



bhm cpa group, inc.
CERTIFIED PUBLIC ACCOUNTANTS

VILLAGE OF MECHANICSBURG
CHAMPAIGN COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2019

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OHIO AUDITOR OF STATE
KEITH FABER



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Village Council
Village of Mechanicsburg
18 North Main Street
Mechanicsburg, Ohio 43044

We have reviewed the *Independent Auditor's Report* of the Village of Mechanicsburg, Champaign County, prepared by BHM CPA Group, Inc., for the audit period January 1, 2019 through December 31, 2019. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Keith Faber
Auditor of State
Columbus, Ohio

May 10, 2021

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VILLAGE OF MECHANICSBURG
CHAMPAIGN COUNTY

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INDEPENDENT AUDITOR'S REPORT

Village of Mechanicsburg
Champaign County
18 North Main Street
Mechanicsburg, Ohio 43044

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 as of and for the year ended December 31, 2019, and related notes of the Village of Mechanicsburg, Champaign 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 Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village, as of December 31, 2019, and the respective changes in financial position or cash flows thereof for the year 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 as of and for the year ended December 31, 2019, and related notes of the Village, in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Emphasis of Matter

As discussed in Note 11 to the 2019 financial statements, the financial impact of COVID-19 and the ensuing emergency measures will 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 March 31, 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.



BHM CPA Group, Inc.
Piketon, Ohio
March 31, 2021

**VILLAGE OF MECHANICSBURG
CHAMPAIGN 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**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Taxes	\$ 54,220	\$ 150,754	\$ 43,198	\$ 248,172
Municipal Income Tax	460,284	-	-	460,284
Intergovernmental	95,004	98,979	224,414	418,397
Charges for Services	130,047	291,587	-	421,634
Fines, Licenses, and Permits	60,842	6,488	-	67,330
Earnings on Investments	16,825	6,535	-	23,360
Miscellaneous	8,487	7,608	-	16,095
Total Cash Receipts	<u>825,709</u>	<u>561,951</u>	<u>267,612</u>	<u>1,655,272</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	606,258	391,825	-	998,083
Public Health Services	4,548	-	-	4,548
Transportation	-	110,947	-	110,947
General Government	190,472	1,652	1,049	193,173
Capital Outlay	-	-	222,151	222,151
Debt Service:				
Redemption of Principal	-	4,770	13,825	18,595
Interest and Fiscal Charges	-	499	1,364	1,863
Total Cash Disbursements	<u>801,278</u>	<u>509,693</u>	<u>238,389</u>	<u>1,549,360</u>
Excess of Receipts Over/(Under) Disbursements	24,431	52,258	29,223	105,912
Fund Cash Balances, January 1	<u>423,299</u>	<u>345,654</u>	<u>74,293</u>	<u>843,246</u>
Fund Cash Balances, December 31				
Restricted	-	397,912	-	397,912
Committed	-	-	102,498	102,498
Assigned	-	-	1,018	1,018
Unassigned (Deficit)	<u>447,730</u>	<u>-</u>	<u>-</u>	<u>447,730</u>
Fund Cash Balances, December 31	<u>\$ 447,730</u>	<u>\$ 397,912</u>	<u>\$ 103,516</u>	<u>\$ 949,158</u>

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

**VILLAGE OF MECHANICSBURG
CHAMPAIGN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Proprietary Fund Types
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$ 887,753
Total Operating Cash Receipts	887,753
Operating Cash Disbursements:	
Personal Services	198,397
Fringe Benefits	65,628
Contractual Services	150,796
Supplies and Materials	280,516
Other	2,385
Total Operating Cash Disbursements	697,722
Operating Income (Loss)	190,031
Non-Operating Receipts (Disbursements)	
Intergovernmental	448
Special Assessments	91,481
Miscellaneous Receipts	57,923
Capital Outlay	(9,298)
Loan Proceeds	9,298
Principal Retirement	(184,598)
Interest and Fiscal Charges	(41,188)
Total Non-Operating Cash Receipts (Disbursements)	(75,934)
Net Change in Fund Cash Balances	114,097
Fund Cash Balances, January 1	1,485,834
Fund Cash Balances, December 31	\$ 1,599,931

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

Village of Mechanicsburg
Champaign County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 1 - Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Mechanicsburg, Champaign County, (the Village) as a body corporate and politic. A publicly elected six-member Council directs the Village. The Village provides general government services, including water and sewer utilities, and police and fire protection.

The Village participates in a public entity risk pool. Note 8 to the financial statements provide additional information for this entity.

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

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of 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.

Fire/EMS Fund This fund receives contract money from the adjoining Townships for the purpose of providing fire protection and EMS receipts from a billing service for EMS services provided by the Village to individuals and other governments. The Fund is used to provide and maintain emergency vehicles and apparatus, maintain radio equipment, and payment of permanent, part-time or volunteer Fire and EMS personnel and dispatchers.

Street Levy 2019 Fund This Fund was created in 2019 as required to receive and disburse funds related to the 5 mill levy passed in 2018 for purposes of construction, reconstruction, resurfacing and repair of streets, roads and bridges.

Village of Mechanicsburg
Champaign County
Notes to the Financial Statements
For the Year Ended December 31, 2019

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

Emergency Vehicle Fund This Fund was created in 2015 as required to receive real estate collections from a passed levy dedicated to Fire/EMS vehicle purchases.

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 This fund receives charges for services from residents to cover water service costs.

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

Basis of Accounting

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

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

Budgetary Process

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

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

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

Encumbrances The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year-end are carried over, and need not be re-appropriated.

A summary of 2019 budgetary activity appears in Note 3.

Village of Mechanicsburg
Champaign County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Capital Assets

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

Fund Balance

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

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 Mechanicsburg
Champaign County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 3 - 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	\$873,350	\$825,709	(\$47,641)
Special Revenue	630,630	561,951	(68,679)
Capital Projects	750,000	267,612	(482,388)
Enterprise	1,052,700	1,046,903	(5,797)
Total	\$3,306,680	\$2,702,175	(\$604,505)

2019 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$898,107	\$801,278	\$96,829
Special Revenue	673,461	509,693	163,768
Capital Projects	742,200	238,389	503,811
Enterprise	1,158,358	932,806	225,552
Total	\$3,472,126	\$2,482,166	\$989,960

Note 4 – Deposits and Investments

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

	2019
Demand deposits	\$ 2,549,089

Deposits

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

Village of Mechanicsburg
Champaign County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 5 – Taxes

Property Taxes

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

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

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

Note 6 – Local Income Tax

The Village levies a municipal income tax of one percent whose proceeds are placed into the General Fund. The Village levies the tax on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

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

Effective December 31, 2004, the Village contracted with the Regional Income Tax Agency (RITA) and authorized them to administer the municipal income tax collections on behalf of the Village.

Municipal income tax receipts for 2019 were 460,284.

Note 7 – Debt

Debt outstanding at December 31, 2019 was as follows:

	<u>Principal</u>
OWDA Loan #4104	\$ 187,274
OWDA Loan #5848	319,292
OWDA Loan #6412	1,123,391
OWDA Loan #6812	525,098
OWDA Loan #7673	310,863
OPWC Loan	530,634
2016 McCoy Miller Squad	28,988
2016 Ford F-550	30,085
Total	<u>\$ 3,055,625</u>

Village of Mechanicsburg
Champaign County
Notes to the Financial Statements
For the Year Ended December 31, 2019

OWDA #4104: During 2004, the Village entered into a loan agreement with the Ohio Water Development Authority for assistance in erecting a new, higher capacity Village elevated storage tank. The total loan amount was for \$316,661 with an interest rate of 5.01%. OWDA provided a loan buydown to 4.00% effective 01/01/2016. The Village will repay the loan in semiannual installments of approximately \$10,198, including interest, over 25 years. As of December 31, 2019, the Village has an outstanding balance on the loan of \$187,274. This loan is scheduled to end on January 1, 2031.

OWDA #5848: During 2011, the Village entered into a loan agreement with the Ohio Water Development Authority for improvements to the Influent Lift Station. The total loan amount was for \$522,338 with an interest rate of 1.50%. The Village will repay the loan in semiannual installments of \$15,166, including interest, over 20 years. As of December 31, 2019, the Village has an outstanding balance on the loan of \$319,292. This loan is scheduled to end on July 1, 2031.

OWDA #6412: During 2013, the Village entered into a loan agreement with the Ohio Water Development Authority for Sanitary Sewer Rehabilitation improvements, including slip-lining the sewer lines to improve the sewer distribution system. The total loan amount was for \$1,588,596 with an interest rate of 1.5%. The Village will repay the loan in semiannual installments of \$46,117, including interest, over 20 years. As of December 31, 2019, the Village has an outstanding balance on the loan of \$1,123,391. This loan is scheduled to end on July 1, 2033.

OWDA #6812: OWDA Loan #6812 is for Sewer Rehabilitation (WWTP Improvements), including filters and upgrades to improve the sewer plant facility. The Village will repay the loan in semiannual installments of \$36,266, including interest. As of 2019, no payments are currently due. As of December 31, 2019, the Village has an outstanding balance on the loan of \$525,098. This loan is scheduled to end on July 1, 2034.

OPWC #CK18R: OPWC Loan #CK18R is for Wastewater Treatment Plan Improvements. The Village will repay the loan in semiannual installments of \$8,881.81 over 20 years at 0% interest. As of December 31, 2019, the Village has an outstanding balance on the loan of \$310,863. This loan is scheduled to end on January 1, 2037.

OWDA #7673: OWDA Loan #7673 is for Water Distribution System Improvements, Phase 1, to install new water lines from the water tower to Mechanicsburg schools. The Village will repay the loan in semiannual installments of \$27,276, including interest, over 20 years. As of December 31, 2019, the Village has an outstanding balance on the loan of \$530,634. This loan is scheduled to end on January 1, 2038.

During 2016, the Village obtained a loan to finance a portion of the purchase of a new 2016 McCoy Miller Squad. The total cost of this squad was \$212,714, funded through a grant of \$143,524 and a loan. The total loan was for \$69,190. The Village will repay the loan in annual installments of \$15,190, including interest, beginning January 15, 2017 over 5 years. As of December 31, 2019, the remaining balance is \$14,721. This loan is scheduled to end on January 15, 2021.

During 2016, the Village obtained a loan to finance the purchase of a new truck with a snow plow package. The total loan is for \$72,547. The Village will repay the loan in annual installments of \$15,808, including interest, beginning January 15, 2017 over 5 years. As of December 31, 2019, the remaining balance is \$15,292. This loan is scheduled to end on January 15, 2021.

Village of Mechanicsburg
Champaign County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Amortization

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

Year Ending December 31:	OWDA Loans	OPWC Loan	Vehicle Loans	Total
2020	\$ 270,046	\$ 17,764	\$ 30,998	\$ 318,808
2021	270,046	17,764	30,998	318,808
2022	270,046	17,764	-	287,810
2023	270,046	17,764	-	287,810
2024	270,046	17,764	-	287,810
2025-2029	1,350,230	88,818	-	1,439,048
2030-2034	1,095,614	88,818	-	1,184,432
2034-2038	190,932	53,291	-	244,223
Total	<u>\$ 3,987,006</u>	<u>\$ 319,747</u>	<u>\$ 61,996</u>	<u>\$ 4,368,749</u>

Note 8 - Risk Management

Risk Pool Membership

The Village is a member of the Public Entities Pool of Ohio (The Pool). The Pool assumes the risk of loss up to the limits of the Village's policy. The Pool covers the following risks:

- General liability and casualty
- Public official's liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

	2019
Cash and investments	\$ 38,432,610
Actuarial liabilities	\$14,705,917

Village of Mechanicsburg
Champaign County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 9 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

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

Ohio Police and Fire Retirement System

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

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

Note 10 – 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 11 – Subsequent Events

Based on the November 2019 General Election, Mayor-elect Benjamin Layne began a 4-year term on January 1, 2020, replacing outgoing Mayor Gregory Kimball.

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Village. In addition, the impact on the Village's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.



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

Village of Mechanicsburg
Champaign County
18 North Main Street
Mechanicsburg, Ohio 43044

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 as of and for the year ended December 31, 2019, and related notes of the Village of Mechanicsburg, Champaign County, (the Village) and have issued our report thereon dated March 31, 2021, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. We also noted the financial impact of COVID-19 and the ensuing emergency measures will 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 opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or 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. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a significant deficiency. We consider finding 2019-001 to be a significant deficiency.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the financial statements. 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Village's Response to Findings

The Village's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not subject the Village's response to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

BHM CPA Group

BHM CPA Group, Inc.
Piketon, Ohio
March 31, 2021

**Village of Mechanicsburg
Champaign County
Schedule of Findings and Responses
December 31, 2019**

1. SUMMARY OF AUDITOR'S RESULTS

FINDING NUMBER 2019-001

Significant Deficiency – Financial Reporting

Sound financial reporting is the responsibility of the fiscal officer and governing board and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

Misstatements were identified during the course of the audit which have not been prevented or detected by the Village's internal controls over financial reporting. We identified the following errors to the financial statements for the year ended December 31, 2019:

- Capital Projects Fund Type principal payments (\$13,825) and interest payments (\$1,364) were improperly classified as capital outlay expenditures (\$15,189);
- Special Revenue Fund Type principal payments (\$4,770) and interest payments (\$499) were improperly classified as other financing sources (\$5,269);
- Enterprise Fund Type principal payments (\$8,882) were improperly classified as other personal services expenditures (\$8,882);
- Enterprise Fund Type principal payments (\$9,540) and interest payments (\$998) were improperly classified as other financing sources (\$10,538)
- Enterprise Fund Type Loan Proceeds (\$9,298) were not properly recorded on the financial statements

To ensure the Village's financial statements are complete and accurate, we recommend the Fiscal Officer review the Ohio Village Handbook for guidance on the correct line item to post various receipts and expenditures of the village.

Official's Response: While we used separate Financing lines for these vehicle loans as a way of separately stating these payments, and because the principal and interest breakdowns were not readily available, we understand the correct approach of reporting these using the Principal and Interest line items and will do so going forward.

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OHIO AUDITOR OF STATE KEITH FABER



VILLAGE OF MECHANICSBURG

CHAMPAIGN 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 5/20/2021

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
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