



OHIO AUDITOR OF STATE
KEITH FABER



**VILLAGE OF MCARTHUR
VINTON COUNTY
DECEMBER 31, 2020, 2019, AND 2018**

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OHIO AUDITOR OF STATE KEITH FABER



PO Box 828
Athens, Ohio 45701
(740) 594-3300 or (800) 441-1389
SoutheastRegion@ohioauditor.gov

INDEPENDENT AUDITOR'S REPORT

Village of McArthur
Vinton County
124 W. Main Street
McArthur, Ohio 45651

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements for each governmental and proprietary fund type and the fiduciary fund type combined total as of and for the year ended December 31, 2020 and for each governmental, proprietary and fiduciary fund type as of and for the years ended December 31, 2019 and 2018, and related notes of the Village of McArthur, Vinton County, Ohio (the Village).

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village, as of December 31, 2020, 2019, and 2018, and the respective changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements for each governmental and proprietary fund type and the fiduciary fund type combined total as of and for the year ended December 31, 2020 and for each governmental, proprietary and fiduciary fund type as of and for the years ended December 31, 2019 and 2018, and related notes of the Village, in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code 117-2-03(D) permit, described in Note 2.

Emphasis of Matter

As discussed in Note 11 to the 2018 financial statements, the Village restated the January 1, 2018 fund balances in the General Fund, Special Revenue, and Fiduciary Fund for prior year errors. Also, as discussed in Note 12 to the 2020 financial statements, the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the Village. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2021, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

September 15, 2021

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Village of McArthur, Ohio*Vinton County**Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)**All Governmental Fund Types**For the Year Ended December 31, 2020*

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$99,614	\$285,552	\$385,166
Intergovernmental	79,033	449,475	528,508
Charges for Services	0	124,495	124,495
Fines, Licenses and Permits	3,242	0	3,242
Earnings on Investments	585	228	813
Miscellaneous	61,006	97,251	158,257
<i>Total Cash Receipts</i>	<u>243,480</u>	<u>957,001</u>	<u>1,200,481</u>
Cash Disbursements			
Current:			
Security of Persons and Property	39,428	362,486	401,914
Public Health Services	23	40,831	40,854
Leisure Time Activities	0	33,024	33,024
Basic Utility Services	0	23,925	23,925
Transportation	0	117,317	117,317
General Government	171,863	24,416	196,279
Other	0	40,737	40,737
Capital Outlay	0	15,300	15,300
Debt Service:			
Principal Retirement	8,449	7,703	16,152
Interest and Fiscal Charges	672	4,242	4,914
<i>Total Cash Disbursements</i>	<u>220,435</u>	<u>669,981</u>	<u>890,416</u>
<i>Excess of Receipts Over Disbursements</i>	<u>23,045</u>	<u>287,020</u>	<u>310,065</u>
Other Financing Receipts (Disbursements)			
Sale of Capital Assets	7,540	0	7,540
Transfers In	0	8,500	8,500
Transfers Out	(8,500)	0	(8,500)
Other Financing Uses	(1,301)	(114)	(1,415)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(2,261)</u>	<u>8,386</u>	<u>6,125</u>
<i>Net Change in Fund Cash Balances</i>	20,784	295,406	316,190
<i>Fund Cash Balances, January 1</i>	<u>187,883</u>	<u>236,226</u>	<u>424,109</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$208,667</u></u>	<u><u>\$531,632</u></u>	<u><u>\$740,299</u></u>

See accompanying notes to the basic financial statements

Village of McArthur, Ohio
Vinton County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Proprietary Fund Types
For the Year Ended December 31, 2020

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
Operating Cash Receipts	
Charges for Services	\$455,566
Miscellaneous	35,287
<i>Total Operating Cash Receipts</i>	<u>490,853</u>
Operating Cash Disbursements	
Personal Services	205,916
Employee Fringe Benefits	58,506
Contractual Services	155,184
Supplies and Materials	98,776
Other	3,913
<i>Total Operating Cash Disbursements</i>	<u>522,295</u>
<i>Operating (Loss)</i>	<u>(31,442)</u>
Non-Operating Receipts (Disbursements)	
Capital Outlay	(8,799)
Principal Retirement	(33,919)
Interest and Other Fiscal Charges	(16,994)
Other Financing Sources	184
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(59,528)</u>
<i>Net Change in Fund Cash Balances</i>	(90,970)
<i>Fund Cash Balances, January 1</i>	<u>377,024</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$286,054</u></u>

See accompanying notes to the basic financial statements

Village of McArthur, Ohio
Vinton County
Combined Statement of Additions, Deductions
and Changes in Fund Balances (Regulatory Cash Basis)
All Fiduciary Fund Types
For the Year Ended December 31, 2020

	<u>Fiduciary Fund</u>
	<u>Custodial</u>
	<u>Other</u>
	<u>Custodial</u>
Additions	
Fines, Licenses and Permits for Distribution	<u>\$3,034</u>
<i>Total Additions</i>	<u>3,034</u>
Deductions	
Other Distributions	<u>3,034</u>
<i>Total Deductions</i>	<u>3,034</u>
<i>Net Change in Fund Balances</i>	0
<i>Fund Cash Balances, January 1</i>	<u>0</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$0</u></u>

See accompanying notes to the basic financial statements

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Village of McArthur, Ohio
Vinton County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 1 – Reporting Entity

The Village of McArthur (the Village), Vinton County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, street maintenance, park operations, and police and fire services.

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

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary fund types and a combined statement of additions, deductions and changes in fund balances (regulatory cash basis) all fiduciary fund types which are all 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:

Coronavirus Relief Fund This fund accounts for and reports COVID-19 monies passed through the County.

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

Water Fund The water fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village. This fund receives charge for services from residents to cover water service charges.

Sewer Fund The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village. This fund receives charges for services from residents to cover sewer service costs.

Village of McArthur, Ohio
Vinton County
Notes to the Financial Statements
For the Year Ended December 31, 2020
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

Fund Accounting (Continued)

Fiduciary Funds Fiduciary funds include private purpose trust funds, investment trust funds, and custodial funds. Trust funds account for assets held under a trust agreement meeting certain criteria.

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 Mayor’s Court collections.

For regulatory purposes, certain own source revenues are permitted to flow through clearing funds presented as custodial funds. The amounts distributed to the other funds of the entity are identified on the combined statement of additions, deductions and changes in fund balances (regulatory cash basis) all fiduciary fund types. Also, for regulatory purposes, certain deposits and clearing funds are permitted to be presented as custodial funds.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code §117.38 and Ohio Administrative Code 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 § 117.38 and Ohio Administrative Code 117-2-03 (D) permit.

Budgetary Process

The Ohio Revised Code requires that each fund (except certain custodial funds) 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 cash as of January 1. The County Budget Commission must approve estimated resources.

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

A summary of 2020 budgetary activity appears in Note 4.

Village of McArthur, Ohio
Vinton County
Notes to the Financial Statements
For the Year Ended December 31, 2020
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

Deposits

The Village invests all available funds in an interest-bearing checking accounts.

Capital Assets

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

Accumulated Leave

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. For regulatory purposes nonspendable fund balance includes unclaimed monies that are required to be held for five years before they may be utilized by the Village and the nonexpendable portion of the corpus in permanent funds.

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

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

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. For regulatory purposes, assigned fund balance in the general fund is limited to encumbrances outstanding at year end.

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.

Village of McArthur, Ohio
Vinton County
Notes to the Financial Statements
For the Year Ended December 31, 2020
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

Fund Balance (Continued)

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.

For regulatory purposes, limited disclosure related to fund balance is included in Note 11.

Note 3 – Compliance

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General and Street Construction, Maintenance and Repair Funds by \$2,451 and \$15,720, respectively, for the year ended December 31, 2020.

Note 4 – Budgetary Activity

Budgetary activity for the year ending December 31, 2020 follows:

2020 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$247,746	\$251,020	\$3,274
Special Revenue	950,199	965,501	15,302
Enterprise	491,037	491,037	0
Total	\$1,688,982	\$1,707,558	\$18,576

2020 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$227,785	\$230,236	(\$2,451)
Special Revenue	653,717	670,095	(16,378)
Enterprise	582,330	582,007	323
Total	\$1,463,832	\$1,482,338	(\$18,506)

Village of McArthur, Ohio
Vinton County
Notes to the Financial Statements
For the Year Ended December 31, 2020
(Continued)

Note 5 – Deposits

To improve cash management, cash received by the Village is pooled. Monies for all funds are maintained in this pool. The Ohio Revised Code prescribes allowable deposits and investments. A summary of the Village’s deposit accounts are as follows:

	2020
<i>Cash Management Pool:</i>	
Demand deposits	\$1,026,353
Total carrying amount of deposits held in the Pool (ties to FS)	\$1,026,353

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.

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.

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

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

Note 7 – Risk Management

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

Village of McArthur, Ohio
Vinton County
Notes to the Financial Statements
For the Year Ended December 31, 2020
(Continued)

Note 8 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Village employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement 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, 2020.

Ohio Police and Fire Retirement System

The Village's 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. The Village has paid all contributions required through December 31, 2020.

Note 9 – Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2020. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2020. OP&F contributes 0.5 percent to fund these benefits.

Beginning January 1, 2019, OP&F changed its retiree health care model to a stipend-based health care model. A stipend funded by OP&F was placed in individual Health Reimbursement Accounts that retirees use to be reimbursed for health care expenses.

Village of McArthur, Ohio
Vinton County
Notes to the Financial Statements
For the Year Ended December 31, 2020
(Continued)

Note 10 – Debt

Debt outstanding at December 31, 2020, was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loans:		
4682	\$44,420	4.12%
7270	\$92,353	2.46%
7457	\$326,164	2.06%
7696	\$181,115	3.03%
Vinton County National Bank #200374197	\$17,056	2.50%
Vinton County National Bank #200354890	\$86,819	4.50%
Total	\$747,927	

The Ohio Water Development Authority (OWDA) loan 4682 relates to a water meter project. OWDA approved up to \$100,000 in loans to the Village Board of Public Affairs for this project which includes \$400 in loan fees. The Village BPA will repay the loan in semiannual installments of \$3,684, including interest, over 20 years. The loan is collateralized by water receipts and includes \$4 of capitalized interest. The Village BPA has agreed to set utility rates sufficient to cover OWDA debt requirements.

The Ohio Water Development Authority (OWDA) loan 7270 relates to an undersized water main. OWDA approved up to \$110,326 in loans to the Village Board of Public Affairs for this project. The Village BPA will repay the loan in semiannual installments of \$3,509, including interest, over 20 years starting in 2017. The loan is collateralized by water receipts and includes \$213 in capitalized interest. The Village BPA has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Water Development Authority (OWDA) loan 7457 relates to a water main replacement. OWDA approved \$372,738 in loans to the Village Board of Public Affairs for this project which includes \$1,587 in loan fees. The Village BPA will repay the loan in semiannual installments of \$11,437, including interest, over 20 years starting in 2018. The loan is collateralized by water receipts and includes \$4,457 of capitalized interest. The Village BPA has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Water Development Authority (OWDA) loan 7696 relates to a water line replacement. OWDA approved \$204,525 in loans to the Village Board of Public Affairs for this project which includes \$746 in loan fees. The Village BPA will repay the loan in semiannual installments of \$6,856, including interest, over 20 years starting in 2018. The loan is collateralized by water receipts and includes \$4 of capitalized interest. The Village BPA has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Vinton County National Bank (VCNB) loan #200374197 relates to a truck purchased for the Street Department and is to be paid from the general fund in 6 annual payments. The loan amount was \$50,241. The loan is collateralized by the truck. These 6 annual payments will be taken directly out of the Village's bank account each November 30 for 6 years. Loan payments began in 2017.

Village of McArthur, Ohio
Vinton County
Notes to the Financial Statements
For the Year Ended December 31, 2020
(Continued)

Note 10 – Debt (Continued)

The Vinton County National Bank (VCNB) loan #200354890 relates to a truck for the Fire Department and is to be paid from the Fire Fund in 10 annual payments. The loan amount was \$94,522. The loan is collateralized by the fire truck. These 10 annual payments began on January 30, 2020.

Amortization

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

Year Ending December 31:	OWDA Loan #4682	OWDA Loan #7270	OWDA Loan #7457	OWDA Loan #7696	VCBN Loan #200374197	VCBN Loan #200354890
2021	\$7,369	\$7,018	\$22,874	\$13,712	\$9,121	\$11,945
2022	7,369	7,018	22,874	13,712	9,123	11,945
2023	7,369	7,018	22,874	13,712	0	11,945
2024	7,369	7,018	22,874	13,712	0	11,945
2025	7,369	7,018	22,874	13,712	0	11,945
2026-2030	14,741	35,090	114,370	68,560	0	47,779
2031-2035	0	35,090	114,370	68,560	0	0
2036-2040	0	7,017	45,748	27,421	0	0
Total	<u>\$51,586</u>	<u>\$112,287</u>	<u>\$388,858</u>	<u>\$233,101</u>	<u>\$18,244</u>	<u>\$107,504</u>

Note 11 – Fund Balances

Included in fund balance are amounts the Village cannot spend, including the balance of unclaimed monies which cannot be spent for five years and the unexpendable corpus of the permanent funds. Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end the balances of these amounts were as follows:

Fund Balances	General	Special Revenue	Total
Nonspendable:			\$0
Unclaimed Monies	\$549	\$0	549
Corpus	0	0	0
Outstanding Encumbrances	0	0	0
<i>Total</i>	<u>\$549</u>	<u>\$0</u>	<u>\$549</u>

The fund balance of special revenue funds is either restricted or committed. These restricted, committed and assigned amounts in the special revenue funds would include the outstanding encumbrances. In the general fund, outstanding encumbrances are considered assigned.

Village of McArthur, Ohio
Vinton County
Notes to the Financial Statements
For the Year Ended December 31, 2020
(Continued)

Note 12 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Village. In addition, the impact on the Village's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

During 2020, the Village received CARES Act funding of \$320,457. Of the amounts received, \$20,000 was donated to Vinton County School District, \$21,150 was spent on food cards from Campbells Market for Vinton County Senior Citizens and Vinton County Veterans, \$14,881 was spent on equipment for the Vinton County EMS. As for other expenditures, the guidelines were followed.

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Village of McArthur, Ohio
Vinton County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2019

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$107,224	\$263,914	\$371,138
Intergovernmental	78,698	108,299	186,997
Charges for Services	0	109,084	109,084
Fines, Licenses and Permits	3,366	0	3,366
Earnings on Investments	726	108	834
Miscellaneous	40,716	26,185	66,901
<i>Total Cash Receipts</i>	<u>230,730</u>	<u>507,590</u>	<u>738,320</u>
Cash Disbursements			
Current:			
Security of Persons and Property	79,328	310,851	390,179
Leisure Time Activities	0	33,366	33,366
Basic Utility Services	0	262	262
Transportation	0	123,558	123,558
General Government	214,458	6,340	220,798
Capital Outlay	0	244,523	244,523
Debt Service:			
Principal Retirement	8,239	0	8,239
Interest and Fiscal Charges	883	0	883
<i>Total Cash Disbursements</i>	<u>302,908</u>	<u>718,900</u>	<u>1,021,808</u>
<i>Excess of Receipts (Under) Disbursements</i>	<u>(72,178)</u>	<u>(211,310)</u>	<u>(283,488)</u>
Other Financing Receipts (Disbursements)			
Other Debt Proceeds	0	94,522	94,522
Other Financing Sources	23	13,713	13,736
Other Financing Uses	(2,070)	0	(2,070)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(2,047)</u>	<u>108,235</u>	<u>106,188</u>
<i>Net Change in Fund Cash Balances</i>	<u>(74,225)</u>	<u>(103,075)</u>	<u>(177,300)</u>
<i>Fund Cash Balances, January 1</i>	<u>262,108</u>	<u>339,301</u>	<u>601,409</u>
Fund Cash Balances, December 31			
Nonspendable	549	0	549
Restricted	0	236,226	236,226
Assigned	50,828	0	50,828
Unassigned (Deficit)	136,506	0	136,506
<i>Fund Cash Balances, December 31</i>	<u>\$187,883</u>	<u>\$236,226</u>	<u>\$424,109</u>

See accompanying notes to the basic financial statements

Village of McArthur, Ohio

Vinton County

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

All Proprietary and Fiduciary Fund Types

For the Year Ended December 31, 2019

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Custodial	
Operating Cash Receipts			
Charges for Services	\$463,234	\$0	\$463,234
Miscellaneous	6,238	0	6,238
<i>Total Operating Cash Receipts</i>	<u>469,472</u>	<u>0</u>	<u>469,472</u>
Operating Cash Disbursements			
Personal Services	148,678	0	148,678
Employee Fringe Benefits	71,807	0	71,807
Contractual Services	133,079	0	133,079
Supplies and Materials	37,720	0	37,720
Other	5,000	0	5,000
<i>Total Operating Cash Disbursements</i>	<u>396,284</u>	<u>0</u>	<u>396,284</u>
<i>Operating Income</i>	<u>73,188</u>	<u>0</u>	<u>73,188</u>
Non-Operating Receipts (Disbursements)			
Capital Outlay	(11,094)	0	(11,094)
Principal Retirement	(32,382)	0	(32,382)
Interest and Other Fiscal Charges	(17,890)	0	(17,890)
Other Financing Sources	170	3,802	3,972
Other Financing Uses	0	(4,302)	(4,302)
<i>Total Non-Operating (Disbursements)</i>	<u>(61,196)</u>	<u>(500)</u>	<u>(61,696)</u>
<i>Net Change in Fund Cash Balances</i>	11,992	(500)	11,492
<i>Fund Cash Balances, January 1</i>	<u>365,032</u>	<u>500</u>	<u>365,532</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$377,024</u></u>	<u><u>\$0</u></u>	<u><u>\$377,024</u></u>

See accompanying notes to the basic financial statements

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

Note 1 – Reporting Entity

The Village of McArthur (the Village), Vinton County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, street maintenance, park operations, and police and fire services.

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

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

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

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

Special Revenue Funds These funds account for and report the proceeds of specific 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:

Police Levy This fund receives property tax money to provide police protection.

Fire Levy This fund receives property tax money and contractual charges for services to provide fire protection.

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

Water Fund The water fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village. This fund receives charge for services from residents to cover water service charges.

Sewer Fund The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village. This fund receives charges for services from residents to cover sewer service costs.

Village of McArthur, Ohio
Vinton County
Notes to the Financial Statements
For the Year Ended December 31, 2019
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

Fund Accounting (Continued)

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 Mayor's Court.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code 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 § 117.38 and Ohio Administrative Code 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. Appropriations lapse at year end.

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

Encumbrances The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law.

A summary of 2019 budgetary activity appears in Note 4.

Deposits

The Village invests all available funds in an interest-bearing checking accounts.

Village of McArthur, Ohio
Vinton County
Notes to the Financial Statements
For the Year Ended December 31, 2019
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

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.

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.

Village of McArthur, Ohio
Vinton County
Notes to the Financial Statements
For the Year Ended December 31, 2019
(Continued)

Note 3 – Compliance

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General Fund, Parks Fund, Law Enforcement Trust Fund, and Fire Fund by \$61,459, \$4,328, \$3,000, and \$262,962, respectively, 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	\$181,350	\$230,753	\$49,403
Special Revenue	446,915	615,825	168,910
Enterprise	533,315	469,642	(63,673)
Total	\$1,161,580	\$1,316,220	\$154,640

2019 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$243,519	\$304,978	(\$61,459)
Special Revenue	490,440	718,929	(228,489)
Enterprise	528,534	457,650	70,884
Total	\$1,262,493	\$1,481,557	(\$219,064)

Note 5 – Deposits

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

	2019
Demand deposits	\$801,133

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.

Village of McArthur, Ohio
Vinton County
Notes to the Financial Statements
For the Year Ended December 31, 2019
(Continued)

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.

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

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

Note 7 – Risk Management

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

Note 8 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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.

Ohio Police and Fire Retirement System

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

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

Village of McArthur, Ohio
Vinton County
Notes to the Financial Statements
For the Year Ended December 31, 2019
(Continued)

Note 9 – Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 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:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan		
4682	\$49,793	4.12%
7270	\$97,012	2.46%
7457	\$342,011	2.06%
7696	\$189,155	3.03%
Vinton County National Bank #200374197	\$26,056	2.50%
Vinton County National Bank #200354890	\$94,522	4.50%
Total	<u>\$798,549</u>	

The Ohio Water Development Authority (OWDA) loan 4682 relates to a water meter project. OWDA approved up to \$100,000 in loans to the Village Board of Public Affairs for this project which includes \$400 in loan fees. The Village BPA will repay the loan in semiannual installments of \$3,684, including interest, over 20 years. The loan is collateralized by water receipts and includes \$4 of capitalized interest. The Village BPA has agreed to set utility rates sufficient to cover OWDA debt requirements.

The Ohio Water Development Authority (OWDA) loan 7270 relates to an undersized water main. OWDA approved up to \$110,326 in loans to the Village Board of Public Affairs for this project. The Village BPA will repay the loan in semiannual installments of \$3,509, including interest, over 20 years starting in 2017. The loan is collateralized by water receipts and includes \$213 in capitalized interest. The Village BPA has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Water Development Authority (OWDA) loan 7457 relates to a water main replacement. OWDA approved \$372,738 in loans to the Village Board of Public Affairs for this project which includes \$1,587 in loan fees. The Village BPA will repay the loan in semiannual installments of \$11,437, including interest, over 20 years starting in 2018. The loan is collateralized by water receipts and includes \$4,457 of capitalized interest. The Village BPA has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Water Development Authority (OWDA) loan 7696 relates to a water line replacement. OWDA approved \$204,525 in loans to the Village Board of Public Affairs for this project which includes \$746 in loan fees. The Village BPA will repay the loan in semiannual installments of \$6,856, including interest, over 20 years starting in 2018.

Village of McArthur, Ohio
Vinton County
Notes to the Financial Statements
For the Year Ended December 31, 2019
(Continued)

Note 10 – Debt (Continued)

The loan is collateralized by water receipts and includes \$4 of capitalized interest. The Village BPA has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Vinton County National Bank (VCNB) loan #200374197 relates to a truck purchased for the Street Department and is to be paid from the general fund in 6 annual payments. The loan amount was \$50,241. The loan is collateralized by the truck. These 6 annual payments will be taken directly out of the Village’s bank account each November 30 for 6 years. Loan payments began in 2017.

The Vinton County National Bank (VCNB) loan #200354890 relates to a truck for the Fire Department and is to be paid from the Fire Fund in 10 annual payments. The loan amount was \$94,522. The loan is collateralized by the fire truck. These 10 annual payments will begin on January 30, 2020.

Amortization

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

Year Ending December 31:	OWDA Loan #4682	OWDA Loan #7270	OWDA Loan #7457	OWDA Loan #7696	VCBN Loan #200374197	VCBN Loan #200354890
2020	\$7,369	\$7,018	\$22,874	\$13,712	\$9,121	\$11,945
2021	7,369	7,018	22,874	13,712	9,121	11,945
2022	7,369	7,018	22,874	13,712	9,123	11,945
2023	7,369	7,018	22,874	13,712	0	11,945
2024	7,369	7,018	22,874	13,712	0	11,945
2025-2029	22,110	35,090	114,370	68,560	0	59,724
2030-2034	0	35,090	114,370	68,560	0	0
2035-2039	0	14,035	68,622	41,133	0	0
Total	<u>\$58,955</u>	<u>\$119,305</u>	<u>\$411,732</u>	<u>\$246,813</u>	<u>\$27,365</u>	<u>\$119,449</u>

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

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$99,848	\$256,568	\$356,416
Intergovernmental	77,446	118,693	196,139
Charges for Services	0	101,963	101,963
Fines, Licenses and Permits	4,697	307	5,004
Earnings on Investments	1,131	90	1,221
Miscellaneous	17,757	33,595	51,352
<i>Total Cash Receipts</i>	<u>200,879</u>	<u>511,216</u>	<u>712,095</u>
Cash Disbursements			
Current:			
Security of Persons and Property	73,323	332,338	405,661
Public Health Services	600	0	600
Leisure Time Activities	0	31,370	31,370
Community Environment	0	9	9
Basic Utility Services	0	90	90
Transportation	0	124,367	124,367
General Government	168,700	6,019	174,719
Capital Outlay	0	11,628	11,628
Debt Service:			
Principal Retirement	8,034	0	8,034
Interest and Fiscal Charges	1,088	0	1,088
<i>Total Cash Disbursements</i>	<u>251,745</u>	<u>505,821</u>	<u>757,566</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(50,866)</u>	<u>5,395</u>	<u>(45,471)</u>
Other Financing Receipts (Disbursements)			
Transfers In	0	39,795	39,795
Transfers Out	(39,795)	0	(39,795)
Advances In	18,500	0	18,500
Advances Out	0	(18,500)	(18,500)
Other Financing Sources	890	3,133	4,023
Other Financing Uses	(1,754)	(323)	(2,077)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(22,159)</u>	<u>24,105</u>	<u>1,946</u>
<i>Net Change in Fund Cash Balances</i>	<u>(73,025)</u>	<u>29,500</u>	<u>(43,525)</u>
<i>Fund Cash Balances, January 1</i>	<u>335,133</u>	<u>309,801</u>	<u>644,934</u>
Fund Cash Balances, December 31			
Nonspendable	549	0	549
Restricted	0	339,301	339,301
Assigned	69,169	0	69,169
Unassigned (Deficit)	192,390	0	192,390
<i>Fund Cash Balances, December 31</i>	<u>\$262,108</u>	<u>\$339,301</u>	<u>\$601,409</u>

See accompanying notes to the basic financial statements

Village of McArthur, Ohio

Vinton County

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

All Proprietary and Fiduciary Fund Types

For the Year Ended December 31, 2018

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$467,069	\$0	\$467,069
Miscellaneous	3,498	0	3,498
<i>Total Operating Cash Receipts</i>	<u>470,567</u>	<u>0</u>	<u>470,567</u>
Operating Cash Disbursements			
Personal Services	142,459	0	142,459
Employee Fringe Benefits	78,768	0	78,768
Contractual Services	133,155	0	133,155
Supplies and Materials	34,598	0	34,598
Other	33,140	0	33,140
<i>Total Operating Cash Disbursements</i>	<u>422,120</u>	<u>0</u>	<u>422,120</u>
<i>Operating Income (Loss)</i>	<u>48,447</u>	<u>0</u>	<u>48,447</u>
Non-Operating Receipts (Disbursements)			
Intergovernmental	308	0	308
Principal Retirement	(32,738)	0	(32,738)
Interest and Other Fiscal Charges	(19,108)	0	(19,108)
Other Financing Sources	0	6,267	6,267
Other Financing Uses	0	(5,767)	(5,767)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(51,538)</u>	<u>500</u>	<u>(51,038)</u>
<i>Income (Loss) before Transfers</i>	<u>(3,091)</u>	<u>500</u>	<u>(2,591)</u>
Transfers In	80	0	80
<i>Net Change in Fund Cash Balances</i>	<u>(3,011)</u>	<u>500</u>	<u>(2,511)</u>
<i>Fund Cash Balances, January 1</i>	<u>368,043</u>	<u>0</u>	<u>368,043</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$365,032</u></u>	<u><u>\$500</u></u>	<u><u>\$365,532</u></u>

See accompanying notes to the basic financial statements

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

Note 1 – Reporting Entity

The Village of McArthur (the Village), Vinton County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, street maintenance, park operations, and police and fire services.

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

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

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

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

Special Revenue Funds These funds account for and report the proceeds of specific 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 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.

Police Levy This fund receives property tax money to provide police protection.

Fire Levy This fund receives property tax money and contractual charges for services to provide fire protection.

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

Water Fund The water fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village. This fund receives charge for services from residents to cover water service charges.

Village of McArthur, Ohio
Vinton County
Notes to the Financial Statements
For the Year Ended December 31, 2018
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

Fund Accounting (Continued)

Sewer Fund The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village. This fund receives charges for services from residents to cover sewer service costs.

Fiduciary Funds Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs.

Agency funds are purely custodial in nature and are used to report fiduciary activity that is not required to be reported in a trust fund. The Village's agency fund accounts for Mayor's Court.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code 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 § 117.38 and Ohio Administrative Code 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. Appropriations lapse at year end.

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

Encumbrances The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law.

A summary of 2018 budgetary activity appears in Note 4.

Deposits

The Village invests all available funds in an interest-bearing checking accounts.

Village of McArthur, Ohio
Vinton County
Notes to the Financial Statements
For the Year Ended December 31, 2018
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

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.

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.

Village of McArthur, Ohio
Vinton County
Notes to the Financial Statements
For the Year Ended December 31, 2018
(Continued)

Note 3 – Compliance

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General Fund, Parks Fund, Police Levy Fund, Fire Fund, Street Light Levy Fund, and Sewer Operating Fund by \$134,635, \$5,018, \$29,835, \$16,060, \$1,285, and \$4,934, respectively, 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	\$178,100	\$220,269	\$42,169
Special Revenue	409,650	554,144	144,494
Enterprise	530,015	470,955	(59,060)
Total	\$1,117,765	\$1,245,368	\$127,603

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$158,659	\$293,294	(\$134,635)
Special Revenue	480,626	524,644	(44,018)
Enterprise	520,041	473,966	46,075
Total	\$1,159,326	\$1,291,904	(\$132,578)

Note 5 – Deposits

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

	2018
Demand deposits	\$966,941

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.

Village of McArthur, Ohio
Vinton County
Notes to the Financial Statements
For the Year Ended December 31, 2018
(Continued)

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.

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

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

Note 7 – Risk Management

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

Note 8 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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.

Ohio Police and Fire Retirement System

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

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

Village of McArthur, Ohio
Vinton County
Notes to the Financial Statements
For the Year Ended December 31, 2018
(Continued)

Note 9 – Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2018. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2018. OP&F contributes 0.5 percent to fund these benefits.

Note 10 – Debt

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

	Principal	Interest Rate
Ohio Water Development Authority Loan		
4682	\$54,951	4.12%
7270	\$101,559	2.46%
7457	\$357,533	2.06%
7696	\$196,321	3.03%
Vinton County National Bank #200374197	\$34,294	2.50%
Total	\$744,658	

The Ohio Water Development Authority (OWDA) loan 4682 relates to a water meter project. OWDA approved up to \$100,000 in loans to the Village Board of Public Affairs for this project which includes \$400 in loan fees. The Village BPA will repay the loan in semiannual installments of \$3,684, including interest, over 20 years. The loan is collateralized by water receipts and includes \$4 of capitalized interest. The Village BPA has agreed to set utility rates sufficient to cover OWDA debt requirements.

The Ohio Water Development Authority (OWDA) loan 7270 relates to an undersized water main. OWDA approved up to \$110,326 in loans to the Village Board of Public Affairs for this project. The Village BPA will repay the loan in semiannual installments of \$3,509, including interest, over 20 years starting in 2017. The loan is collateralized by water receipts and includes \$213 in capitalized interest. The Village BPA has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Water Development Authority (OWDA) loan 7457 relates to a water main replacement. OWDA approved \$372,738 in loans to the Village Board of Public Affairs for this project which includes \$1,587 in loan fees. The Village BPA will repay the loan in semiannual installments of \$11,437, including interest, over 20 years starting in 2018. The loan is collateralized by water receipts and includes \$4,457 of capitalized interest. The Village BPA has agreed to set utility rates sufficient to cover OWDA debt service requirements.

Village of McArthur, Ohio
Vinton County
Notes to the Financial Statements
For the Year Ended December 31, 2018
(Continued)

Note 10 – Debt (Continued)

The Ohio Water Development Authority (OWDA) loan 7696 relates to a water line replacement. OWDA approved \$204,525 in loans to the Village Board of Public Affairs for this project which includes \$746 in loan fees. The Village BPA will repay the loan in semiannual installments of \$6,856, including interest, over 20 years starting in 2018. The loan is collateralized by water receipts and includes \$4 of capitalized interest. The Village BPA has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Vinton County National Bank (VCNB) loan #200374197 relates to a truck purchased for the Street Department and is to be paid from the general fund in 6 annual payments. The loan amount was \$50,241. The loan is collateralized by the truck. These 6 annual payments will be taken directly out of the Village’s bank account each November 30 for 6 years. Loan payments began in 2017.

Amortization

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

Year Ending December 31:	OWDA Loan #4682	OWDA Loan #7270	OWDA Loan #7457	OWDA Loan #7696	VCBN Loan #200374197
2019	\$7,369	\$7,018	\$22,874	\$13,712	\$9,121
2020	7,369	7,018	22,874	13,712	9,121
2021	7,369	7,018	22,874	13,712	9,121
2022	7,369	7,018	22,874	13,712	9,123
2023	7,369	7,018	22,874	13,712	0
2024-2028	29,479	35,090	114,370	68,560	0
2029-2033	0	35,090	114,370	68,560	0
2034-2038	0	21,054	91,496	54,848	0
Total	<u>\$66,324</u>	<u>\$126,324</u>	<u>\$434,606</u>	<u>\$260,528</u>	<u>\$36,486</u>

Note 11 – Restatement

The Village had the following restatement:

	General Fund	Special Revenue	Agency Fund
Reported Fund Balance at December 31, 2017:	\$333,695	\$311,399	\$1,254
Prior period errors:	1,438	(1,598)	(1,254)
Restated Fund Balance at January 1, 2018:	<u>\$335,133</u>	<u>\$309,801</u>	<u>\$0</u>

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OHIO AUDITOR OF STATE KEITH FABER



PO Box 828
Athens, Ohio 45701
(740) 594-3300 or (800) 441-1389
SoutheastRegion@ohioauditor.gov

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

Village of McArthur
Vinton County
124 W. Main Street
McArthur, Ohio 45651

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements for each governmental and proprietary fund type and the fiduciary fund type combined total as of and for the year ended December 31, 2020 and for each governmental, proprietary and fiduciary fund type as of and for the years ended December 31, 2019 and 2018, and related notes of the Village of McArthur, Vinton County, Ohio (the Village), and have issued our report thereon dated September 15, 2021, wherein we noted the Village followed financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code 117-2-03(D) permit. We also noted, the Village restated the January 1, 2018 fund balance in the General Fund, Special Revenue, and Fiduciary Funds. IN addition, we noted the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Village

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings that we consider material weaknesses. We consider Findings 2020-004 through 2020-006 to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the financial statement. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2020-001 through 2020-003.

Purpose of this Report

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



Keith Faber
Auditor of State
Columbus, Ohio

September 15, 2021

**VILLAGE OF MCARTHUR
VINTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2020, 2019 AND 2018**

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

FINDING NUMBER 2020-001

Noncompliance

Maintaining organized documentation and support for financial transactions is essential in assuring the Village financial statements are not materially misstated and that all expenditures are made for a proper public purpose. Additionally, **Ohio Rev. Code § 149.351** requires all records that are the property of the public office shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commission provided for under Ohio Rev. Code §§149.38 through 149.42.

The Village did not maintain underlying documentation and support for

- 2020 - 4% of expenditures tested did not have supporting documentation;
- 2019 - 21% of expenditures tested did not have supporting documentation; and
- 2018 - 17% of expenditures tested did not have supporting documentation.
- Payroll check #16362 dated August 16, 2018 did not have a timesheet to support the hours paid to the employee.

Based on the review of the vendors and check copies we were able to perform alternative audit procedures to gain the necessary audit assurances.

Failure to maintain underlying documentation and support of financial transactions can increase the risk of fraud, result in financial statement misstatements, and expenditures that are not for a proper public purpose.

The Village should maintain all invoices, purchase orders, and timesheets for all financial transactions and records be maintained in an orderly manner to support all transactions.

FINDING NUMBER 2020-002

Noncompliance

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:

<u>At December 31, 2020:</u>	<u>Authority</u>	<u>Expenditures</u>	<u>Variance</u>
General Fund	\$227,785	\$230,236	(\$2,451)
Street Construction, Maintenance & Repair Fund	107,610	123,330	(15,720)

**VILLAGE OF MCARTHUR
VINTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2020, 2019 AND 2018
(Continued)**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

FINDING NUMBER 2020-002 (Continued)

Noncompliance - Ohio Rev. Code § 5705.41(B) (Continued)

At December 31, 2019	Authority	Expenditures	Variance
General Fund	\$243,519	\$304,978	(\$61,459)
Parks Fund	18,261	22,589	(4,328)
Law Enforcement Trust Fund	0	3,000	(3,000)
Fire Fund	102,516	365,478	(262,962)

At December 31, 2018:	Authority	Expenditures	Variance
General Fund	\$158,659	\$293,294	(\$134,635)
Parks Fund	18,679	23,697	(5,018)
Police Levy Fund	175,680	205,515	(29,835)
Fire Fund	115,565	131,625	(16,060)
Street Light Levy Fund	30,200	31,485	(1,285)
Sewer Operating Fund	266,307	271,241	(4,934)

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.

Village 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 Fiscal Officer should deny payment requests exceeding appropriations when appropriations are inadequate to cover the expenditures.

FINDING NUMBER 2020-003

Noncompliance

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 treasurer'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 §§ 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Rev. Code.

VILLAGE OF MCARTHUR
VINTON COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2020, 2019 AND 2018
(Continued)

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

FINDING NUMBER 2020-003 (Continued)

Noncompliance - Ohio Rev. Code § 5705.41(D)(1) (Continued)

1. "Then and Now" certificate – If the chief fiscal officer can certify both at the time the contract or order was made ("then"), and at the time the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collections, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, Council can authorize the drawing of a warrant for the payment of the amount due. Council has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts less than \$100 in counties and less than \$3,000 in all other subdivisions 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 – The auditor or fiscal officer 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 – Council 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, gasoline, food items, roadway materials, utilities, and any other specific recurring and reasonably predictable operating expense. This certification may, but need not, be limited to a specific vendor. This certification is not to extend beyond the current fiscal 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, seventy percent of the transactions tested at year-end were not certified by the Fiscal Officer at the time the commitment was incurred, and there was no evidence the Village followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

In addition, Village Council established a maximum amount on January 19, 2019 for \$160,000. However, there was no maximum set in 2018 and on January 15, 2020 Council approved to have no maximum threshold for blanket and regular purchase orders.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to help ensure 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. Further, a maximum amount for purchase orders should be established.

VILLAGE OF MCARTHUR
VINTON COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2020, 2019 AND 2018
(Continued)

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

FINDING NUMBER 2020-004

Material Weakness

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 Fiscal Officer is responsible for reconciling the book (fund) balance to the total bank balance on a monthly basis, and the Council are responsible for reviewing the reconciliations and related support.

During 2020, 2019 and 2018 the Fiscal Officer prepared bank to book reconciliations. However, review of the accounts showed multiple checks which were cleared when they were still outstanding and checks that were listed as outstanding when they cleared. The Village contracted Local Government Services to reconcile the Village for 2018 through 2020. The following errors were noted to agree the Village's accounting system to the reconciled bank balance:

In 2018:

- General Fund fines, licenses, and permit receipts were overstated \$1,254;
- General Fund miscellaneous receipts were understated \$374;
- General Fund general government disbursements were understated \$2,799;
- General Fund January 1, 2018 beginning fund balance was understated \$1,438 due to prior year errors;
- Street Construction, Maintenance, and Repair Fund January 1, 2018 beginning fund balance was overstated \$1,595 due to prior year errors;
- State Highway Fund January 1, 2018 beginning fund balance was overstated \$129 due to prior year errors;
- Fire Fund January 1, 2018 beginning fund balance was understated \$126 due to prior year errors;
- Mayor's Court Agency Fund January 1, 2018 beginning fund balance was overstated \$1,254 due to prior year errors; and
- Mayor's Court Agency Fund other financing sources was understated \$652 and other financing uses were overstated \$1,102.

In 2019:

- General Fund miscellaneous receipts were understated \$3,318;
- General Fund general government disbursements were understated \$3,136; and
- Mayor's Court Agency Fund other financing sources were overstated \$500.

In 2020:

- General Fund miscellaneous receipts were overstated \$931;
- General Fund other financing sources were overstated \$2,802;
- General Fund general government disbursements were understated \$2,602;

**VILLAGE OF MCARTHUR
VINTON COUNTY**
**SCHEDULE OF FINDINGS
DECEMBER 31, 2020, 2019 AND 2018
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2020-004 (Continued)

Material Weakness (Continued)

- General Fund other financing uses were overstated \$1,752;
- Street Construction, Maintenance, and Repair Fund transportation disbursements were understated \$420;
- Street Construction, Maintenance, and Repair Fund other financing sources were overstated \$805;
- Street Construction, Maintenance, and Repair Fund other financing uses were overstated \$884;
- State Highway Fund other financing sources were overstated \$307;
- Park Fund other financing sources were overstated \$665;
- Police Levy Fund security of persons and property disbursements were understated \$56;
- Police Levy Fund other financing uses were overstated \$436;
- Police Levy Fund other financing sources were overstated \$1,760;
- Fire Fund miscellaneous receipts were overstated \$80;
- Fire Fund security of persons and property disbursements were understated \$905;
- Fire Fund other financing sources were overstated \$3,657;
- Fire Fund other financing uses were overstated \$1,029;
- Coronavirus Relief Fund intergovernmental receipts were overstated \$519;
- Water Operating Fund other financing sources were overstated \$309; and
- Sewer Operating Fund other financing sources were overstated \$748.

Failure to reconcile monthly 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 Fiscal Officer should record all transactions and prepare 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.

FINDING NUMBER 2020-005

Material Weakness

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

The following errors were noted in the financial statements that required audit adjustment or reclassification:

**VILLAGE OF MCARTHUR
VINTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2020, 2019 AND 2018
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2020-005 (Continued)

Material Weakness – (Continued)

In 2018:

- General Fund intergovernmental receipts of \$17,086 were incorrectly posted as taxes receipts;
- Statement No. 54 of the Governmental Accounting Standards Board (GASB) defines the reporting of fund balances on the financial statements and was codified as follows: GASB Cod. 1800.176 require reporting amounts as assigned when subsequent appropriations exceed estimated receipts. The Village improperly reported the assigned portion of the General Fund's cash fund balance as unassigned, in the amount of \$69,169;
- Street Construction Maintenance and Repair Fund intergovernmental receipts of \$7,240 were incorrectly posted as taxes receipts;
- Park Fund intergovernmental receipts of \$2,882 were incorrectly posted as taxes receipts;
- Police Levy Fund intergovernmental receipts of \$17,700 were incorrectly posted as taxes receipts; and
- Fire Fund intergovernmental receipts of \$1,288 were incorrectly posted as taxes receipts;
- Street Light Levy Fund intergovernmental receipts of \$1,932 were incorrectly posted as taxes receipts.

In 2019:

- General Fund intergovernmental receipts of \$6,457 were incorrectly posted as miscellaneous receipts;
- Statement No. 54 of the Governmental Accounting Standards Board (GASB) defines the reporting of fund balances on the financial statements and was codified as follows: GASB Cod. 1800.176 require reporting amounts as assigned when subsequent appropriations exceed estimated receipts. The Village improperly reported the assigned portion of the General Fund's cash fund balance as unassigned, in the amount of \$50,828;
- Street Construction Maintenance and Repair Fund intergovernmental receipts of \$2,530 and State Highway Fund intergovernmental receipts of \$205 were incorrectly recorded in the General Fund as intergovernmental receipts; and
- Fire Fund other debt proceeds receipts and capital outlay disbursements of \$94,522 were unrecorded.

In 2020:

- General Fund intergovernmental receipts of \$17,488 were incorrectly posted as taxes receipts;
- General Fund miscellaneous receipts of \$39,170 were incorrectly posted as other financing sources;
- General Fund sale of capital assets receipts of \$7,540 were incorrectly posted as miscellaneous receipts;
- Street Construction Maintenance and Repair Fund miscellaneous receipts of \$13,716 were incorrectly posted as other financing sources;
- State Highway Fund miscellaneous receipts of \$1,481 were incorrectly posted as other financing sources;
- Park Fund miscellaneous receipts of \$2,156 were incorrectly posted as other financing sources;
- Police Levy Fund miscellaneous receipts of \$9,469 were incorrectly posted as other financing sources;

**VILLAGE OF MCARTHUR
VINTON COUNTY**
SCHEDULE OF FINDINGS
DECEMBER 31, 2020, 2019 AND 2018
(Continued)

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2020-005 (Continued)

Material Weakness – (Continued)

- Fire Fund miscellaneous receipts of \$18,761 were incorrectly posted as other financing sources;
- Fire Fund interest and other charges disbursements of \$3,704 were incorrectly posted as principal retirement disbursements;
- Law Enforcement Trust Fund miscellaneous receipts of \$35,000 were incorrectly posted as other financing sources;
- Street Construction Maintenance and Repair Fund intergovernmental receipts and capital outlay disbursements of \$15,300 were unrecorded;
- Coronavirus Relief Fund disbursements of \$148,268 were incorrectly posted as other financing used disbursements instead of security of persons and property (\$41,214), public health service (\$40,831), leisure time activities (\$6,046), basic utility service (\$5,420), general government (\$14,020), and other (\$40,737);
- Water Operating Fund principal retirement disbursements of \$1,538 were incorrectly posted as interest and other charges disbursements;
- Water Operating Fund miscellaneous receipts of \$7,135 were incorrectly posted as other financing sources; and
- Sewer Operating Fund miscellaneous receipts of \$20,121 were incorrectly posted as other financing sources.

The Fiscal Officer made classification errors in posting of receipts, disbursements and fund balance. This caused the incorrect postings noted above.

The audited financial statements and the Village's UAN accounting system have been adjusted for the items noted above.

The Fiscal Officer should review the Village handbook for guidance to ensure the financial statements are complete and accurate.

FINDING NUMBER 2020-006

Material Weakness

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

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.

**VILLAGE OF MCARTHUR
VINTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2020, 2019 AND 2018
(Continued)**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

FINDING NUMBER 2020-006 (Continued)

Material Weakness – (Continued)

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.

At December 31, 2020, estimated receipts as approved by the Budget Commission did not agree to the Village's accounting system. The variances and funds are as follows:

	Approved	UAN System	Variance
General Fund	\$247,746	\$254,755	(\$7,009)
Police Levy Fund	187,874	189,618	(1,744)
Fire Fund	172,871	176,608	(3,737)

At December 31, 2019, estimated receipts as approved by the Budget Commission did not agree to the Village's accounting system. The variances and funds are as follows:

	Approved	UAN System	Variance
General Fund	\$181,350	\$224,696	(\$43,346)
Street Construction, Maintenance, and Repair Fund	106,600	135,300	(28,700)
State Highway Fund	4,815	6,513	(1,698)
Parks and Recreation Fund	10,000	13,045	(3,045)
Parks Fund	18,100	28,220	(10,120)
Law Enforcement Trust Fund	0	3,000	(3,000)
Police Levy Fund	173,700	169,355	4,345
Fire Fund	104,200	139,545	(35,345)
Water Operating Fund	251,042	213,243	37,799
Water Meter Fund	7,297	3,621	3,676
Sewer Operating Fund	274,975	252,557	22,418

**VILLAGE OF MCARTHUR
VINTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2020, 2019 AND 2018
(Continued)**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

FINDING NUMBER 2020-006 (Continued)

Material Weakness – (Continued)

At December 31, 2018, estimated receipts as approved by the Budget Commission did not agree to the Village's accounting system. The variances and funds are as follows:

	<u>Approved</u>	<u>UAN System</u>	<u>Variance</u>
General Fund	\$178,100	\$202,646	(\$24,546)
Street Construction, Maintenance, and Repair Fund	107,800	124,219	(16,419)
Parks Fund	18,300	20,097	(1,797)
Police Levy Fund	140,500	176,571	(36,071)
Fire Fund	99,700	172,235	(72,535)
Street Light Levy Fund	27,500	29,598	(2,098)
Water Operating Fund	250,742	204,499	46,243
Water Meter Fund	7,297	10,951	(3,654)
Sewer Operating Fund	271,975	254,985	16,990

At December 31, 2020, approved appropriations did not agree to UAN as follows:

	<u>Approved</u>	<u>UAN System</u>	<u>Variance</u>
General Fund	\$227,785	\$229,386	(\$1,601)

At December 31, 2019, approved appropriations did not agree to UAN as follows:

	<u>Approved</u>	<u>UAN System</u>	<u>Variance</u>
General Fund	\$243,519	\$301,839	(\$58,320)
Street Construction Maintenance and Repair Fund	125,368	121,600	3,768
State Highway Fund	6,601	1,958	4,643
Parks Fund	18,261	22,588	(4,327)
Law Enforcement Trust Fund	0	3,000	(3,000)
Police Levy Fund	194,544	163,504	31,040
Fire Fund	102,516	270,956	(168,440)
Street Light Levy Fund	32,950	29,761	3,189
Water Operating Fund	248,400	204,278	44,122
Sewer Operating Fund	272,836	246,073	26,763

**VILLAGE OF MCARTHUR
VINTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2020, 2019 AND 2018
(Continued)**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

FINDING NUMBER 2020-006 (Continued)

Material Weakness – (Continued)

At December 31, 2018, approved appropriations did not agree to UAN as follows:

	Approved	UAN System	Variance
General Fund	\$158,659	\$290,492	(\$131,833)
Street Construction Maintenance and Repair Fund	124,726	122,401	2,325
State Highway Fund	5,775	1,966	3,809
Parks and Recreation Fund	10,000	7,673	2,327
Parks Fund	18,679	23,697	(5,018)
Police Levy Fund	175,680	187,015	(11,335)
Fire Fund	115,565	131,625	(16,060)
Street Light Levy Fund	30,200	31,485	(1,285)
Water Operating Fund	246,136	194,816	51,320
Sewer Operating Fund	266,307	271,241	(4,934)

At December 31, 2020, estimated receipts as approved by the Budget Commission did not agree to amounts reported in the Notes to the Financial Statements as follows:

	Amount per		
	Approved	Notes	Variance
General	\$247,746	\$254,755	\$7,009
Special Revenue	950,199	957,992	7,793
Enterprise	491,037	492,093	1,056

At December 31, 2019, estimated receipts as approved by the Budget Commission did not agree to amounts reported in the Notes to the Financial Statements as follows:

	Amount per		
	Approved	Notes	Variance
General	\$181,350	\$224,696	\$43,346
Special Revenue	446,915	524,037	77,122
Enterprise	533,315	469,642	(63,673)

At December 31, 2018, estimated receipts as approved by the Budget Commission did not agree to amounts reported in the Notes to the Financial Statements as follows:

	Amount per		
	Approved	Notes	Variance
General	\$178,100	\$202,646	\$24,546
Special Revenue	409,650	539,147	129,497
Enterprise	530,015	470,645	(59,370)

**VILLAGE OF MCARTHUR
VINTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2020, 2019 AND 2018
(Continued)**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

FINDING NUMBER 2020-006 (Continued)

Material Weakness – (Continued)

At December 31, 2020, approved appropriations did not agree to amounts reported in the Notes to the Financial Statements as follows:

		Amount per		
	Approved	Notes	Variance	
General	\$227,785	\$229,386	\$1,601	
Special Revenue	653,687	655,762	2,075	

At December 31, 2019, approved appropriations did not agree to amounts reported in the Notes to the Financial Statements as follows:

		Amount per		
	Approved	Notes	Variance	
General	\$243,519	\$301,839	\$58,320	
Special Revenue	490,440	624,377	133,937	
Enterprise	528,534	457,649	(70,885)	

At December 31, 2018, approved appropriations did not agree to amounts reported in the Notes to the Financial Statements as follows:

		Amount per		
	Approved	Notes	Variance	
General	\$158,659	\$290,492	\$131,833	
Special Revenue	480,626	506,146	25,520	
Enterprise	519,741	473,357	(46,384)	

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.

Failure to accurately post the appropriations and estimated resources to the ledgers could result in overspending and negative cash balances. In addition this could and did lead to inaccurate reporting of the budgetary information in the financial statements.

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.

Officials' Response: We did not receive a response from Officials to the findings reported above.

VILLAGE OF MCARTHUR, VINTON COUNTY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS DECEMBER 31, 2020, 2019 AND 2018

Finding Number	Finding Summary	Status	Additional Information
2017-001	Material Weakness for financial reporting.	Not Corrected.	Will work to correct.
2017-002	Ohio Rev. Code § 5705.41(D) – Purchases not encumbered prior to commitment.	Not Corrected.	Will work to correct.
2017-003	Material Weakness for approved budgetary amounts not agreeing to the UAN accounting system.	Not Corrected.	Will work to correct.
2017-004	Ohio Rev. Code § 1905.21 – noncompliance over Mayor's Court.	Partially corrected.	Will work to correct.

OHIO AUDITOR OF STATE KEITH FABER



VILLAGE OF MCARTHUR

VINTON 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 9/28/2021

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

This report is a matter of public record and is available online at
www.ohioauditor.gov