



Certified Public Accountants, A.C.

**VILLAGE OF SUGAR GROVE
FAIRFIELD COUNTY
Regular Audit
For the Years Ended December 31, 2017 and 2016**

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Dave Yost • Auditor of State

Village Council
Village of Sugar Grove
101 Bridge Street
Sugar Grove, Ohio 43155

We have reviewed the *Independent Auditor's Report* of the Village of Sugar Grove, Fairfield County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2016 through December 31, 2017. 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 Sugar Grove is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

October 2, 2018

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VILLAGE OF SUGAR GROVE
FAIRFIELD COUNTY

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INDEPENDENT AUDITOR'S REPORT

June 29, 2018

Village of Sugar Grove
Fairfield County
101 Bridge Street
Sugar Grove, Ohio 43155

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the **Village of Sugar Grove**, Fairfield County, (the Village) as of and for the years ended December 31, 2017 and 2016.

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 opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

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

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

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

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis 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, 2017 and 2016, and the respective changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Village of Sugar Grove, Fairfield County as of December 31, 2017 and 2016, and for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2018, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



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

**VILLAGE OF SUGAR GROVE
FAIRFIELD COUNTY**

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

	<u>General</u>	<u>Special Revenue</u>	<u>Permanent</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts				
Property and Other Local Taxes	\$ 31,975	\$ -	\$ -	\$ 31,975
Municipal Income Tax	106,771	-	-	106,771
Intergovernmental	17,359	26,865	-	44,224
Fines, Licenses and Permits	28,923	-	-	28,923
Earnings on Investments	827	103	1	931
Miscellaneous	766	-	-	766
<i>Total Cash Receipts</i>	<u>186,621</u>	<u>26,968</u>	<u>1</u>	<u>213,590</u>
Cash Disbursements				
Current:				
Security of Persons and Property	52,268	-	-	52,268
Community Environment	1,300	-	-	1,300
Transportation	-	20,260	-	20,260
General Government	86,142	-	-	86,142
Capital Outlay	14,483	5,000	-	19,483
<i>Total Cash Disbursements</i>	<u>154,193</u>	<u>25,260</u>	<u>-</u>	<u>179,453</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>32,428</u>	<u>1,708</u>	<u>1</u>	<u>34,137</u>
Other Financing (Disbursements)				
Transfers Out	(30,000)	-	-	(30,000)
<i>Total Other Financing (Disbursements)</i>	<u>(30,000)</u>	<u>-</u>	<u>-</u>	<u>(30,000)</u>
Special Item	244	-	-	244
<i>Net Change in Fund Cash Balances</i>	2,672	1,708	1	4,381
<i>Fund Cash Balances, January 1</i>	<u>287,501</u>	<u>77,310</u>	<u>5,214</u>	<u>370,025</u>
Fund Cash Balances, December 31				
Nonspendable	-	-	5,215	5,215
Restricted	-	79,018	-	79,018
Assigned	125,928	-	-	125,928
Unassigned	164,245	-	-	164,245
<i>Fund Cash Balances, December 31</i>	<u>\$ 290,173</u>	<u>\$ 79,018</u>	<u>\$ 5,215</u>	<u>\$ 374,406</u>

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

VILLAGE OF SUGAR GROVE
FAIRFIELD COUNTY

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

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts			
Charges for Services	\$ 210,774	\$ -	\$ 210,774
<i>Total Operating Cash Receipts</i>	<u>210,774</u>	<u>-</u>	<u>210,774</u>
Operating Cash Disbursements			
Personal Services	27,432	-	27,432
Employee Fringe Benefits	2,137	-	2,137
Contractual Services	87,733	-	87,733
Supplies and Materials	4,338	-	4,338
<i>Total Operating Cash Disbursements</i>	<u>121,640</u>	<u>-</u>	<u>121,640</u>
<i>Operating Income</i>	<u>89,134</u>	<u>-</u>	<u>\$89,134</u>
Non-Operating Receipts (Disbursements)			
Sale of Notes	209,584	-	209,584
Miscellaneous	61	-	61
Capital Outlay	(97,704)	-	(97,704)
Principal Retirement	(177,461)	-	(177,461)
Interest and Fiscal Charges	(9,232)	-	(9,232)
<i>Total Non-Operating (Disbursements)</i>	<u>(74,752)</u>	<u>-</u>	<u>(74,752)</u>
<i>Income before Transfers</i>	<u>14,382</u>	<u>-</u>	<u>14,382</u>
Transfer-In	30,000	-	30,000
<i>Net Change in Fund Cash Balances</i>	44,382	-	44,382
<i>Fund Cash Balances, January 1</i>	<u>281,730</u>	<u>2,724</u>	<u>284,454</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 326,112</u>	<u>\$ 2,724</u>	<u>\$328,836</u>

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

Village of Sugar Grove, Ohio
Fairfield County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 1 – Reporting Entity

The Village of Sugar Grove (the Village), Fairfield County, is a body politic and corporate established to exercise the rights and privileges to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides general government services, including water, sewer and sanitation utilities, maintenance of Village roads and bridges, park operations, police services, and Mayor's Court.

Jointly Governed Organizations and Public Entity Risk Pools

The Village participates in a public entity risk pool. Note 7 to the financial statements provides additional information for this entity. This organization is:

Public Entity Risk Pool:

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments.

The Village is also associated with jointly governed organizations consisting of the Fairfield County Regional Planning Commission and the District Advisory Council (DAC). Note 13 to the financial statements provides additional information for these jointly governed organizations.

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 Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing Village streets.

Permissive Motor Vehicle License Tax Fund – This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing Village streets.

Village of Sugar Grove, Ohio
Fairfield County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 2 – Summary of Significant Accounting Policies

Permanent Funds

These funds account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs (for the benefit of the government or its citizenry). The Village had the following significant permanent fund:

Cemetery Bequest Fund – This fund receives interest earned on the nonexpendable corpus from a trust agreement. These earnings are used for the general maintenance and upkeep of the Village's cemetery.

Enterprise Funds This fund accounts 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 the costs of providing the citizens of the Village with water services.

Water Replacement & Improvement – This fund receives charges for services from residents to cover the costs of providing the citizens of the Village with water system replacement and improvement services and debt services.

Sewer Fund - This fund receives charges for services from residents to cover the costs of providing the citizens of the Village with sewer services.

Sanitation Fund - This fund receives charges for services from residents for the garbage and trash services provided to the citizens of the Village and commercial users.

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

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency fund accounts for Mayor's Court. The Village Mayor's Court restarted operations in 2015, but suspended operations in 2017.

Basis of Accounting

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

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

Budgetary Process

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

Village of Sugar Grove, Ohio
Fairfield County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 2 – Summary of Significant Accounting Policies

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. 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 also 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 2017 budgetary activity appears in Note 4.

Deposits and Investments

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

The Village values U.S. Treasury Notes and common stock at cost.

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:

Non-spendable The Village classifies assets as *non-spendable* when legally or contractually required to maintain the amounts intact.

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

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

Village of Sugar Grove, Ohio
Fairfield County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 2 – Summary of Significant Accounting Policies

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

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

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

Note 3 – Compliance

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Water Operating and Water Operating Repair and Improvement fund by \$73,047 and \$111,477 for the year ended December 31, 2017.

Note 4 – Budgetary Activity

Budgetary activity for the year ending 2017 consists as follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 149,260	\$ 186,865	\$ 37,605
Special Revenue	22,050	26,968	4,918
Permanent	-	1	1
Enterprise	234,517	450,419	215,902
Total	<u>\$ 405,827</u>	<u>\$ 664,253</u>	<u>\$ 258,426</u>

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 204,892	\$ 185,498	\$ 19,394
Special Revenue	39,757	26,599	13,158
Enterprise	258,895	406,734	(147,839)
Total	<u>\$ 503,544</u>	<u>\$ 618,831</u>	<u>\$ (115,287)</u>

Village of Sugar Grove, Ohio
Fairfield County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 5 – Deposits and Investments

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

	2017
Demand deposits	<u>\$ 698,242</u>
Total deposits	<u>698,242</u>
U.S. Treasury Notes	<u>5,000</u>
Total investments	<u>5,000</u>
Total deposits and investments	<u><u>\$ 703,242</u></u>

Deposits

Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by the financial institution's public entity deposit pool.

Investments

The U.S. Treasury Bond is held in book-entry form by the Federal Reserve, in the name of the Village's financial institution. The financial institution maintains records identifying the Village as owner of these securities.

Note 6 – Taxes

Property Taxes

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

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

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

Income Taxes

The Village levies a municipal income tax of three-quarter percent [0.75% or 0.0075] 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.

Village of Sugar Grove, Ohio
Fairfield County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 7 – Risk Management

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

The Village insures against injuries to employees through the Ohio Bureau of Worker’s Compensation.

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. York Insurance Services Group, Inc. (York) functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by York. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members’ deductibles.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2017, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge PEP’s primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

PEP’s financial statements (audited by other auditor’s) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2017.

	<u>2017</u>
Assets	\$44,452,326
Liabilities	(13,004,011)
Net Position	\$31,448,315

At December 31, 2017 the liabilities above include approximately \$11.8 million of estimated incurred claims payable. The assets above also include approximately \$11.2 million of unpaid claims to be billed. The Pool’s membership increased to 527 members in 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017, the District’s share of these unpaid claims collectible in future years is approximately \$7,000.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

<u>2017 Contributions to PEP</u> \$ 11,139

Village of Sugar Grove, Ohio
Fairfield County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 7 – Risk Management

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

Note 8 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

Note 8 – Defined Benefit Pension Plans (Continued)

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2017.

Note 9 – Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017.

Note 10 – Debt

Debt outstanding at December 31, 2017 was as follows:

	Principal	Interest Rate
OWDA - Waterline Replacement (4859)	\$203,132	4.45%
OWDA - WWTP Improvements Design (6274)	27,698	3.74%
OWDA - Fresh Water Fund (7803)	114,088	2.78%
OPWC - Sanitary Sewer Improvements (CQ07N)	29,275	0.00%
OPWC - WWTP Repair (CQ15Q)	15,499	0.00%
OPWC - Waterline Replacement Phase 1 (CQ16K)	133,362	0.00%
OPWC - Waterline Replacement, Ph. II (CQ22L)	45,789	0.00%
OPWC - Sanitary Sewer Rehabilitation Ph II (CT38P)	88,329	0.00%
OPWC - Water Treatment Plant Improvements (CT25U)	85,270	
Total	<u><u>\$742,442</u></u>	

The Ohio Water Development Authority (OWDA) and Ohio Public Works Commission (OPWC) loans relate to water and sewer plant improvement projects as mandated by the Ohio Environmental Protection Agency. Since 2008, the OWDA has approved up to \$936,993 and the OPWC has approved up to \$694,928 in financing for the Village in a series of loans for ongoing improvement and rehabilitation projects. The Village repays the loans in semiannual installments, including interest, over 20 to 30 years. The balance includes capitalized interest and capitalized interest credit posted for the loans.

Village of Sugar Grove, Ohio
Fairfield County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 10 – Debt (Continued)

For the year ending December 31, 2017, the Village re-paid \$157,174 of principal on OWDA loans, of which \$119,381 consisted of roll-over of design loans into construction loan. Additionally, the Village repaid \$20,287 of principal on OPWC loans. The OWDA and OPWC will adjust scheduled payments to reflect any revisions in amounts the Village actually borrows. Water and sewer receipts collateralize the loans. The Village has agreed to set utility rates sufficient to cover OWDA and OPWC debt service requirements.

The Ohio Water Development Authority (OWDA) Wastewater Treatment Plant Improvement Design #6274 loan is not yet finalized, thus, no amortization exists. The OWDA Water Treatment Plant Improvement Design #6915 loan is not yet finalized, thus, no amortization exists. The Ohio Water Development Authority (OWDA) Fresh Water Fund #7803 loan is not yet finalized, thus, no amortization exists. The OWDA Waterline Replacement #4859 and the Ohio Public Works Commission (OPWC) loans are for water and sewer line replacement and repairs.

Leases

The Village leased a vehicle under a non-cancelable lease. The Village disbursed \$7,251 to pay lease costs for the year ended December 31, 2017. As of December 8, 2017, Village fulfilled the terms of the lease, upon which the lien was discharged on the vehicle title.

Amortization

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

Year ending December 31:	OWDA #4859	OPWC CQ16K	OPWC CQ07N	OPWC CQ22L	OPWC CT38P	OPWC CQ15Q
2018	\$ 14,079	\$ 11,121	\$ 1,220	\$ 3,663	\$ 3,397	\$ 886
2019	14,106	11,121	1,219	3,664	3,397	886
2020	14,135	11,121	1,220	3,663	3,397	886
2021	14,165	11,121	1,219	3,664	3,397	886
2022	14,196	11,121	1,220	3,663	3,397	886
2023-2027	71,500	55,604	6,099	18,315	16,987	4,428
2027-2032	72,520	22,423	6,100	9,157	16,987	4,428
2033-2037	73,791	-	6,099	-	16,987	2,213
2038-2042	14,937	-	48,879	-	16,987	-
2043-2047	-	-	-	-	3,396	-
Total	\$ 303,429	\$ 133,632	\$ 73,275	\$ 45,789	\$ 88,329	\$ 15,499

Note 11 – Construction and Contractual Commitments

For the year ending December 31, 2017, the Council approved expenditures for the Water Treatment Plant design and construction amounting to \$75,452.46. The Village's public water system anticipates substantial construction and improvements to its Water Treatment Plant in the ensuing year. The total projected cost of the project is \$1,356,145. The Village accepted \$1,037,000 bid from Mechanical Construction (Portsmouth, OH) during the project bid opening on August 9, 2017 for the Water Treatment Plant improvements.

Village of Sugar Grove, Ohio
Fairfield County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 12 – Contingent Liabilities

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

Note 13 – Jointly Governed Organizations

Fairfield County Regional Planning Commission

The Village is associated with the Fairfield County Regional Planning Commission as a jointly governed organization. The Commission is a statutorily created political subdivision of the State. The Commission is jointly governed by Fairfield County municipalities and townships. Each member's control over the operation of the Commission is limited to its representation on the board. The Commission makes studies, maps, plans, recommendations, and reports concerning the physical, environmental, social, economic, and governmental characteristics, functions, and services of the County.

District Advisory Council (DAC)

The Village is associated with the District Advisory Council as a jointly governed organization. The District Advisory Council is a requirement according to the State ORC 3709.03. The DAC consists of the President of the County Commissioners, the Mayors of each Village and one township representative from each township. The purpose of the DAC is to review the health department fees, approve the health department budget, and appoint Board of Health members.

**VILLAGE OF SUGAR GROVE
FAIRFIELD COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND
CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>General</u>	<u>Special Revenue</u>	<u>Permanent</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts				
Property and Other Local Taxes	\$ 32,110	\$ 76	\$ -	\$ 32,186
Municipal Income Tax	132,762	-	-	132,762
Intergovernmental	20,905	25,085	-	45,990
Fines, Licenses and Permits	3,580	-	-	3,580
Earnings on Investments	747	96	-	843
Miscellaneous	13,142	1,000	-	14,142
<i>Total Cash Receipts</i>	<u>203,246</u>	<u>26,257</u>	<u>-</u>	<u>229,503</u>
Cash Disbursements				
Current:				
Security of Persons and Property	38,132	-	-	38,132
Public Health Services	1,661	-	-	1,661
Community Environment	500	-	-	500
Transportation	-	14,533	-	14,533
General Government	97,247	-	-	97,247
<i>Total Cash Disbursements</i>	<u>137,540</u>	<u>14,533</u>	<u>-</u>	<u>152,073</u>
<i>Net Change in Fund Cash Balances</i>	65,706	11,724	-	77,430
<i>Fund Cash Balances, January 1</i>	<u>221,795</u>	<u>65,586</u>	<u>5,214</u>	<u>292,595</u>
Fund Cash Balances, December 31				
Nonspendable	-	-	5,214	5,214
Restricted	-	77,310	-	77,310
Assigned	52,833	-	-	52,833
Unassigned	234,668	-	-	234,668
<i>Fund Cash Balances, December 31</i>	<u>\$ 287,501</u>	<u>\$ 77,310</u>	<u>\$ 5,214</u>	<u>\$ 370,025</u>

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

**VILLAGE OF SUGAR GROVE
FAIRFIELD COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (CASH BASIS)
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Enterprise	Agency	Totals (Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$ 187,701	\$ -	\$ 187,701
Fines, Licenses and Permits	-	2,530	2,530
<i>Total Operating Cash Receipts</i>	<u>187,701</u>	<u>2,530</u>	<u>\$190,231</u>
Operating Cash Disbursements			
Personal Services	23,677	-	23,677
Employee Fringe Benefits	2,704	-	2,704
Contractual Services	124,186	-	124,186
Supplies and Materials	8,790	-	8,790
<i>Total Operating Cash Disbursements</i>	<u>159,357</u>	<u>-</u>	<u>159,357</u>
<i>Operating Income</i>	<u>28,344</u>	<u>2,530</u>	<u>30,874</u>
Non-Operating Receipts (Disbursements)			
Sale of Notes	48,538	-	48,538
Principal Retirement	(40,781)	-	(40,781)
Interest and Fiscal Charges	(9,480)	-	(9,480)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(1,723)</u>	<u>-</u>	<u>(1,723)</u>
<i>Net Change in Fund Cash Balances</i>	<u>26,621</u>	<u>2,530</u>	<u>29,151</u>
<i>Fund Cash Balances, January 1</i>	<u>255,107</u>	<u>194</u>	<u>255,301</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 281,728</u>	<u>\$ 2,724</u>	<u>\$ 284,452</u>

Village of Sugar Grove, Ohio
Fairfield County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 1 – Reporting Entity

The Village of Sugar Grove (the Village), Fairfield County, is a body politic and corporate established to exercise the rights and privileges to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides general government services, including water, sewer and sanitation utilities, maintenance of Village roads and bridges, park operations, police services, and Mayor's Court.

Jointly Governed Organizations and Public Entity Risk Pools

The Village participates in a public entity risk pool. Note 6 to the financial statements provides additional information for this entity. This organization is:

Public Entity Risk Pool:

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments.

The Village is also associated with jointly governed organizations consisting of the Fairfield County Regional Planning Commission and the District Advisory Council (DAC). Note 12 to the financial statements provides additional information for these jointly governed organizations.

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 Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing Village streets.

Permissive Motor Vehicle License Tax Fund – This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing Village streets.

Village of Sugar Grove, Ohio
Fairfield County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 2 – Summary of Significant Accounting Policies

Permanent Funds

These funds account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs (for the benefit of the government or its citizenry). The Village had the following significant permanent fund:

Cemetery Bequest Fund – This fund receives interest earned on the nonexpendable corpus from a trust agreement. These earnings are used for the general maintenance and upkeep of the Village's cemetery.

Enterprise Funds This fund accounts 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 the costs of providing the citizens of the Village with water services.

Sewer Fund - This fund receives charges for services from residents to cover the costs of providing the citizens of the Village with sewer services.

Water Treatment Design Fund - The water treatment design fund accounts for loan proceeds from the Ohio Water Development Authority and Ohio Public Works Commission restricted for utility department projects. A utility surcharge recorded in this fund will repay this loan.

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

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency fund accounts for Mayor's Court. The Village Mayor's Court restarted operations in 2015.

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.

Village of Sugar Grove, Ohio
Fairfield County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 2 – Summary of Significant Accounting Policies

Budgetary Process

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

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. 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 also 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 2016 budgetary activity appears in Note 3.

Deposits and Investments

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

The Village values U.S. Treasury Notes and common stock at cost.

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:

Non-spendable The Village classifies assets as *non-spendable* when legally or contractually required to maintain the amounts intact.

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

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

Village of Sugar Grove, Ohio
 Fairfield County
 Notes to the Financial Statements
 For the Year Ended December 31, 2016

Note 2 – Summary of Significant Accounting Policies

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

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

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

Note 3 – Budgetary Activity

Budgetary activity for the year ending 2016 consists as follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 144,010	\$ 203,246	\$ 59,236
Special Revenue	22,050	26,257	4,207
Enterprise	250,894	236,239	(14,655)
Total	<u>\$ 416,954</u>	<u>\$ 465,742</u>	<u>\$ 48,788</u>

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 227,863	\$ 141,644	\$ 86,219
Special Revenue	35,460	14,868	20,592
Enterprise	289,153	247,656	41,497
Total	<u>\$ 552,476</u>	<u>\$ 404,168</u>	<u>\$ 148,308</u>

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:

	2016
Demand deposits	<u>\$ 649,477</u>
Total deposits	<u>649,477</u>
U.S. Treasury Notes	<u>5,000</u>
Total investments	<u>5,000</u>
Total deposits and investments	<u>\$ 654,477</u>

Village of Sugar Grove, Ohio
Fairfield County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 4 – Deposits and Investments

Deposits

Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by the financial institution's public entity deposit pool.

Investments

The U.S. Treasury Bond is held in book-entry form by the Federal Reserve, in the name of the Village's financial institution. The financial institution maintains records identifying the Village as owner of these securities.

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.

Income Taxes

The Village levies a municipal income tax of three-quarter percent [0.75% or 0.0075] 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.

Note 6 – Risk Management

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

The Village insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. York Insurance Services Group, Inc. (York) functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by York. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Village of Sugar Grove, Ohio
Fairfield County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 6 – Risk Management

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2016, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

PEP's financial statements (audited by other auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2016.

	<u>2016</u>
Assets	\$42,182,281
Liabilities	<u>(13,396,700)</u>
Net Position	<u>\$28,785,581</u>

At December 31, 2016 the liabilities above include approximately 12.0 million of estimated incurred claims payable. The assets above also include approximately \$11.5 million of unpaid claims to be billed. The Pool's membership increased to 520 members in 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, the Village's share of these unpaid claims collectible in future years is approximately \$8,000.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

<u>2016 Contributions to PEP</u> \$ 13,401

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

Village of Sugar Grove, Ohio
Fairfield County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 7 – Defined Benefit Pension Plans

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2016.

Note 8 – Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2016.

Note 9 – Debt

Debt outstanding at December 31, 2016 was as follows:

	Principal	Interest Rate
OWDA - Waterline Replacement (4859)	\$208,886	4.45%
OWDA - WTP Improvements Design (5737)	38,637	3.91%
OWDA - WWTP Improvements Design (6274)	58,477	3.74%
OWDA - WTP Improvement Design (6915)	71,777	3.06%
OPWC - Sanitary Sewer Improvements (CQ07N)	30,495	0.00%
OPWC - WWTP Repair (CQ15Q)	16,385	0.00%
OPWC - Waterline Replacement Phase 1 (CQ16K)	144,483	0.00%
OPWC - Waterline Replacement, Ph. II (CQ22L)	49,451	0.00%
OPWC - Sanitary Sewer Rehabilitation Ph II (CT38P)	91,728	0.00%
Total	\$710,319	

The Ohio Water Development Authority (OWDA) and Ohio Public Works Commission (OPWC) loans relate to water and sewer plant improvement projects as mandated by the Ohio Environmental Protection Agency. Since 2008, the OWDA has approved up to \$487,508 and the OPWC has approved up to \$451,903 in financing for the Village in a series of loans for ongoing improvement and rehabilitation projects. The Village repays the loans in semiannual installments, including interest, over 20 to 30 years. The balance includes capitalized interest and capitalized interest credit posted for the loans.

For the year ending December 31, 2016, the Village re-paid \$20,495 of principal on OWDA loans and \$20,288 of principal on OPWC loans. The OWDA and OPWC will adjust scheduled payments to reflect any revisions in amounts the Village actually borrows. Water and sewer receipts collateralize the loans. The Village has agreed to set utility rates sufficient to cover OWDA and OPWC debt service requirements.

The Ohio Water Development Authority (OWDA) Wastewater Treatment Plant Improvement Design #6274 loan is not yet finalized, thus, no amortization exists. The OWDA Water Treatment Plant Improvements Design #5737 loan is not yet finalized, thus, no amortization exists. The OWDA Water Treatment Plant Improvement Design #6915 loan is not yet finalized, thus, no amortization exists. The OWDA Waterline Replacement #4859 and the Ohio Public Works Commission (OPWC) loans are for water and sewer line replacement and repairs.

Village of Sugar Grove, Ohio
Fairfield County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 9 – Debt

Leases

The Village leases a vehicle under a non-cancelable lease. The Village disbursed \$7,382 to pay lease costs for the year ended December 31, 2016.

Amortization

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

Year ending December 31:	OWDA #4859	OPWC CQ16K	OPWC CQ07N	OPWC CQ22L	OPWC CT38P	OPWC CQ15Q
2017	\$ 14,053	\$ 11,121	\$ 1,219	\$ 3,663	\$ 3,397	\$ 885
2018	14,079	11,121	1,220	3,663	3,397	886
2019	14,106	11,121	1,219	3,663	3,397	885
2020	14,135	11,121	1,220	3,663	3,397	886
2021	14,165	11,121	1,219	3,663	3,397	885
2022-2026	71,322	55,604	6,100	18,315	16,987	4,429
2027-2031	72,298	33,274	6,099	12,821	16,987	4,428
2032-2036	73,514	-	6,100	-	16,987	3,101
2037-2041	29,811	-	60,099	-	16,987	-
2042-2047	-	-	-	-	6,795	-
Total	<u>\$ 317,483</u>	<u>\$ 144,483</u>	<u>\$ 84,495</u>	<u>\$ 49,451</u>	<u>\$ 91,728</u>	<u>\$ 16,385</u>

Note 10 – Construction and Contractual Commitments

For the year ending December 31, 2016, the Council approved expenditures for the Water Treatment Plant design amounting to \$45,870. The Village's public water system anticipates new construction and improvements to its Water Treatment Plant. The total projected cost of the project is \$1,111,050.

Note 11 – Contingent Liabilities

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

Note 12 – Jointly Governed Organizations

Fairfield County Regional Planning Commission

The Village is associated with the Fairfield County Regional Planning Commission as a jointly governed organization. The Commission is a statutorily created political subdivision of the State. The Commission is jointly governed by Fairfield County municipalities and townships. Each member's control over the operation of the Commission is limited to its representation on the board. The Commission makes studies, maps, plans, recommendations, and reports concerning the physical, environmental, social, economic, and governmental characteristics, functions, and services of the County.

Village of Sugar Grove, Ohio
Fairfield County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 12 – Jointly Governed Organizations

District Advisory Council (DAC)

The Village is associated with the District Advisory Council as a jointly governed organization. The District Advisory Council is a requirement according to the State ORC 3709.03. The DAC consists of the President of the County Commissioners, the Mayors of each Village and one township representative from each township. The purpose of the DAC is to review the health department fees, approve the health department budget, and appoint Board of Health members.

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

June 29, 2018

Village of Sugar Grove
Fairfield County
101 Bridge Street
Sugar Grove, Ohio 43155

To the Village Council:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts and disbursements by fund type of the **Village of Sugar Grove**, Fairfield County (the Village) as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements and have issued our report thereon dated June 29, 2018, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or 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 audit findings that we consider material weaknesses. We consider findings 2017-001 through 2017-003 to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2017-003 and 2017-004.

Village's Response to Findings

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

Purpose of this Report

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



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

VILLAGE OF SUGAR GROVE
FAIRFIELD COUNTY

SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

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

FINDING NUMBER 2017-001

Material Weakness

Utility Billing

Effective controls over utility billing are critical for the Village to help ensure customers are being billed properly in accordance with the established Village rates. This helps ensure funds will be available to sustain the utility and provide for future debt service and utility improvement disbursements.

The Village bills quarterly for water, sewer and trash. In 2017, 55% and in 2016, 65% did not have correct billing rates for water and sewer.

The Village is not billing and collecting monies in accordance with its approved rate structure and therefore not realizing utility revenues.

We recommend the Village review these discrepancies and determine via a Council vote if they will forgive the unbilled amounts or recoup the fees from the citizens. We further recommend the Village perform quarterly internal billing recomputations on a number of citizens to help ensure this does not occur in the future.

Management's Response – The software program used for implementing rates was changed in the last quarter of 2017 to stop the proration of the 1,000 gallons overage surcharges, as well as improve the overall management of the utility billing system.

With respect to lost revenue, it is the intention of the current Village Council and administration to not seek correction for the years where this prorating issue undercharged utilities customers.

The Village Board of Public Affairs does perform internal audits periodically to ensure residents are assessed the correct rates and services. The Fiscal Officer also performs periodic computations on customers that move-out/in in between reading/billing cycles to ensure the customers are assessed correctly. The Board of Public Affairs receives monthly reports for revenue, appropriations, and utilities fund statuses, as well as approves any adjustments to customer bills as recommended by the Fiscal Officer or requested by a customer.

FINDING NUMBER 2017-002

Material Weakness

Posting Receipts, Disbursements and Fund Balance Classification

Receipts and disbursements should be posted to the fund and line item accounts as established by Ohio Administrative Code. Fund balances should be properly classified based on Governmental Accounting Standards Statement No. 54.

**VILLAGE OF SUGAR GROVE
FAIRFIELD COUNTY**

**SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2017-002 (Continued)

Material Weakness (Continued)

Posting Receipts, Disbursements and Fund Balance Classification (Continued)

During 2017 and 2016, receipts, disbursements and fund balances were not always posted or classified correctly. The following errors were noted:

- Capitalized interest was not added to the principal amount for the OWDA loans in 2017 and 2016.
- New loan proceeds were not recorded on the financial statements in 2017.
- General Fund Balance should have been recorded as Assigned instead of Unassigned for 2017 and 2016.
- Intergovernmental grants were recorded as miscellaneous instead of Intergovernmental in 2016.

Not posting receipts and disbursements or classifying fund balances accurately resulted in the financial statements requiring reclassifications. The financial statements reflect all reclassifications.

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

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

Management's Response – With respect to capitalized interest and new loan proceeds, during the Year-End closing process, the Village will review the Ohio Public Works Commission and Ohio Water Development Authority online disbursement records to ensure the correct recording on the financial statements.

The Fiscal Officer discussed the assigned/unassigned classifications with the auditor and determined that this can be corrected by using an Excel spreadsheet for GASB 54 fund classification.

FINDING NUMBER 2017-003

Material Weakness/Noncompliance

Budgetary Controls

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

**VILLAGE OF SUGAR GROVE
FAIRFIELD COUNTY**

**SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2017-003 (Continued)

Material Weakness/Noncompliance (Continued)

Budgetary Controls (Continued)

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

- Violations of 5705.41(B) stating no subdivision is to expend money unless it has been appropriated (expenditures exceeded appropriations).
- Violations of Ohio Revised Code Section 5705.41(D) requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The Village did not properly certify the availability of funds prior to purchase commitment for 38% of the expenditures tested for 2017 and for 18% of the expenditures tested for 2016.
- Additionally, 18% of the expenditures in 2016 did not have supporting documentation. We were able to determine through alternative procedures that these expenditures were for a proper public purpose.

In addition, The Village did not have a control procedure in place to ensure that appropriations and estimated receipts, as authorized by the Village Council and approved by the County Budget Commission, were reconciled to the appropriations and estimated receipts posted to the accounting system.

This resulted in incorrect amounts posted to the accounting system and information available to Village officials to monitor year-to-date total comparison of budgeted amounts versus actual amounts was not accurate. We recommend the Village implement procedures to ensure appropriations and estimated receipts are accurately posted to the accounting system and reconciled to the amounts approved by the budget commission after each amendment.

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

Council should review the requirements of ORC section 5705 to be familiar with these laws and to make sure the Village is complying with applicable sections. We recommend the Village establish a procedure that ensures budgetary forms are submitted to the County accurately and timely. This could include a checklist of forms and due dates. Steps should be taken to make sure amounts are encumbered (purchase orders are used and assigned to each purchase prior to ordering), certifications of available funds are done by the Fiscal Officer prior to purchasing and unencumbered balances are tracked for each line item.

**VILLAGE OF SUGAR GROVE
FAIRFIELD COUNTY**

**SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2017-003 (Continued)

Material Weakness/Noncompliance (Continued)

Budgetary Controls (Continued)

We recommend that all expenditures be supported by complete voucher packages, including the voucher signed by the appropriate officials to document their approval, the original invoice approved by the receiving employee or official to document the receipt of goods or services and the accuracy of the quantity and price, a copy of the purchase order to document the Clerk's prior certification, to help insure that all Village expenditures are for goods or services received, properly approved, and for a proper public purpose.

Management's Response – The Village Council's Finance Committee does monitor for budgetary compliance through use of the 2017 Ohio Village Officer's Handbook (Appendix C-1 "Calendar for Village Officers"). Fiscal Office review of this calendar with committee members is a recurring item of regular business. The Village Council also approves the same monthly financial reports as reviewed by the Finance Committee, which include as follows: monthly bank reconciliation, fund status report, cash activity report, revenue status report, appropriations status report, purchase order status report, vendor/payee payment register, and the intra-fund reallocation report. These reports can be pulled from the accounting system {UAN}. These reports are reviewed more in depth during Finance Committee meetings.

Additionally, the President of Council and Fiscal Officer sign all checks and Purchase Orders to monitor the use of funds as designated and approved by Village Council. The Fiscal Officer anticipates the use of "Then and Now" purchase orders versus "Regular" purchase orders will correct proper certification of the availability of funds prior to purchase commitment.

FINDING NUMBER 2017-004

Noncompliance

Ohio Rev. Code Sections 2743.70 and 2949.091 require the Court, in which any person is convicted of or pleads guilty to any offense other than a traffic offense that is not a moving violation, to impose and collect additional costs to be used for the State's Reparations Fund and the State's General Fund, respectively. All such moneys collected during a month under Ohio Rev. Code Section 2743.70 shall be transmitted on the first business day of each month by the Clerk of the Court to the Treasurer of State and deposited by the Treasurer in the Reparations Fund. All such moneys collected during a month under Ohio Rev. Code Section 2949.091 shall be transmitted on or before the twentieth day of the following month by the Clerk of the Court to the Treasurer of State and deposited by the Treasurer into the General Fund.

Ohio Revised Code 733.40 requires, except as otherwise provided in Ohio Revised Code Section 4511.193, all fines, forfeitures, and cost in ordinance cases and all fees collected by the mayor, or which in any manner come into his or her hands, or which are due to such mayor or a marshal, chief of police, or other officer of the municipal corporation, any other fees and expenses which have been advanced out of the treasury of the municipal corporation, and all money received by such mayor for the use of such municipal corporation, shall be paid by clerk into the Village's treasury on the first Monday of each month.

VILLAGE OF SUGAR GROVE
FAIRFIELD COUNTY

SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(Continued)

<p>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</p>
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FINDING NUMBER 2017-004 (Continued)

Noncompliance (Continued)

During the audit period, the Village Mayor's Court collected, but failed to remit payments to the State and Village. The Village Mayor's Court should remit moneys owed to the State and Village in a timely manner.

Management's Response – Upon the discovery of compliance issues with the Mayor's Court in the previous audit period, the Mayor recommended and the Council agreed to suspend indefinitely the Mayor's Court operation. All police department citations are forwarded to the Fairfield Municipal Court for processing and trial, if applicable.

With respect to correcting the noncompliance, the Village Solicitor and Fiscal Officer have been working to correct the deficiencies caused in the operation of the Village Mayor's Court under the previous administration. Both officials have been in communication with the State Auditor's Office Local Government Services Division, as well as state agencies due monies and/or data collected by the Village.

**VILLAGE OF SUGAR GROVE
FAIRFIELD COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

Finding Number	Finding Summary	Status	Additional Information
2015-001	Utility Billing	Repeated	Not Corrected; Repeated as Finding number 2017-001
2015-002	Maintaining Utility Records	Corrected	
2015-003	Budgetary Controls	Repeated	Partially Corrected; Repeated as Finding number 2017-002
2015-004	Restatement of Beginning Fund Balance Due to Unposted Expenditures	Corrected	
2015-005	ORC Sections 2743.70, 2949.091, and 733.40	Repeated	Not Corrected; Repeated as Finding number 2017-003



Dave Yost • Auditor of State

VILLAGE OF SUGAR GROVE

FAIRFIELD COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
OCTOBER 16, 2018