internal control deficiencies management and those charged with governance should address.

Compliance and Other Matters

We also tested compliance with certain provisions of laws, regulations, contracts, and grant agreements, applicable to the Village, noncompliance with which could directly and materially affect the determination of financial statement amounts. The results of our tests disclosed instances of noncompliance we believe could directly and materially affect the determination of financial statement amounts that we reported in the Schedule of Findings as item 2019-003 through 2019-007, 2019-009 through 2019-018, and 2019-024.

Government's Response to Findings

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

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

Keith Faber
Auditor of State

Columbus, Ohio

August 26, 2020

Village of Woodlawn, Hamilton County
 Combined Statement of Unclassified Cash Receipts, Unclassified Cash Disbursements and
 Changes in Fund Cash Balances
 All Governmental Fund Types
 For the Year Ended December 31, 2019

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash Receipts:	\$6,176,681	\$1,718,589	\$962,079	\$182,512	\$9,039,861
Cash Disbursements:	<u>6,492,735</u>	<u>1,127,587</u>	<u>549,038</u>	<u>242,509</u>	<u>8,411,869</u>
Net Changes in Fund Cash Balance	(316,054)	591,002	413,041	(59,997)	627,992
Fund Cash Balances (Deficits), January 1	<u>1,237,514</u>	<u>699,725</u>	<u>(726,720)</u>	<u>114,203</u>	<u>1,324,722</u>
Restricted	0	1,388,846	112,082	347,402	1,848,330
Unassigned (Deficit)	<u>921,460</u>	<u>(98,119)</u>	<u>(425,761)</u>	<u>(293,196)</u>	<u>104,384</u>
Fund Cash Balances (Deficits), December 31	<u><u>\$921,460</u></u>	<u><u>\$1,290,727</u></u>	<u><u>(\$313,679)</u></u>	<u><u>\$54,206</u></u>	<u><u>\$1,952,714</u></u>

See accompanying notes to the basic financial statements

Village of Woodlawn, Hamilton County
Combined Statement of Unclassified Cash Receipts, Unclassified Cash Disbursements and
Changes in Fund Cash Balances
All Fiduciary Funds
For the Year Ended December 31, 2019

	<u>Custodial Funds</u>
Cash Receipts:	\$441,434
Cash Disbursements:	<u>365,143</u>
Net Change in Fund Balance	76,291
Fund Cash Balance, January 1	<u>4,076</u>
Fund Cash Balance (Deficit), December 31	<u><u>\$80,367</u></u>

See accompanying notes to the basic financial statements

Village of Woodlawn, Ohio
Hamilton County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 1 – Reporting Entity

The Village of Woodlawn (the Village), Hamilton County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides park and recreation operations, police and fire protective services.

Joint Ventures, Jointly Governed Organizations, Public Entity Risk Pools and Related Organizations

The Village participates in a joint venture and is associated with a related organization. Note 11 to the financial statements provides additional information for this entity. 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 unclassified cash receipts, unclassified cash disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of unclassified cash receipts, unclassified cash disbursements and changes in fund balances (regulatory cash basis) for all fiduciary fund types which are organized on a fund type basis.

Fund Accounting

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

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

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

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

Swimming Pool Fund: This fund receives property tax and admission fees for operation and maintenance of the Village swimming pool.

Fire/EMS Levy Fund: This fund receives property tax money for providing fire and emergency medical services to the Village and its residents.

Debt Service Funds: These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Village had the following significant Debt Service Funds:

Village of Woodlawn, Ohio
Hamilton County
Notes to the Financial Statements
For the Year Ended December 31, 2019

General Obligation Bond Retirement Fund: This fund accumulates resources for the payment of various Village debt issues.

Pool House Bond Retirement Fund: This fund accumulates resources for the payment of the swimming pool construction and judgement bonds issues.

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: This fund receives a portion of the Village income tax receipts. These receipts are used to finance Village capital projects.

Fiduciary Funds: Fiduciary funds include private purpose trust funds and custodial 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.

Custodial funds are purely custodial in nature and are used to report fiduciary activity that is not required to be reported in a trust fund. The Village's custodial fund accounts for the Village Mayor's Court activity and the Woodlawn Meadows Special Improvement District.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

Budgetary Process

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

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

Village of Woodlawn, Ohio
Hamilton County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Encumbrances: The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Village did not use the encumbrance method of accounting. Management has included audit adjustments in the accompanying budgetary presentations for material items that should have been encumbered.

A summary of 2019 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.

Money market mutual funds are recorded at share values the mutual funds report. Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

Capital Assets

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

Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

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.

Village of Woodlawn, Ohio
Hamilton County
Notes to the Financial Statements
For the Year Ended December 31, 2019

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

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

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

Note 3 – Compliance

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the following funds for the year ended December 31, 2019:

General	\$151,605
State Highway	143,045
Federal Drug Law Enforcement	4,422
Fire Levy	76,058
Capital Improvement	149,308
Riddle Road Improvements	11,205
Woodlawn Boulevard Improvements	69,000

Also contrary to Ohio law, at December 31, 2019, the following funds had cash deficit balances:

State Highway	\$83,033
Federal Drug Law Enforcement	7,585
Street and Road Improvement	7,503
General Obligation Bond Retirement	425,761
Capital Improvement	293,196
Total	<u><u>\$817,078</u></u>

Village of Woodlawn, Ohio
Hamilton County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 4 – Budgetary Activity

Budgetary activity for the year ending December 31, 2019 follows:

2019 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$6,401,109	\$6,176,681	\$224,428
Special Revenue	803,884	1,718,589	(914,705)
Debt Service	600,500	962,079	(361,579)
Capital Projects	150,000	182,512	(32,512)
Total	\$7,955,493	\$9,039,861	(\$1,084,368)

2019 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$6,341,130	\$6,492,735	(\$151,605)
Special Revenue	1,425,658	1,127,587	298,071
Debt Service	598,074	549,038	49,036
Capital Projects	93,201	242,509	(149,308)
Total	\$8,458,063	\$8,411,869	\$46,194

Note 5 – 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:

	2019
Demand deposits	\$1,597,582
STAR Ohio	539,564
Total deposits and investments	\$2,137,146

Deposits

Deposits are insured by the Federal Deposit 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.

Investments

Investments in STAR Ohio and mutual funds are not evidenced by securities that exist in physical or book-entry form.

Village of Woodlawn, Ohio
Hamilton County
Notes to the Financial Statements
For the Year Ended December 31, 2019

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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

Income Taxes

The Village levies a municipal income tax of 2.3 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village. Full credit, up to the 2.3 percent is given for taxes paid to other taxing districts on residents' income earned outside the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

Note 7 – Risk Management

Workers' Compensation

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.

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

The Village is uninsured for the following risks:

- Errors and omissions.

Village of Woodlawn, Ohio
Hamilton County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 8 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Some 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 health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the Village contributed an amount equaling 14 percent of participants’ gross salaries. The Village has paid all contributions required through December 31, 2019.

<i>Retirement Rates</i>	<i>Year</i>	<i>Member Rate</i>	<i>Employer Rate</i>
<i>OPERS – Local</i>	<i>2012-2019</i>	<i>10%</i>	<i>14%</i>

Ohio Police and Fire Retirement System

The Village’s full-time Fire Fighters and full-time Police Officers belong to the Ohio 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 health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25 percent of their wages. The Village contributed to OP&F an amount equal to 19.5 percent of full-time police members’ wages and 24 percent of full-time fire fighters’ wages. The Village has paid all contributions required through December 31, 2019.

<i>Retirement Rates</i>	<i>Year</i>	<i>Member Rate</i>	<i>Employer Rate</i>
<i>OP&F- full time police</i>	<i>July 1, 2015 - December 31, 2019</i>	<i>12.25%</i>	<i>19.5%</i>
<i>OP&F- full time firefighters</i>	<i>July 1, 2015 - December 31, 2019</i>	<i>12.25%</i>	<i>24%</i>

Social Security

Some Village employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants’ gross salaries. The Village has paid all contributions required through December 31, 2019.

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

Village of Woodlawn, Ohio
Hamilton County
Notes to the Financial Statements
For the Year Ended December 31, 2019

the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2019. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2019. OP&F contributes 0.5 percent to fund these benefits.

Note 10 – Debt

Debt outstanding at December 31, 2019, was as follows:

	Principal	Interest Rate
2001 General Obligation Real Estate Acquisition Bonds	\$665,000	5%
2003 Swimming Pool Construction Bonds	240,000	5%
2003 Judgement Bonds	155,000	5%
2011 Community Center Bonds	1,725,000	6%
OPWC Marion Road Improvements Loan	157,822	0%
OPWC Rustic & Beech Lane Project Loan	127,911	0%
OPWC Taconic Terrace Repair Project Loan	86,382	0%
2014 Fire Equipment Lease	387,528	2%
2016 Police Equipment Lease	33,276	2%
2017 Ambulance Lease	55,625	3%
2019 Ambulance Lease	65,066	3%
2018 Equipment Lease	5,397	5%
2018 Copier/Printer Lease	63,163	6%
Total	\$3,767,170	

The General Obligation Real Estate Acquisition Bonds were issued in December 2001 in the amount of \$3,500,000 to retire the real estate acquisition bond anticipation note. The Village has an escrow agreement with Huntington Bank for the payment of principal and interest. The Village makes quarterly payments into the escrow account and Huntington Bank pays the actual principal and interest in accordance with the repayment schedule. The final payment is due in December 2022. The Village’s taxing authority collateralized the bonds.

The Swimming Pool Construction and Judgment Bonds were issued in August 2003 in the amount of \$1,400,000 to retire the Swimming Pool Construction and Judgment Bond Anticipation Notes, which were obtained to pay the litigation settlement and for the swimming pool construction. The Village is required to make principal and interest payments annually in December of each year. The final payment is due in December 2023. The Village’s taxing authority collateralized the bonds.

The Village received a loan for the construction of the Community Center in 2003. In 2011, the Village issued bonds in the amount of \$2,170,000 for the construction of the Community Center. The Village is required to make payments semi-annually. The final payment is due December 1, 2036. The Village’s taxing authority collateralized the bonds.

The Village entered into an agreement with the Ohio Public Works Commission (OPWC) to secure funding in the amount of \$371,345 for improvements to Marion Road in 2008. The Village is required to make payments semi-annually. The final payment is due January 1, 2028. The Village’s taxing authority collateralized this loan.

Village of Woodlawn, Ohio
Hamilton County
Notes to the Financial Statements
For the Year Ended December 31, 2019

The Village entered into an agreement with the Ohio Public Works Commission (OPWC) to secure funding in the amount of \$101,626 for improvements to Taconic Terrace Road in 2016. The Village is required to make payments semi-annually. The final payment is due July 1, 2036. The Village's taxing authority collateralized this loan.

The Village entered into an agreement with the Ohio Public Works Commission (OPWC) to secure funding in the amount of \$150,484 for improvements to Rustic and Beech Lane in 2016. The Village is required to make payments semi-annually. The final payment is due July 1, 2036. The Village's taxing authority collateralized this loan.

Leases

The Village entered into a lease purchase agreement with Oshkosh Capital for the purchase of fire equipment in 2015. The original amount of the lease was \$1,857,362. The Village is required to make annual payments. The final payment is due January 19, 2020. The Village's taxing authority collateralized this lease.

The Village entered into a lease purchase agreement with U.S. Bank to finance the purchase of an ambulance in 2017. The original amount of the lease was \$90,000. The Village is required to make payments annually. The final payment is due May 12, 2022. The Village's taxing authority collateralized this lease.

The Village entered into a lease purchase agreement with U.S. Bank to finance the purchase of safety equipment in 2016. The original amount of the lease was \$79,796.64. The Village is required to make payments annually. The final payment is due January 5, 2021. The Village's taxing authority collateralized this lease.

The Village entered assumed a 2017 lease purchase agreement from the Village of Lincoln Heights through U.S. Bank to finance the purchase of an ambulance in 2019. The original amount of the lease was \$115,083. The Village is required to make payments annually. The final payment is due October 13, 2023. The Village's taxing authority collateralized this lease.

The Village entered into a lease purchase agreement with Donnellon McCarthy for the purchase of a Tabber Machine in 2018. The original amount of the lease was \$6,747. The Village is required to make payments monthly. The final payment is due on January 15, 2024.

The Village entered into a lease purchase agreement with Donnellon McCarthy for the purchase of a printers, copy machines, and other office equipment in 2018. The original amount of the lease was \$92,378.88. The Village is required to make payments monthly. The final payment is due on May 15, 2023.

The Village leases the above vehicles and other equipment under non-cancelable leases. The Village disbursed \$500,466 to pay lease costs for the years ended December 31, 2019.

Amortization

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

Village of Woodlawn, Ohio
Hamilton County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Year Ending December 31:	Leases	OPWC Loans	2001 General Obligation Real Estate Bonds	2003 Swimming Pool Construction Bonds	2003 Judgement Bonds	2011 Community Center Bonds
2020	\$454,433	\$31,173	\$274,580	\$67,600	\$43,138	\$152,570
2021	58,883	31,173	277,100	69,713	46,300	154,320
2022	41,521	31,173	178,840	66,563	44,200	155,820
2023	9,949	31,173	0	68,413	42,100	152,070
2024	121	31,173	0	0	0	153,320
2025-2039	0	137,296	0	0	0	776,600
2030-2034	0	63,028	0	0	0	769,620
2035-2036	0	25,211	0	0	0	154,820
Total	<u>\$564,907</u>	<u>\$381,400</u>	<u>\$730,520</u>	<u>\$272,289</u>	<u>\$175,738</u>	<u>\$2,469,140</u>

Note 11 – Related Organizations

The Village of Woodlawn has a related corporation for the purpose of buying and selling properties. The Corporation is named the Woodlawn Community Improvement Corporation, which is a not-for-profit corporation. At least 40% of the membership of the Board of Trustees of the Woodlawn Community Improvement Corporation is to be comprised of public officers of the Village of Woodlawn. The Corporation exists solely for the benefit of Woodlawn through property transactions. Upon dissolution, assets are disbursed by the decision of the Board of Trustees. The Village of Woodlawn also has another related corporation for the purpose of utilizing a special assessment to pay for related infrastructure improvements. This Corporation is named the Woodlawn Special Improvement District.

The Village received a Bond Anticipatory Note (“BAN”) loan in the amount of \$1,350,000 from PNC Bank to fund the infrastructure improvements within the Woodlawn Meadows Special Improvement District. The BAN was a 2 year obligation due October, 2018 with semi-annual interest payments. The Village’s taxing authority collateralized this loan which will be repaid from the Special Assessments levied upon the 43 homes residing in the Special Improvement District in which they reside. On September 1, 2018 the Village entered into an agreement with the Cincinnati Port Authority where the principal associated with the aforementioned bonds was assumed by the Port Authority. As part of the agreement, the Village is no longer responsible for any items related to the debt but the Village must remit the Special Assessments collected by the Hamilton County Auditor to the Cincinnati Port Authority.

Note 12 – Subsequent Event

The United States and the State of Ohio declared a state of emergency in march 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent period of the Village. The Village’s investment portfolio and investment of the pension and other employee benefit plans in which the Village participates have incurred a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the Village’s future operating costs, revenues, and any recovery from the emergency funding, either federal or state, cannot be estimated.

Village of Woodlawn, Hamilton County
 Combined Statement of Unclassified Cash Receipts, Unclassified Cash Disbursements and
 Changes in Fund Cash Balances
 All Governmental Fund Types
 For the Year Ended December 31, 2018

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash Receipts:	\$6,311,456	\$965,837	\$277,755	\$154,286	\$7,709,334
Cash Disbursements:	<u>5,679,872</u>	<u>1,072,827</u>	<u>569,473</u>	<u>394,667</u>	<u>7,716,839</u>
Net Changes in Fund Cash Balance	631,584	(106,990)	(291,718)	(240,381)	(7,505)
Fund Cash Balances (Deficits), January 1	<u>605,930</u>	<u>806,715</u>	<u>(435,002)</u>	<u>354,584</u>	<u>1,332,227</u>
Restricted	0	781,532	23,685	347,402	1,152,619
Unassigned (Deficit)	<u>1,237,514</u>	<u>(81,807)</u>	<u>(750,405)</u>	<u>(233,199)</u>	<u>172,103</u>
Fund Cash Balances (Deficits), December 31	<u><u>\$1,237,514</u></u>	<u><u>\$699,725</u></u>	<u><u>(\$726,720)</u></u>	<u><u>\$114,203</u></u>	<u><u>\$1,324,722</u></u>

See accompanying notes to the basic financial statements

Village of Woodlawn, Hamilton County
 Combined Statement of Unclassified Cash Receipts, Unclassified Cash Disbursements and
 Changes in Fund Cash Balances
 All Fiduciary Funds
 For the Year Ended December 31, 2018

	Custodial Funds
Cash Receipts:	\$2,177,695
Cash Disbursements:	2,142,802
Net Change in Fund Balance	34,893
Fund Cash Balance, January 1	(30,817)
Fund Cash Balance (Deficit), December 31	\$4,076

See accompanying notes to the basic financial statements

Village of Woodlawn, Ohio
Hamilton County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 1 – Reporting Entity

The Village of Woodlawn (the Village), Hamilton County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides park and recreation operations, police and fire protective services.

Joint Ventures, Jointly Governed Organizations, Public Entity Risk Pools and Related Organizations

The Village participates in a joint venture and is associated with a related organization. Note 11 to the financial statements provides additional information for this entity. 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 unclassified cash receipts, unclassified cash disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of unclassified cash receipts, unclassified cash disbursements and changes in fund balances (regulatory cash basis) for all fiduciary fund types which are organized on a fund type basis.

Fund Accounting

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

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

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

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

Swimming Pool Fund: This fund receives property tax and admission fees for operation and maintenance of the Village swimming pool.

Fire/EMS Levy Fund: This fund receives property tax money for providing fire and emergency medical services to the Village and its residents.

Debt Service Funds: These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Village had the following significant Debt Service Funds:

Village of Woodlawn, Ohio
Hamilton County
Notes to the Financial Statements
For the Year Ended December 31, 2018

General Obligation Bond Retirement Fund: This fund accumulates resources for the payment of various Village debt issues.

Pool House Bond Retirement Fund: This fund accumulates resources for the payment of the swimming pool construction and judgement bonds issues.

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: This fund receives a portion of the Village income tax receipts. These receipts are used to finance Village capital projects.

Fiduciary Funds: Fiduciary funds include private purpose trust funds and custodial 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.

Custodial funds are purely custodial in nature and are used to report fiduciary activity that is not required to be reported in a trust fund. The Village's custodial fund accounts for the Village Mayor's Court activity and the Woodlawn Meadows Special Improvement District.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

Budgetary Process

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

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

Village of Woodlawn, Ohio
Hamilton County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Encumbrances: The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Village did not use the encumbrance method of accounting. Management has included audit adjustments in the accompanying budgetary presentations for material items that should have been encumbered.

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.

Money market mutual funds are recorded at share values the mutual funds report. Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides and NAV per share that approximates fair value.

Capital Assets

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

Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

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.

Village of Woodlawn, Ohio
Hamilton County
Notes to the Financial Statements
For the Year Ended December 31, 2018

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

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

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

Note 3 – Compliance

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the following funds for the year ended December 31, 2018:

General	\$133,615
Street Construction and Maintenance	32,954
Street and Road Improvements	14,300
Leacrest Road Improvements	1,394
Mayor's Court Computerization	16,500
Fire Levy	226,221
Riddle Road Improvements	79,529
Special Assessment	41,656
General Obligation Bond Retirement	84,149
Pool House Bond Retirement	181
Capital Improvement	42,246

Also contrary to Ohio law, at December 31, 2018, the following funds had cash deficit balances:

State Highway	\$47,248
Federal Drug Law Enforcement	3,163
Street and Road Improvement	7,503
Food Grant	20,894
Special Assessment	2,999
General Obligation Bond Retirement	750,405
Capital Improvement	233,199
Total	<u>\$1,065,411</u>

Village of Woodlawn, Ohio
Hamilton County
Notes to the Financial Statements
For the Year Ended December 31, 2018

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	\$0	\$6,311,456	(\$6,311,456)
Special Revenue	0	965,837	(965,837)
Debt Service	0	277,755	(277,755)
Capital Projects	0	154,286	(154,286)
Total	\$0	\$7,709,334	(\$7,709,334)

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$5,703,060	\$5,836,675	(\$133,615)
Special Revenue	940,848	1,281,563	(340,715)
Debt Service	540,884	625,214	(84,330)
Capital Projects	412,606	454,852	(42,246)
Total	\$7,597,398	\$8,198,304	(\$600,906)

Note 5 – 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	\$687,896
STAR Ohio	726,615
Total deposits and investments	\$1,414,511

Deposits

Deposits are insured by the Federal Deposit 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.

Investments

Investments in STAR Ohio and mutual funds are not evidenced by securities that exist in physical or book-entry form.

Village of Woodlawn, Ohio
Hamilton County
Notes to the Financial Statements
For the Year Ended December 31, 2018

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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

Income Taxes

The Village levies a municipal income tax of 2.0 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village. Full credit, up to the 2.0 percent is given for taxes paid to other taxing districts on residents' income earned outside the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

Note 7 – Risk Management

Workers' Compensation

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.

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

The Village is uninsured for the following risks:

- Errors and omissions.

Village of Woodlawn, Ohio
Hamilton County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 8 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Some 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 health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the Village contributed an amount equaling 14 percent of participants’ gross salaries. The Village has paid all contributions required through December 31, 2018.

<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>

Ohio Police and Fire Retirement System

The Village’s full-time Fire Fighters and full-time Police Officers belong to the Ohio 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 health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25 percent of their wages. The Village contributed to OP&F an amount equal to 19.5 percent of full-time police members’ wages and 24 percent of full-time fire fighters’ wages. The Village has paid all contributions required through December 31, 2018.

<i>Retirement Rates</i>	<i>Year</i>	<i>Member Rate</i>	<i>Employer Rate</i>
<i>OP&F- full time police</i>	<i>July 1, 2015 - December 31, 2018</i>	<i>12.25%</i>	<i>19.5%</i>
<i>OP&F- full time firefighters</i>	<i>July 1, 2015 - December 31, 2018</i>	<i>12.25%</i>	<i>24%</i>

Social Security

Some Village employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

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

Village of Woodlawn, Ohio
Hamilton County
Notes to the Financial Statements
For the Year Ended December 31, 2018

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.

Note 10 – Debt

Debt outstanding at December 31, 2018, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
2001 General Obligation Real Estate Acquisition Bonds	\$895,000	5%
2003 Swimming Pool Construction Bonds	290,000	5%
2003 Judgement Bonds	190,000	5%
2011 Community Center Bonds	1,790,000	6%
OPWC Marion Road Improvements Loan	176,389	0%
OPWC Rustic & Beech Lane Project Loan	135,436	0%
OPWC Taconic Terrace Repair Project Loan	91,464	0%
2014 Fire Equipment Lease	767,197	2%
2016 Police Equipment Lease	49,217	2%
2017 Ambulance Lease	73,073	3%
2018 Equipment Lease	6,559	5%
2018 Copier/Printer Lease	79,471	6%
Total	<u>\$4,543,806</u>	

The General Obligation Real Estate Acquisition Bonds were issued in December 2001 in the amount of \$3,500,000 to retire the real estate acquisition bond anticipation note. The Village has an escrow agreement with Huntington Bank for the payment of principal and interest. The Village makes quarterly payments into the escrow account and Huntington Bank pays the actual principal and interest in accordance with the repayment schedule. The final payment is due in December 2022. The Village's taxing authority collateralized the bonds.

The Swimming Pool Construction and Judgment Bonds were issued in August 2003 in the amount of \$1,400,000 to retire the Swimming Pool Construction and Judgment Bond Anticipation Notes, which were obtained to pay the litigation settlement and for the swimming pool construction. The Village is required to make principal and interest payments annually in December of each year. The final payment is due in December 2023. The Village's taxing authority collateralized the bonds.

The Village received a loan for the construction of the Community Center in 2003. In 2011, the Village issued bonds in the amount of \$2,170,000 for the construction of the Community Center. The Village is required to make payments semi-annually. The final payment is due December 1, 2036. The Village's taxing authority collateralized the bonds.

The Village entered into an agreement with the Ohio Public Works Commission (OPWC) to secure funding in the amount of \$371,345 for improvements to Marion Road in 2008. The Village is required to make payments semi-annually. The final payment is due January 1, 2028. The Village's taxing authority collateralized this loan.

Village of Woodlawn, Ohio
Hamilton County
Notes to the Financial Statements
For the Year Ended December 31, 2018

The Village entered into an agreement with the Ohio Public Works Commission (OPWC) to secure funding in the amount of \$101,626 for improvements to Taconic Terrace Road in 2016. The Village is required to make payments semi-annually. The final payment is due July 1, 2036. The Village's taxing authority collateralized this loan.

The Village entered into an agreement with the Ohio Public Works Commission (OPWC) to secure funding in the amount of \$150,484 for improvements to Rustic and Beech Lane in 2016. The Village is required to make payments semi-annually. The final payment is due July 1, 2036. The Village's taxing authority collateralized this loan.

Leases

The Village entered into a lease purchase agreement with Oshkosh Capital for the purchase of fire equipment in 2015. The original amount of the lease was \$1,857,362. The Village is required to make annual payments. The final payment is due January 19, 2020. The Village's taxing authority collateralized this lease.

The Village entered into a lease agreement with U.S. Bank to finance the purchase of public works equipment in 2015. The original amount of the lease was \$56,017. The Village is required to make annual payments. The final payment is due in 2018. The Village's taxing authority collateralized this lease.

The Village entered into a lease purchase agreement with U.S. Bank to finance the purchase of safety equipment in 2016. The original amount of the lease was \$79,796.64. The Village is required to make payments annually. The final payment is due January 5, 2021. The Village's taxing authority collateralized this lease.

The Village entered into a lease purchase agreement with U.S. Bank to finance the purchase of an ambulance in 2017. The original amount of the lease was \$90,000. The Village is required to make payments annually. The final payment is due May 12, 2022. The Village's taxing authority collateralized this lease.

The Village entered into a lease purchase agreement with Donnellon McCarthy for the purchase of a Tabber Machine in 2018. The original amount of the lease was \$6,747. The Village is required to make payments monthly. The final payment is due on January 15, 2024.

The Village entered into a lease purchase agreement with Donnellon McCarthy for the purchase of a printers, copy machines, and other office equipment in 2018. The original amount of the lease was \$92,378.88. The Village is required to make payments monthly. The final payment is due on May 15, 2023.

The Village leases the above vehicles and other equipment under non-cancelable leases. The Village disbursed \$469,768 to pay lease costs for the years ended December 31, 2018.

Amortization

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

Village of Woodlawn, Ohio
Hamilton County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Year Ending December 31:	Leases	OPWC Loans	2001 General Obligation Real Estate Bonds	2003 Swimming Pool Construction Bonds	2003 Judgement Bonds	2011 Community Center Bonds
2019	\$454,433	\$31,173	\$276,540	\$65,225	\$44,975	\$155,820
2020	454,433	31,173	274,580	67,600	43,138	152,570
2021	58,883	31,173	277,100	69,713	46,300	154,320
2022	41,521	31,173	178,840	66,563	44,200	155,820
2023	9,949	31,173	0	68,413	42,100	152,073
2024-2028	121	155,864	0	0	0	774,100
2029-2033	0	63,028	0	0	0	773,860
2034-2038	0	37,817	0	0	0	306,400
Total	<u>\$1,019,340</u>	<u>\$412,574</u>	<u>\$1,007,060</u>	<u>\$337,514</u>	<u>\$220,713</u>	<u>\$2,624,963</u>

Note 11 – Related Organizations

The Village of Woodlawn has a related corporation for the purpose of buying and selling properties. The Corporation is named the Woodlawn Community Improvement Corporation, which is a not-for-profit corporation. At least 40% of the membership of the Board of Trustees of the Woodlawn Community Improvement Corporation is to be comprised of public officers of the Village of Woodlawn. The Corporation exists solely for the benefit of Woodlawn through property transactions. Upon dissolution, assets are disbursed by the decision of the Board of Trustees. The Village of Woodlawn also has another related corporation for the purpose of utilizing a special assessment to pay for related infrastructure improvements. This Corporation is named the Woodlawn Special Improvement District.

The Village received a Bond Anticipatory Note (“BAN”) loan in the amount of \$1,350,000 from PNC Bank to fund the infrastructure improvements within the Woodlawn Meadows Special Improvement District. The BAN was a 2 year obligation due October, 2018 with semi-annual interest payments. The Village’s taxing authority collateralized this loan which will be repaid from the Special Assessments levied upon the 43 homes residing in the Special Improvement District in which they reside. On September 1, 2018 the Village entered into an agreement with the Cincinnati Port Authority where the principal associated with the aforementioned bonds was assumed by the Port Authority. As part of the agreement, the Village is no longer responsible for any items related to the debt but the Village must remit the Special Assessments collected by the Hamilton County Auditor to the Cincinnati Port Authority.

**VILLAGE OF WOODLAWN
HAMILTON COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2019 AND 2018**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING 2019-001

Internal Control – Monthly Reconciliations

Sound accounting practices require 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.

The reconciliation of cash (bank) balances to accounting system records (book) to the accounting system is the most basic and primary control process performed. Lack of completing an accurate and timely reconciliation may allow for accounting errors, theft and fraud to occur without timely detection.

The Finance Director is responsible for reconciling the book (fund) balance to the total bank balance on a monthly basis, and the Council and/or other administrators are responsible for reviewing the reconciliations and related support.

Accurate monthly reconciliations of the ending bank account balance to the Village's ending book balance were not performed during the audit period by the Finance Director. Reconciling items were not detailed to enable a proper reconciliation to be performed. Due to the lack of accurate reconciliations numerous errors remained undetected. The Village eventually engaged the Auditor of State's Local Government Services Division to create proofs of cash transactions for each month and a reconstruction of the cash book and prepare reconciliations for the entire audit period.

Failure to prepare accurate monthly reconciliations increases the possibility that the Village will not be able to identify, assemble, analyze, classify, and record its transactions correctly or to document compliance with finance related legal and contractual requirements. Further, the lack of accurate monthly reconciliations increases the risk of theft/fraud over the cash cycle and could lead to inaccurate reporting in the annual financial statements.

The Finance Director should record all transactions and prepare accurate monthly bank to book cash reconciliations, which include all bank accounts and all fund balances. Variances should be investigated, documented and corrected. In addition, the Council should review the monthly cash reconciliations including the related support (such as reconciling items) and document the reviews.

Officials' Response:

The Village is taking action to perform bank reconciliations on a monthly basis. Bank reconciliations will be included as part of the reports submitted by the Finance Director to the Village Council at regular meetings. The Village switched to the UAN accounting system mid-year 2019 and made changes in the Finance department in 2020 with the expectation that financial information will be recorded accurately in the Village accounting system.

FINDING 2019-002

Internal Control – Unclassified and Inaccurate Financial Statements

In our audit engagement letter, as required by Ohio Admin. Code § 117-2-01, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

We identified the following conditions related to the Village’s financial statements:

- The Village presented unclassified financial statements for 2018 and 2019 due to the lack of accurate posting of transactions to the accounting system.
- Budgetary Expenditures in the 2018 financial statement footnotes were understated by \$156,803, \$208,736, \$55,742, and \$60,185 in the General Fund, Special Revenue Funds, Debt Service Funds, and Capital Projects Funds, respectively.

Unclassified financial statements fail to present receipt sources and disbursement functions in a manner meaningful to the financial statement user. Also, unclassified financial and inaccurate statements increase the risk that errors, theft or fraud could occur and not be detected in a timely manner.

The Village corrected the errors in the financial statement footnotes.

The Village should implement policies and procedures to prepare classified and accurate financial statements and accurate footnotes.

Officials’ Response:

The Village switched to the UAN accounting system mid-year 2019 and made changes in the Finance department in 2020 with the expectation that financial information will be recorded accurately in the Village accounting system.

FINDING 2019-003

Noncompliance / Internal Control – Recording in Incorrect fund

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

The Village recorded multiple receipts in incorrect funds during the audit period, resulting in overstated and understated fund balances at year end, as follows:

Fiscal Year	Fund	Amount overstated (understated) at December 31
2019	General Fund (101)	\$12,325
2019	Swimming Pool Fund (208) – Special Revenue Fund	(5,476)
2019	Fire/EMS Levy Fund (242) – Special Revenue Fund	(6,849)
2019	State Highway Improvement Fund (202) – Special Revenue Fund	(3,581)
2019	Street Construction, Maintenance and Repair Fund (201) – Special Revenue Fund	3,581

**FINDING 2019-003
(Continued)**

2018	General Fund (101)	38,468
2018	Swimming Pool Fund (208) – Special Revenue Fund	(7,156)
2018	Fire/EMS Levy Fund (242) – Special Revenue Fund	(5,454)
2018	State Highway Improvement Fund (202) – Special Revenue Fund	(2,291)
2018	Street Construction, Maintenance and Repair Fund (201) – Special Revenue Fund	2,291
2018	GO Bond Retirement Fund (301) – Debt Service Fund	(9,235)
2018	Pool House Bond Retirement Fund (302) – Debt Service Fund	(7,388)
2018	Capital Improvement Fund (403) – Capital Projects Fund	(9,235)

The Village corrected the financial statements and accounting records.

The lack of controls over the posting of financial transactions decreases the reliability of financial data at year-end and can result in undetected errors and irregularities. The Village should implement controls to help ensure all transactions are reviewed to help ensure posting to the proper funds.

Officials' Response:

The Village switched to the UAN accounting system mid-year 2019 and made changes in the Finance department in 2020 with the expectation that financial information will be recorded accurately in the Village accounting system.

FINDING 2019-004

Noncompliance – Expenditures Exceeding Appropriations

Ohio Rev. Code § 5705.41(B) prohibits a subdivision or taxing authority unit from making any expenditure of money unless it has been appropriated in accordance with the Ohio Revised Code.

Due to inadequate policies and procedures in approving and reviewing budget versus actual information, the Village had expenditures in excess of appropriations as follows:

Fund	Expenditures plus Encumbrances	Appropriations	Variance
General Fund (101) – 2019	\$6,492,735	\$6,341,130	\$(151,605)
State Highway Improvement Fund (202) – 2019	150,037	6,992	(143,045)
Drug Law Enforcement Fund (210) - 2019	4,422	0	(4,422)
Fire/EMS Levy Fund (242) - 2019	576,058	500,000	(76,058)
Riddle Road Improvement (2907) - 2019	11,205	0	(11,205)
Woodlawn Road Improvement (2908) - 2019	69,000	0	(69,000)
Capital Improvement Fund (403) - 2019	242,509	93,201	(149,308)
General fund (101) - 2018	5,836,675	5,703,060	(133,615)
Street Construction, Maintenance and Repair Fund (201) – 2018	209,107	176,153	(32,954)

**FINDING 2019-004
(Continued)**

Street & Road Improvement (212) - 2018	14,300	0	(14,300)
Mayor's Court Computer Fund (217) – 2018	20,000	3,500	(16,500)
Fire/EMS Levy Fund (242) - 2018	731,930	505,709	(226,221)
Riddle Road Improvement (2907) - 2018	79,529	0	(79,529)
GO Bond Retirement Fund (301) – 2018	557,370	473,221	(84,149)
Special Assessment Fund (801) - 2018	41,656	0	(41,656)
Capital Improvement Fund (403) – 2018	454,852	412,606	(42,246)

Failure to have adequate appropriations in place at the time expenditures are made could cause expenditures to exceed available resources, further resulting in deficit spending practices.

The Council should closely monitor expenditures and appropriations and make the necessary appropriation amendments, if possible, to reduce the likelihood of expenditures exceeding appropriations. Additionally, the Finance Director should deny payment requests exceeding appropriations when appropriations are inadequate to cover the expenditures.

Officials' Response:

The Village switched to the UAN accounting system mid-year 2019 and made changes in the Finance department in 2020. The Village Council is currently being provided with budget vs. actual reports on a monthly basis which should help to eliminate this issue in the future.

FINDING 2019-005

Noncompliance – Negative Fund Balances

Ohio Rev. Code § 5705.10(I) requires that money paid into any fund shall be used only for the purposes for which such fund is established.

Therefore, a negative fund cash balance in any fund indicates that money from another fund or funds has been used to pay the obligations of the fund carrying the deficit balance.

The Village had deficit fund balances at December 31, 2019/2018 in the following funds:

Fund	Ending Fund Balance
State Highway (202) – 2019	(\$83,033)
Federal Drug Law Enforcement (210) – 2019	(7,585)
Street and Road Improvement (212) – 2019	(7,503)
General Obligation Bond Retirement (301) – 2019	(425,761)
Capital Improvement (403) – 2019	(293,196)
State Highway (202) – 2018	(47,248)
Federal Drug Law Enforcement (210) – 2018	(3,163)
Street and Road Improvement (212) – 2018	(7,503)
Food Grant (224) – 2018	(20,894)
General Obligation Bond Retirement (301) – 2018	(750,405)
Capital Improvement (403) – 2018	(233,199)
Special Assessment (801) – 2018	(2,999)

**FINDING 2019-005
(Continued)**

Negative fund balances could result in the use of restricted receipts for unallowable purposes. Procedures and controls, such as the Management and/or Council's periodic review of reports that show cash fund balances, and budgeted versus actual receipts and disbursements, should be implemented to identify those funds that may potentially develop a negative balance.

Advances or transfers should be made for these funds or appropriations modified to prevent a negative cash balance. The Village should refer to Ohio Compliance Supplement (OCS) Chapter 1 and/or Auditor of State Bulletin 97-003 for information regarding the accounting treatment and approval process for advances.

Officials' Response:

Of the funds identified by the State Auditor's Office, five currently have negative fund balances. The Village constructed a plan to eliminate all negative fund balances by year end 2021. The Village switched to the UAN accounting system mid-year 2019 and made changes in the Finance department in 2020. Budget vs Actual reports are presented to Council monthly for the purpose of strengthening budgetary controls.

FINDING 2019-006

Noncompliance / Internal Control – Mayor's Court

Ohio Rev. Code § 733.40 states that all monies collected shall be paid by the mayor into the municipality on the first Monday of each month. At the first regular meeting of the legislative authority each month, the mayor shall submit a full statement of all money received, from whom and for what purposes received, and when paid into the treasury.

Sound accounting practices require 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 periodically reconcile them to the accounting records.

The Mayor's Court Clerk is responsible for reconciling the Court's outstanding items listing each month. The Clerk should reconcile the book (fund) balance to the total bank balance on a monthly basis, and the Council and/or other administrator are responsible for reviewing the reconciliations and related support. All receipts of the Mayor's Court should be disbursed to the Village, County and State after each month end. The only funds which should be held in the Mayor's account are bonds which have not been applied to the violator's case.

We noted the following conditions regarding the Mayor's Court:

- The Court did not transmit collections to the Village on the first day of the month for 10 months in 2019 and eight months in 2018. Distributions were late by an average of 2 days for 2019 and four days for 2018.
- There was no documentation of supervisory review or approval of the monthly bank reconciliations or monthly reports of fines and monies collected by the Mayor's Court Clerk. These reports were not formally approved by the Village Council or their designee.
- At December 31, 2018 and 2019 the reconciled balance of the Mayor's Court account was (\$1,577) and (\$1,732), respectively. In 2018 and 2019 there were unreimbursed credit card transaction fees and NSF check fees totaling \$674 and \$617, respectively. Uncorrected errors from prior years along with the credit card and bank fees attributed to the negative reconciled balances.

**FINDING 2019-006
(Continued)**

- The Mayor's Court had outstanding checks older than ten years totaling \$970. In order to simplify the reconciliation process and properly report current year activity the Mayor's Court should monitor old outstanding checks throughout the year as described in Auditor of State Bulletin 91-11.
- For 2019 the Mayor's Court Clerk did not break down the costs between court fees and fine amounts on the Court docket for four of 45 (9%) receipts.
- The Village did not provide an Open Items Listing as of December 31, 2019 and December 31, 2018 for audit.

Failure to maintain an open items listing and detail court costs on the docket increases the possibility that the Village will not be able to identify, assemble, analyze, classify, and record its transactions correctly or to document compliance with finance related legal and contractual requirements. Furthermore, the deficit reconciled bank balance increases the risk of issuing NSF checks and incurring bank fees.

The Mayor's Court Clerk should properly detail all transactions in the court docket and maintain supporting documentation for the monthly bank to book cash reconciliations. Variances should be investigated, documented and corrected. In addition, the Council should review the monthly cash reconciliations including the related support (such as reconciling items) and document the reviews.

Officials' Response:

The Village will take appropriate action to improve the Mayor's court.

FINDING 2019-007

Noncompliance – Financial Reporting

Ohio Rev. Code § 117.38 states cash-basis entities file annual reports with the Auditor of State within 60 days of the fiscal year end. The Auditor of State may prescribe by rule or guidelines the forms for these reports. The Auditor of State may extend the deadline for filing a financial report and establish terms and conditions for any such extension.

The Village filed its 2018 report on May 29, 2020 and no extension was obtained.

Failure to timely file an annual report could result in a penalty of twenty-five dollars for each day the report remains unfiled, not to exceed seven hundred fifty dollars. The Auditor of State may waive these penalties, upon the filing of the past due financial report.

The Village should file a complete annual report within the required time frame at the end of each fiscal year with the Auditor of State's Office.

FINDING 2019-008

Internal Control – Official Minutes

Council minutes are the official record of meetings held and actions taken by the Council. Approval of and sign off by the Council is an integral part of monitoring the accuracy and completeness of the minutes. The minutes should include all actions taken by the Council during the meeting and reflect an accurate record of all actions affecting the financial condition of the Village including expenditures, revenues, changes in personnel, and additional compensation to employees.

**FINDING 2019-008
(Continued)**

Council minutes for the audit period did not include the following:

- Monthly financial reports which include budget to actual activity by fund and account.
- Lists of bills paid.
- Draft annual report prior to submission to the Auditor of State's Office.
- The annual appropriation ordinances approved in the minutes did not include the detail of the appropriations at the legal level of control. The Village indicated an addendum was presented to Council with the ordinance but was not documented in the minutes.

As a result of not submitting adequately detailed financial activity to the Council, the Council was unable to monitor the financial condition of the Village, the vendors being used, and payments being made.

The Council should be presented a monthly financial report for every month of the year and financial reports from months in which no meeting is held should be presented during the next meeting. These reports should include detailed revenues and expenditures as well as budget to actual activity. The minutes should note which month's financial report is being presented and approved. The Council should receive a list of bills that have been paid since the previous meeting, a list which includes the vendor, amount and reason for payment.

Officials' Response:

The Village switched to the UAN accounting system mid-year 2019 and made changes in the Finance department in 2020. Budget vs Actual reports are presented to Council monthly for the purpose of strengthening budgetary controls, also a list of monthly receipts and disbursements are presented to Council at each regular meeting. The Village does not believe there will be an issue with filing reports timely in the future. The Village Council was presented with the current draft financial report before submission to the State of Ohio. The Village will enter budgetary amendments into the UAN system timely and will be sure to include detailed reports related to budgetary items the Council approves as part of the minutes.

FINDING 2019-009

Noncompliance – Finance Training

Ohio Rev. Code § 733.81(C) states that a newly elected or appointed fiscal officer shall complete at least six hours of initial education programs before commencing, or during the first year of office. An additional eighteen hours of continuing education must be completed during the fiscal officer's first term.

Ohio Rev. Code § 733.27 states that the village clerk shall attend training programs for new village clerks and annual training programs of continuing education for village clerks that are provided by the auditor of state pursuant to ORC § 117.44 of the Revised Code.

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 (Ohio Rev. Code §135.22):

**FINDING 2019-009
(Continued)**

- (1) Interim deposits pursuant to Ohio Rev. Code § 135.14(B)(3) or 135.145 (CDAR and similar programs);
- (2) STAR Ohio pursuant to Ohio Rev. Code § 135.14(B)(6);
- (3) No-load money market mutual funds pursuant to Ohio Rev. Code §135.14(B)(5).

The former Finance Director did not attend the new fiscal officer training or additional hours of continuing education. Regarding the continuing education requirements, the Village does not have any investments requiring the continuing education but the former Finance Director did not complete exemptions for 2018 or 2019.

The Finance Director should attend required training for a new fiscal officer, and thereafter obtain continuing education or submit a notice of exemption annually.

Officials' Response:

The Village switched to the UAN accounting system mid-year 2019 and made changes in the Finance department in 2020. The current Finance Director will take due care to make sure all training requirements are met.

FINDING 2019-010

Noncompliance – Fraud Notification System

Ohio Rev. Code § 117.103(B)(1) states that a public office shall provide information about the Ohio fraud-reporting system and the means of reporting fraud to each new employee upon employment with the public office. Each new employee shall confirm receipt of this information within thirty days after beginning employment. The auditor of state shall provide a model form on the auditor of state's web site to be printed and used by new public employees to sign and verify their receipt of information as required by this section.

For one of five newly hired employees tested, the Village did not have evidence that the employee received information about the Ohio fraud reporting system within 30 days of being hired. The employee was hired in July 2019 but the acknowledgement form maintained for the new employee was signed in May 2020.

Failure to properly inform new employees about the fraud-reporting system could result in fraud not being reported in a timely manner.

The Village should inform new employees of the fraud-reporting system and provide them something similar to the form on the Auditor of State website:
<https://www.ohioauditor.gov/fraud/FraudReportingSystemModelForm.pdf>.

Officials' Response:

The Village will take due care to ensure that all necessary forms are filled out and retained in human resources files.

FINDING 2019-011

Noncompliance – Destruction of Records

Ohio Rev. Code § 149.351 provides that no public records shall 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 Ohio Rev. Code § 149.38 to 149.42.

In addition, **Ohio Rev. Code § 149.381** states in part that when records have been approved for disposal, a copy of such records application or schedule shall be sent to the Ohio Historical Society, who upon completion of its review, shall forward it on to the Auditor of State. The Auditor of State shall approve or disapprove the application or schedule within a period of not more than sixty days after receipt of it. Before public records are to be disposed of pursuant to an approved schedule of records retention and disposition, the records commission shall inform the Ohio Historical Society of the disposal through the submission of a certificate of records disposal for only the records required by the schedule to be disposed of, and shall give the society the opportunity for a period of fifteen business days to select for its custody those public records, from the certificate submitted, that it considers to be of continuing historical value.

The Village failed to present the following records for audit:

- Six income tax returns in 2019 and four income tax returns in 2018 to verify that the amounts received by the Village agreed to the income tax returns.
- Supporting invoice documentation for two expenditures selected for testing: Check #30138 posted March 3, 2018 in the amount of \$3,694 to Greater Cincinnati Water Works for water utility usage; and a credit card charge paid on Check #70300 posted March 9, 2018 in the amount of \$103 to Wyoming Florist for flowers. By performing alternative procedures we determined that these expenditures were for a proper public purpose.
- Purchase orders for five disbursements in 2018 and 14 disbursements in 2019.
- Validated deposit slips for four cash receipts in 2019.
- Ohio Police & Fire Pension Fund remittance reports for five months in 2018 and five months in 2019.

A lack of internal controls increases the risk that theft, fraud, or errors could occur and not be detected in a timely manner.

The Village should develop policies and procedures outlining the security of all records or take a written inventory of all records noting the records description and location. All records should be maintained in a secure central location, such as locked file cabinets or in a locked office, with access limited to specific officials and/or personnel. Disposal of records should only be made in accordance with an approved records retention schedule. The Fiscal Officer should keep supporting documentation for all transactions.

Officials' Response:

The Village understands the importance of keeping records related to Village business; the Village will exercise due care and caution in maintaining records going forward.

FINDING 2019-012

Noncompliance – Encumbering Funds

Ohio Rev. Code § 5705.41(D)(1) provides that no orders or contracts involving the expenditure of money are to be made unless there is attached thereto a certificate of the fiscal officer certifying that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such a certificate shall be void and no warrant shall be issued in payment of any amount due thereon.

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 Village 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.

Due to deficiencies in internal controls, the Village did not follow established procedures for certifying expenditures and none of the exceptions above applied. Of the expenditures tested, the Fiscal Officer did not certify one out of 14 expenditures (7%) in 2018 at the time the Village incurred the commitment.

Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances. Unless the Village uses the exceptions noted above, prior certification is not only required by statute but also is 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, the Fiscal Officer should certify the funds are or will be available prior to obligation by the Village. When prior certification is not possible, "then and now" certification should be used.

**FINDING 2019-012
(Continued)**

Officials' Response:

The Village switched to the UAN accounting system mid-year 2019 and made changes in the Finance department in 2020 with the expectation that financial information will be recorded accurately in the Village accounting system. As part of the UAN system purchase orders should be generated before an expenditure can take place and a record of the purchase order will be noted in the UAN system.

FINDING 2019-013

Noncompliance/Finding for Recovery – Richard Cropper

State ex rel. McClure V. Hagerman, 155 Ohio St. 320 (1951) states that expenditures made by a governmental unit should serve a public purpose. Typically the determination of what constitutes a “proper public purpose” rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only.

Auditor of State Bulletin 2003-005 Expenditure of Public Funds/Proper Public Purpose states that the Auditor of State’s Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect.

Richard Cropper, former Finance Director, was responsible for making timely payments of retirement system withholdings and credit card balances. The Village failed to remit withholdings in a timely manner to the Ohio Police & Fire Pension Fund for nine months in 2018 and two months in 2019, and incurred late filing penalties totaling \$3,200 for 2018 and \$200 for 2019. During 2018, Village also incurred and paid credit card late fees and interest charges totaling \$80.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against former Finance Director Richard Cropper, and his bonding company, Public Entities Pool of Ohio, in the amount of \$3,480 and in favor of the Village of Woodlawn General Fund, in the amount of \$3,480.

Officials' Response:

The Village has no response to this finding.

FINDING 2019-014

Noncompliance – Proper Public Purpose

State ex rel. McClure V. Hagerman, 155 Ohio St. 320 (1951) states that expenditures made by a governmental unit should serve a public purpose. Typically the determination of what constitutes a “proper public purpose” rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only.

Auditor of State Bulletin 2003-005 Expenditure of Public Funds/Proper Public Purpose states that the Auditor of State’s Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect.

We identified the following disbursements issued by the former Interim Finance Director for which proper public purpose was questionable and the proper public purpose was not memorialized by Council:

**FINDING 2019-014
(Continued)**

- Late fee and interest charges from Sam's Club credit card totaling \$30 and \$39, respectively, were incurred for September 2019.
- Late fee and interest charges from US Bank credit card totaling \$35 and \$98, respectively, were incurred for September 2019.
- Supporting invoice documentation was not maintained for an Amazon charge totaling \$77 on the US Bank credit card statement for September 2019.
- Late filing penalties from the Ohio Police & Fire Pension Fund totaling \$200 for two months in 2019.

A lack of internal controls increases the risk that theft, fraud, or errors could occur and not be detected in a timely manner.

The Village should be diligent in its payment to vendors so they are not charged late fees and interests and maintain all vendor invoices.

Officials' Response:

Ms. Williams was hired by the Village as the Assistant Finance Director on February 26, 2019. Less than two months later the Finance Director, her supervisor and the person charged with training Ms. Williams, resigned. There was a vacancy in the office of Finance Director until Council appointed Ms. Williams the Interim Finance Director on June 25, 2019. Ms. Williams served as the Interim Finance Director for eight months before resigning her position on February 27, 2020.

FINDING 2019-015

Noncompliance – Certification of Estimated Resources

Ohio Rev. Code § 5705.39 provides that total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure there-from, as certified by the county budget commission. No appropriation measure shall become effective until the county auditor files a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed such official estimate or amended official estimate. For purposes of this section of the Ohio Revised Code, estimated revenue is commonly referred to as "estimated resources" because it includes unencumbered fund balances.

Also, Ohio Rev. Code § 5705.36(A) requires that on or about the first day of each fiscal year, the fiscal officer of each subdivision and other taxing unit shall certify to the county auditor the total amount from all sources available for expenditures from each fund set up in the tax budget or, if adoption of a tax budget was waived under section 5705.281 of the Revised Code, from each fund created by or on behalf of the taxing authority.

For 2018 the Village did not certify to the county auditor the total amount from all sources available for expenditure or obtain certification from the county budget commission that the appropriations for each fund did not exceed available estimated resources.

At December 31, 2019, the following funds had appropriations in excess of the estimated resources available for expenditure as certified by the budget commission:

**FINDING 2019-015
 (Continued)**

Fund	Estimated Resources	Appropriations	Variance
Income Tax Fund 207 – 2019	\$0	\$500,000	(\$500,000)
GO Bond Retirement Fund 301 – 2019	454,573	532,849	(78,276)

Failure to certify estimated resources to the county auditor and limit appropriations to the amount certified by the budget commission due to deficiencies in the Village’s compliance monitoring policies and procedures could result in overspending and negative cash fund balances.

The Village should draft, approve, and implement procedures to compare appropriations to estimated resources and, if adequate resources are available for additional appropriations, the County should submit an amended certificate of estimated resources to the budget commission for certification. If the resources are not available to cover the appropriations, an amendment to the appropriation resolution should be passed by the Council to reduce the appropriations.

Officials’ Response:

The Village switched to the UAN accounting system mid-year 2019 and made changes in the Finance department in 2020. Budgetary reports are currently presented to Council at each regular meeting strengthening budgetary controls. The Village does not believe there will be an issue with filing information with the Hamilton County Auditor's Office in the future.

FINDING 2019-016

Noncompliance – Drug Mandated Fines Internal Control Policy

Chapter 2925 of the Ohio Rev. Code relates to drug offenses.

- **Ohio Rev. Code § 2925.03 (F)(1)** requires the clerk of a court to pay any mandatory fine imposed pursuant to division (D)(1) of this section and any fine other than a mandatory fine imposed for a violation of this section pursuant to division (A) or (B)(5) of section 2929.18 of the Revised Code to the county, township, municipal corporation, park district. . . or state law enforcement agencies in this state that were primarily responsible for or involved in making the arrest of, and in prosecuting, the offender. However, the Clerk shall not pay a mandatory fine so imposed to a law enforcement agency unless the agency has adopted a written internal control policy under division (F)(2) of this section that addresses the use of the fine moneys that it receives. Each agency shall use the mandatory fines so paid to subsidize the agency’s law enforcement efforts that pertain to drug offenses, in accordance with the written internal control policy adopted by the recipient agency under division (F)(2) of this section.
- **Ohio Rev. Code § 2925.03(F)(2)** provides guidance on preparing an internal control policy which describes the general types of allowable expenditures from this fund. Fines imposed under Ohio Rev. Code § 2929.18(B)(5) must be used as provided in Ohio Rev. Code § 2925.03(H). However, these fines should not be recorded in the Law Enforcement Trust (LET) fund. This section requires fines to be used solely for the support of one or more eligible community addiction service providers.

The Village did not have an internal policy in place. Failure to have a policy could result in loss of funds. The Village should adopt an internal control policy for Drug Mandated fines to address the use of these funds should they receive them.

Officials’ Response:

The Village will take appropriate action to create a policy related to the Drug Law Enforcement Fund.

FINDING 2019-017

Noncompliance – Law Enforcement Trust Fund Internal Policy

Ohio Rev. Code § 2981.11(B)(1) provides that any law enforcement agency that receives or uses certain proceeds or forfeited monies shall adopt and comply with an internal control policy that provides for keeping detailed records of:

- The amount of property acquired by the agency and the date property was acquired;
- The disposition of the property, which shall include, but not be limited to, both of the following:

The manner in which it was disposed, the date of disposition, detailed financial records concerning any property sold, and the name of any person who received the property. The record shall not identify or enable identification of the individual officer who seized any item of property.

Ohio Rev. Code § 2981.13(C)(2)(a) requires an internal control policy relating to proceeds and forfeited money. The policy should address the use and disposition of all the proceeds and forfeited moneys, the general type of expenditures to be made out of the proceeds and forfeited moneys received, and records to be maintained.

An itemized list of the specific expenditures made with amounts that are gained from the sale of the property and that are retained by the agency, including the specific amount expended on each expenditure, except that the policy shall not provide for or permit the identification of any specific expenditure that is made in an ongoing investigation and shall be open to public inspection during the agency's regular business hours.

The Village did not have an internal control policy in place during the audit period. Failure to have a policy could result in loss of funds. The Village should adopt an internal control policy for the Law Enforcement Trust Fund in compliance with the Revised Code.

Officials' Response:

The Village will take appropriate action to create a policy related to the Law Enforcement Trust Fund.

FINDING 2019-018

Noncompliance – Form 1099

26 C.F.R § 1.6041-1 states, in part, that governments which pay any independent contractors (other than a corporation) \$600 or more during a year, must be issued a 1099 form.

For 2018 and 2019 the Village did not issue any 1099 forms to independent contractors paid \$600 or more. Failure to properly issue 1099 forms could result in noncompliance with Federal tax codes and lead to possible penalties.

The Village should determine if 1099 forms should be provided for independent contractors. Additionally, the Village should review all vendors to determine their establishment status (i.e. established as a corporation, LLC, etc.) to determine which vendors should receive a form 1099.

Officials' Response:

The Village will take appropriate action to ensure the Village issues 1099s to all vendors that are not corporations.

FINDING 2019-019

Internal Control – Income Tax Cycle

All local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance related legal and contractual requirements and prepare finance statements required by 117-2-03 of the Administrative Code. The management of each local public office is responsible for the assertions underlying the information in the public office's financial statements. The accounting system should assure that the following five assertions are achieved for all transaction types and account balances applicable to the local public office's operations, considering the basis of accounting applicable to it:

1. Existence/occurrence: That recorded assets (and liabilities, if generally accepted accounting principles apply) exist as of fiscal year end, recorded transactions have occurred and are not fictitious.
2. Completeness: That all account balances and transactions that should be included in the financial records are included.
3. Rights and obligations: That recorded assets are rights of the public office and recorded liabilities (if generally accepted accounting principles apply), are obligations of the public office at the fiscal year end.
4. Valuation/allocation: That generally accepted accounting measurement and recognition principles are properly selected and applied. This includes accounting measurement and recognition principles prescribed by the auditor of state for public offices that are not required to follow generally accepted accounting principles.
5. Presentation and disclosure: That financial statement elements are properly classified and described and appropriate disclosures are made as required by generally accepted accounting principles, or as prescribed by the auditor of state for entities that do not follow generally accepted accounting principles.

The Village utilizes their accounting system to track all income tax receipts received during the year. Income tax receipts represent a significant income stream for the Village. The Village collected income tax receipts totaling \$4,939,119 for 2018 and \$5,362,735 for 2019 which represented 64% and 59% of the total operating receipts for those years respectively.

We identified the following conditions related to the Village's Income Tax Department:

- The Tax Department did not have a system to determine that all business and residents required to pay the Village Income Tax were filing returns.
- Collections per the CMI Income Tax Module were \$163,492 more than the amount deposited and posted as revenue in the accounting system for 2018. Collections per the CMI Income Tax Module were \$434,706 more than the amount deposited and posted as revenue in the accounting system for 2019. The discrepancies were due to clerical data entry errors in the Income Tax Module that were not corrected based on actual cash receipts received and posted in the accounting system.
- Allocations of Municipal Income Taxes for 2018 were calculated incorrectly resulting in an overstatement in the General fund by \$25,858, and an understatement in the Bond Retirement Fund, Pool House Bond Fund, and Capital Improvement Fund by \$9,235, \$7,388, and \$9,235, respectively. The Village corrected the financial statements and accounting records.

**FINDING 2019-019
(Continued)**

- The name recorded in the accounting system for 2019 associated with one account did not agree to the name on the tax return.

Failure to accurately update and maintain the CMI Taxpayer Master File database and Income Tax Module collections and refunds reduces the accountability over the Village's income tax receipts cycle and reduces the Village's ability to monitor income tax collections, increases the risk of undetected errors or theft, and could lead to taxpayers not filling or remitting taxes in a timely manner, and the Village not collecting all income tax receipts to which it is legally entitled.

The Income Tax Department should take the following actions to correct these conditions:

- Identify all parcels related to businesses within Village limits to determine if all businesses are submitting withholdings.
- Compile a list of residents to determine that all residents within Village limits are submitting tax returns.
- Prepare either a monthly or quarterly report for Council which includes collections to date with a comparison to the prior fiscal year.
- Perform a reconciliation at the end of each month agreeing the amount collected per the CMI Income Tax Module to the amount posted as received in the accounting system.
- Use Council-adopted allocation ordinance in effect at the time of collection for posting.

Officials' Response:

The Village is in the process of making changes to the tax department and will take appropriate action to correct the issues noted by the State Auditor's Office. The Village has contracted to utilize RITA as its tax collection agency beginning in 2021.

FINDING 2019-020

Internal Control – Timely Posting of Transactions and Maintaining Supporting Documentation

Sound accounting practices require 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.

Timely recording of transactions and maintaining sufficient documentation to support those transactions are important aspects of internal control.

Due to deficiencies in the Village's internal controls, certain transactions were not recorded in a timely manner, and certain supporting documentation was not maintained by the Village:

- Three cash receipts in 2018 were not recorded in the accounting system for 11 to 26 days after the deposit date.
- Checks cleared the bank before being recorded in the accounting ledger for one disbursement tested in 2018 and two disbursements tested in 2019.

**FINDING 2019-020
(Continued)**

- The check number recorded in the accounting system did not agree with the check number issued that cleared the bank for two disbursements tested in 2019.
- The Village did not maintain a listing of authorized routing/account numbers for EFT payments.
- For 2019 a summer camp aide did not have a retirement withholding for either the Ohio Public Employees Retirement System or Social Security.
- On March 27, 2018 the Council approved an Addendum to the former Finance Director's 2017 contract dated November 21, 2017 without documenting the new approved salary amount in the minutes. The Village Solicitor provided an unsigned Addendum for \$82,390. The Village should properly sign all contracts and include approved rates in the minutes.
- For 2018 the pay rates for two employees were not listed on the approved salary schedule.
- The Village failed to remit withholdings in a timely manner to the Ohio Police & Fire Pension Fund for nine months in 2018 and five months in 2019, and incurred late filing penalties totaling \$3,700; see Findings 2019-013 and 2019-014.

Failure to record transactions in a timely manner and maintain supporting documentation increases the risk that noncompliance, errors, theft and fraud could occur and not be detected in a timely manner.

The Village should implement policies and procedures to ensure that all transactions are recorded in a timely manner and documentation to support those transactions is maintained.

Officials' Response:

The Village is taking action to perform bank reconciliations on a monthly basis. Bank reconciliations will be included as part of the reports submitted by the Finance Director to the Village Council at regular meetings. The Village switched to the UAN accounting system mid-year 2019 and made changes in the Finance department in 2020 with the expectation that financial information will be recorded accurately in the Village accounting system. The Village is current on all expenditures at this time and has taken appropriate action to avoid late fees and financing charges. The Village will take appropriate action to ensure that all employee files contain appropriate information related to salary and pension. The Village will take appropriate action to ensure all salary items are approved in the minutes.

FINDING 2019-021

Internal Control – Authorized Signatures

All public officials and management are responsible for the design and operation of a system of internal control that is adequate to provide reasonable assurance regarding the operations of their respective public offices.

The Village depositories should receive timely notice of changes in authorized signatories. At December 31, 2019, the authorized signatories for the Village accounts with US Bank included two former Finance Directors and a former Village Manager. Additionally, the Village's interim Finance Director signed checks but was not added as an authorized signatory.

Failure to give timely notice of authorized signatory changes to the Village's financial institutions could result in unauthorized access to the Village's accounts and increases the risk of misappropriation or theft.

**FINDING 2019-021
(Continued)**

The Village should take action to remove former officials and add current officials as authorized signatories on its bank accounts.

Officials' Response:

The Village reviewed and made changes to authorized signatories in April 2020. Currently, all authorized signatories are up to date on all Village accounts.

FINDING 2019-022

Internal Control – Fund Balance Classification

Fund balance for governmental funds should be reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent as outlined in Governmental Accounting Standards Board (GASB) Statement No. 54.

Assigned fund balance in the General Fund totaling \$156,802 for outstanding encumbrances at December 31, 2018 was incorrectly classified as Unassigned fund balance.

Failure to properly account for fund balances could result in misleading financial statement presentation. The Village should review Auditor of State Bulletin 2011-004 and adhere to GASB Statement No. 54 to ensure fund balances are classified correctly.

Officials' Response:

The Village switched to the UAN accounting system mid-year 2019 and made changes in the Finance department in 2020 with the expectation that financial information will be recorded accurately in the Village accounting system. The Village does not believe this will be an issue in the future.

FINDING NUMBER 2019-023

Internal Control – Budgetary Amounts not accurately recorded in accounting system

In our audit engagement letter, as required by Ohio Admin. Code § 117-2-01, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Sound accounting practices require accurately posting estimated receipts and appropriations to the ledgers to provide information for budget versus actual comparison and to allow the Council to make informed decisions regarding budgetary matters.

The Appropriation resolution and subsequent amendments establish the legal spending authority of the Village and the appropriation ledger provides the process by which the Village controls spending, it is therefore necessary the amounts appropriated by the Council are precisely stated and accurately posted to the appropriation ledger.

The original certificate and amendments establish the amounts available for expenditures for the Village and the receipts ledger provides the process by which the Village controls what is available, it is therefore necessary the amounts estimated by the County Budget Commission are posted accurately to the receipts ledger.

**FINDING 2019-023
(Continued)**

The Village did not have procedures in place to accurately post authorized budgetary measures to the accounting system. The appropriations (and/or amendments thereof) approved by Council were not properly posted to the accounting system. Additionally, the approved Certificate of Estimated Resources (and/or amendments thereof) was not properly posted to the accounting system.

At December 31, 2019 and 2018, the budgeted amounts posted to the Village's accounting ledgers varied from the appropriations approved by Council as follows:

2019 Funds	Per Appropriation Resolutions	Amount Posted to System	Variance
General Fund (101)	\$6,341,130	\$6,547,945	\$206,815
State Highway Fund (202)	6,992	53,834	46,842
Swimming Pool Fund (208)	179,603	234,603	55,000
State Drug Law Enforcement Fund (209)	6,103	0	(6,103)
Traffic Safety Fund (214)	4,937	0	(4,937)
Enforcement and Education Fund (222)	10,000	0	(10,000)
Food Grant Fund (224)	22,417	25,000	2,583
Income Tax Road Levy Fund (271)	500,000	0	500,000
GO Bond Retirement Fund (301)	532,849	461,280	(71,569)
Capital Improvement Fund (403)	93,201	153,386	60,185

2018 Funds	Per Appropriation Resolutions	Amount Posted to System	Variance
General Fund (101)	\$5,703,060	\$5,673,200	(\$29,860)
Traffic Safety Fund (214)	0	4,276	4,276

For 2018, the Village posted budgetary receipts amounts to the accounting system but did not obtain a Certificate of Estimated Resources certified by the County Budget Commission; see Finding 2019-015. At December 31, 2019, the budgeted amounts posted to the Village's accounting ledgers varied from the Certificate of Estimated Resources certified by the County Budget Commission as follows:

2019 Funds	Per Certificate of Estimated Resources	Amount Posted to System	Variance
General Fund (101)	\$6,401,109	\$6,386,150	(\$14,959)
Swimming Pool Fund (208)	152,495	145,500	(6,995)
Fire Levy Fund (242)	471,689	505,000	33,311
Pool Debt Service Fund (302)	150,000	130,000	(20,000)

Failure to accurately post the appropriations and estimated resources to the ledgers could result in overspending and negative cash balance, and inaccurate reporting of the budgetary information in the financial statements. Final Appropriations in the 2018 financial statement footnotes were understated by \$30,000 from the final appropriations adopted by Council for the General Fund.

To effectively control the budgetary cycle and to maintain accountability over receipts and expenditures, the Village should post to the ledgers, on a timely basis, estimated resources as certified by the budget commission and appropriations approved by the Council. The Village should then monitor budget versus actual reports to help ensure amended certificates of resources and appropriations have been properly posted to the ledgers.

**FINDING 2019-023
(Continued)**

Officials' Response:

The Village switched to the UAN accounting system mid-year 2019 and made changes in the Finance department in 2020 with the expectation that financial information will be recorded accurately in the Village accounting system.

FINDING 2019-024

Noncompliance – Public Records Custodian

Ohio Rev. Code § 149.43(E)(2) states each public office shall distribute the public records policy to the employee who is the records custodian or records manager or employee who otherwise has custody of the records of that office, and that the public office require that employee to acknowledge receipt of the copy of the public records policy.

The Village did not designate a records custodian or manager.

Failure to designate an employee as the records custodian reduces the Village's ability to ensure public records are properly maintained and available for public inspection. The Village should designate a records custodian and obtain an acknowledgement from that employee for receipt of the public records policy.

Officials' Response:

The Village will take appropriate action to designate a public records custodian and ensure the custodian receives appropriate yearly training to be in compliance with the Ohio Revised Code.

**VILLAGE OF WOODLAWN
HAMILTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2019 AND 2018**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2017-001	Accounting Records and Monthly reconciliations	Not Corrected	Reissued as Finding 2019-001 and Finding 2019-002
2017-002	Establishing funds for OPWC on behalf payments	Corrected	
2017-003	Expenditures plus Encumbrances Exceeds Appropriations	Not Corrected	Reissued as Finding 2019-004
2017-004	Not Properly Encumbering	Not Corrected	Reissued as Finding 2019-012
2017-005	Financial Reporting and Monitoring	Not Corrected	Reissued as Finding 2019-007
2017-006	Income Tax Internal Controls	Not Corrected	Reissued as Finding 2019-019
2017-007	Negative Fund Balance	Not Corrected	Reissued as Finding 2019-005
2017-008	Mayor's Court Internal Controls	Not Corrected	Reissued as Finding 2019-006
2017-009	Appropriations Exceed Estimated Resources	Not Corrected	Reissued as Finding 2019-015

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OHIO AUDITOR OF STATE KEITH FABER



VILLAGE OF WOODLAWN

HAMILTON COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

This is a true and correct copy of the report, which is required to be filed pursuant to Section 117.26, Revised Code, and which is filed in the Office of the Ohio Auditor of State in Columbus, Ohio.



Certified for Release 11/5/2020

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

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