

**VILLAGE OF MT. GILEAD
MORROW COUNTY, OHIO**

Financial Statements
(Audited)

For the Year Ended
December 31, 2017



Dave Yost • Auditor of State

Members of Council
Village of Mount Gilead
72 West High Street
Mt. Gilead, Ohio 43338

We have reviewed the *Independent Auditor's Report* of the Village of Mount Gilead, Morrow County, prepared by Julian & Grube, Inc., for the audit period January 1, 2017 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 Mount Gilead 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 1, 2018

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**VILLAGE OF MT. GILEAD
MORROW COUNTY, OHIO**

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Julian & Grube, Inc.
Serving Ohio Local Governments

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Independent Auditor's Report

Village of Mt. Gilead
Morrow County
72 West High Street
Mt. Gilead, Ohio 43338

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 Mt. Gilead, Morrow County, Ohio as of and for the year ended December 31, 2017.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village of Mt. Gilead'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 of Mt. Gilead'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 of Mt. Gilead 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 of Mt. Gilead 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 of Mt. Gilead as of December 31, 2017, 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 by fund type, and related notes of the Village of Mt. Gilead, Morrow County as of December 31, 2017, for the year 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 of Mt. Gilead'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 of Mt. Gilead's internal control over financial reporting and compliance.



Julian & Grube, Inc.
June 29, 2018

Village of Mt. Gilead, Ohio
Morrow County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2017

| | General | Special Revenue | Capital Projects | Totals (Memorandum Only) |
|---|---------------------|--------------------|---------------------|--------------------------------|
| Cash Receipts | | | | |
| Property and Other Local Taxes | \$ 124,739 | \$ 86,447 | \$ - | \$ 211,186 |
| Municipal Income Tax | 1,078,879 | - | 56,783 | 1,135,662 |
| Intergovernmental | - | 459,675 | 14,496 | 474,171 |
| Charges for Services | - | 314,255 | - | 314,255 |
| Fines, Licenses and Permits | 53,326 | 5,802 | - | 59,128 |
| Earnings on Investments | 11,691 | - | 886 | 12,577 |
| Miscellaneous | 71,681 | 3,911 | 24,656 | 100,248 |
| <i>Total Cash Receipts</i> | <u>1,340,316</u> | <u>870,090</u> | <u>96,821</u> | <u>2,307,227</u> |
| Cash Disbursements | | | | |
| Current: | | | | |
| Security of Persons and Property | 512,343 | 570,891 | - | 1,083,234 |
| Public Health Services | 2,251 | - | - | 2,251 |
| Basic Utility Services | 8,157 | 12,388 | - | 20,545 |
| General Government | 239,623 | 497,695 | 105,264 | 842,582 |
| Capital Outlay | - | - | 71,201 | 71,201 |
| <i>Total Cash Disbursements</i> | <u>762,374</u> | <u>1,080,974</u> | <u>176,465</u> | <u>2,019,813</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>577,942</u> | <u>(210,884)</u> | <u>(79,644)</u> | <u>287,414</u> |
| Other Financing Receipts (Disbursements) | | | | |
| Transfers In | - | 286,397 | 91,000 | 377,397 |
| Transfers Out | (330,025) | (60,000) | - | (390,025) |
| <i>Total Other Financing Receipts (Disbursements)</i> | <u>(330,025)</u> | <u>226,397</u> | <u>91,000</u> | <u>(12,628)</u> |
| <i>Net Change in Fund Cash Balances</i> | 247,917 | 15,513 | 11,356 | 274,786 |
| <i>Fund Cash Balances, January 1</i> | <u>2,424,808</u> | <u>451,439</u> | <u>286,294</u> | <u>3,162,541</u> |
| Fund Cash Balances, December 31 | | | | |
| Restricted | - | 466,952 | 297,650 | 764,602 |
| Assigned | 4,761 | - | - | 4,761 |
| Unassigned (Deficit) | 2,667,964 | - | - | 2,667,964 |
| <i>Fund Cash Balances, December 31</i> | <u>\$ 2,672,725</u> | <u>\$ 466,952</u> | <u>\$ 297,650</u> | <u>\$ 3,437,327</u> |

See accompanying notes to the basic financial statements

Village of Mt. Gilead, Ohio
Morrow County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Proprietary and Fiduciary Fund Types
For the Year Ended December 31, 2017

| | Fiduciary Fund | | Totals |
|---|------------------------|-----------------|---------------------|
| | Proprietary Fund Types | Types | |
| | Enterprise | Agency | (Memorandum Only) |
| Operating Cash Receipts | | | |
| Charges for Services | \$ 1,899,261 | \$ - | \$ 1,899,261 |
| Fines and fees | - | 52,355 | 52,355 |
| Miscellaneous | 16,728 | - | 16,728 |
| <i>Total Operating Cash Receipts</i> | <u>1,915,989</u> | <u>52,355</u> | <u>1,968,344</u> |
| Operating Cash Disbursements | | | |
| Personal Services | 648,401 | - | 648,401 |
| Contractual Services | 320,922 | - | 320,922 |
| Supplies and Materials | 177,894 | - | 177,894 |
| Disbursement of Fines and Fees | - | 56,270 | 56,270 |
| <i>Total Operating Cash Disbursements</i> | <u>1,147,217</u> | <u>56,270</u> | <u>1,203,487</u> |
| <i>Operating Income (Loss)</i> | <u>768,772</u> | <u>(3,915)</u> | <u>764,857</u> |
| Non-Operating Receipts (Disbursements) | | | |
| Property and Other Local Taxes | 46,540 | - | 46,540 |
| Earnings on Investments (proprietary funds only) | 9,490 | - | 9,490 |
| Capital Outlay | (135,692) | - | (135,692) |
| Principal Retirement | (532,538) | - | (532,538) |
| Interest and Other Fiscal Charges | (22,800) | - | (22,800) |
| <i>Total Non-Operating Receipts (Disbursements)</i> | <u>(635,000)</u> | <u>-</u> | <u>(635,000)</u> |
| <i>Income (Loss) before Transfers</i> | 133,772 | (3,915) | 129,857 |
| Transfers In | 735,628 | - | 735,628 |
| Transfers Out | (723,000) | - | (723,000) |
| <i>Net Change in Fund Cash Balances</i> | 146,400 | (3,915) | 142,485 |
| <i>Fund Cash Balances, January 1</i> | <u>2,967,841</u> | <u>7,504</u> | <u>2,975,345</u> |
| <i>Fund Cash Balances, December 31</i> | <u>\$ 3,114,241</u> | <u>\$ 3,589</u> | <u>\$ 3,117,830</u> |

See accompanying notes to the basic financial statements

Village of Mt. Gilead, Ohio
Morrow County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 1 - Reporting Entity

The Village of Mount Gilead, Morrow County, Ohio (the "Village"), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village operates under a council-mayor form of government and provides general government services, including water, sewer, and refuse utilities, street maintenance and repair, mayors court, police & fire protection services, and recreation.

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 Fund This fund receives property tax proceeds and charges for services. The funds are used to provide fire protection services. The funds are used to provide fire protection services to the residents of the Village and other contracted local governments.

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

Capital Improvement - This fund accounts for all significant capital outlay transactions relating to Village improvement projects. This fund receives revenue primarily from income taxes and transfers.

Village of Mt. Gilead, Ohio
Morrow County
Notes to the Financial Statements
For the Year Ended December 31, 2017

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 the cost of providing this utility.

Sewer Fund This fund receives charges for services from residents to cover the cost of providing this utility.

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 funds as directed by the individual, organization or other government. The Village's agency fund account for the Mayor's Court.

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

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

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

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

A summary of 2017 budgetary activity appears in Note 3.

Village of Mt. Gilead, Ohio
Morrow County
Notes to the Financial Statements
For the Year Ended December 31, 2017

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 certificates of deposit and repurchase agreements at cost. The investment in STAR Ohio is valued at amounts reported by the State Treasurer.

Capital Assets

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

Accumulated Leave

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

Fund Balance

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

Nonspendable The Village classifies assets as ***nonspendable*** when legally or contractually required to maintain the amounts intact.

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

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

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

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

Village of Mt. Gilead, Ohio
Morrow County
Notes to the Financial Statements
For the Year Ended December 31, 2017

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 2017 follows:

| 2017 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|-------------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$1,165,113 | \$1,340,316 | \$175,203 |
| Special Revenue | 1,099,031 | 1,156,487 | 57,456 |
| Capital Projects | 437,596 | 187,821 | (249,775) |
| Enterprise | 3,124,896 | 2,707,647 | (417,249) |
| Fiduciary | 0 | 52,355 | 52,355 |
| Total | \$5,826,636 | \$5,444,626 | (\$382,010) |

| 2017 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|-------------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$1,121,815 | \$1,097,160 | \$24,655 |
| Special Revenue | 1,225,127 | 1,153,650 | 71,477 |
| Capital Projects | 329,496 | 208,662 | 120,834 |
| Enterprise | 3,479,652 | 2,575,966 | 903,686 |
| Fiduciary | 0 | 56,270 | (56,270) |
| Total | \$6,156,090 | \$5,091,708 | \$1,064,382 |

Village of Mt. Gilead, Ohio
Morrow County
Notes to the Financial Statements
For the Year Ended December 31, 2017

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:

| | 2017 |
|--------------------------------|-------------|
| Demand deposits | \$1,977,184 |
| Certificates of deposit | 3,056,893 |
| STAR Plus | 1,017,240 |
| Total deposits | 6,051,317 |
| STAR Ohio | 503,840 |
| Total investments | 503,840 |
| Total deposits and investments | \$6,555,157 |

Deposits are insured by the Federal Depository Insurance Corporation; [or] collateralized by securities specifically pledged by the financial institution to the Village.

Investments The Village utilizes certificates of deposit for investments. Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

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.

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 1 percent on substantially all earned income arising from employment, residency, or business activities within 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 Mt. Gilead, Ohio
Morrow County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 6 - Risk Management

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicle
- Errors and omissions.
- Law Enforcement
- Excess liability
- Crime
- Surety and Bond
- Inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

Health Insurance

The Village maintains United Healthcare as their primary Medical and Dental insurance provider. The Village pays 88% of total premium while the employee pays 12%.

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. 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.

Ohio Police and Fire Retirement System

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

Village of Mt. Gilead, Ohio
Morrow County
Notes to the Financial Statements
For the Year Ended December 31, 2017

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages and 24% of full-time fire fighters' wages, respectively. The Village has paid all contributions required through December 31, 2017.

Social Security

Several of the Village's employees contributed to social Security. This plan provides retirement benefits, including survivor and disability benefits to participant.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2017.

Note 7 - 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 of both the traditional pension and the combined plans. OPERS contributes 2 percent of the employer contribution to fund these benefits, and OP&F contributes 0.5 percent to fund these benefits.

Note 8 – Debt

Debt outstanding at December 31, 2017 was as follows:

| | Principal | Interest Rate |
|---------------------------------------|--------------|---------------|
| Ohio Water Development Authority Loan | \$ 3,527,810 | 0.23% |
| WWTP Improvements | | |
| Sanitary Sewer Improvements | 55,901 | 1% |
| Sanitary Sewer Improvements, Phase I | 55,677 | 1% |
| Total | \$ 3,639,388 | |

The Ohio Water Development Authority (OWDA) loan relates to a water and sewer plant expansion project the Ohio Environmental Protection Agency mandated. The OWDA approved \$6,975,512 in loans to the Village for this project. The Village will repay the loans in semiannual installments of \$178,529, including interest, over 20 years. The scheduled payment amount below assumes that \$6,975,512 will be borrowed. The OWDA will adjust scheduled payment to reflect any revisions in amounts the Village actually borrows. Water and sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements. The Village's taxing authority collateralized the bonds.

The Water System Revenue Bond relate to the construction of water and sewer system. Initial obligation amount was \$1,235,579. The Village will repay the bond in annual principal payments of \$173,511, plus semiannual interest payments at a rate of 2.6%.

Village of Mt. Gilead, Ohio
Morrow County
Notes to the Financial Statements
For the Year Ended December 31, 2017

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

| Year ending December 31: | WWTP Improvements | Sewer Improvements, Phase I | Sewer Improvements |
|-----------------------------|----------------------|-----------------------------------|-----------------------|
| 2018 | \$ 357,059 | \$ 4,419 | 4,437 |
| 2019 | 357,059 | 4,419 | 4,437 |
| 2020 | 357,059 | 4,419 | 4,437 |
| 2021 | 357,059 | 4,419 | 4,437 |
| 2022 | 357,059 | 4,419 | 4,437 |
| 2023-2027 | 1,785,297 | 22,096 | 22,185 |
| 2028-2032 | 0 | 15,467 | 15,529 |
| Total | <u>\$3,570,592</u> | <u>\$59,658</u> | <u>\$59,899</u> |

Note 9 - Miscellaneous Cash Receipts

Miscellaneous receipts within the capital projects fund represent 27% of cash receipts of the fund. During the year ended December 31, 2017, an insurance payment was received and recorded as a miscellaneous receipt.

Note 10 - Compliance

Contrary to Ohio Revised Code Section 5705.41(D), the Village did not properly certify 36% of the disbursements tested during the year ended December 31, 2017.



Julian & Grube, Inc.

Serving Ohio Local Governments

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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*

Village of Mt. Gilead
Morrow County
72 West High Street
Mt. Gilead, Ohio 43338

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 Mt. Gilead, Morrow County, Ohio, as of and for the year ended December 31, 2017, and the related notes to the financial statements, and have issued our report thereon dated June 29, 2018, wherein we noted the Village of Mt. Gilead 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 of Mt. Gilead'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 of Mt. Gilead'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 of Mt. Gilead'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 a certain deficiency in internal control, described in the accompanying schedule of findings and responses that we consider a material weakness. We consider finding 2017-001 to be material weakness.

Village Council
Village of Mt. Gilead

Compliance and Other Matters

As part of reasonably assuring whether the Village of Mt. Gilead'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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings and responses as item 2017-002.

Village of Mt. Gilead's Responses to Findings

The Village of Mt. Gilead's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Village of Mt. Gilead'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 of Mt. Gilead's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village of Mt. Gilead's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Julian & Grube, Inc.
June 29, 2018

**VILLAGE OF MT. GILEAD
MORROW COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2017**

| FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS | |
|--|----------|
| Finding Number | 2017-001 |

Material Weakness - Financial Statement Presentation

Accurate financial reporting is required in order to provide management and the Council with objective and timely information to enable well-informed decisions.

Numerous adjustments were made to the financial statements and notes to the financial statements for the year ended December 31, 2017 to properly state financial statement amounts. In addition, numerous material adjustments were made to the Village’s notes to the financial statements.

The audited financial statements and Village records have been adjusted for the misstatements identified during the audit.

In general, an accounting and information system should be designed to provide management with accurate and timely information to enable well-informed business decisions to be made. The present system lacks fiscal oversight and approvals and fails to meet the above expectations.

We recommend the Village consult with their auditors, the Village Handbook, or an accounting firm/consultant or seek additional training courses on financial statement preparation to help ensure accurate financial reporting.

Client Response: The Fiscal Officer will work to provide a sound fiscal environment for the Village and has implemented policies and procedures to help with financial statement presentation.

| | |
|----------------|----------|
| Finding Number | 2017-002 |
|----------------|----------|

Material Noncompliance

Ohio Revised Code Section 5705.41(D) requires that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

The Village did not properly certify 36.00% percent of disbursements made during the year ended December 31, 2017.

Without certification, the Village may expend more funds than available in the treasury, or in the process of collection, or appropriated. This may also result in unnecessary purchases.

We recommend that all orders or contracts involving the expenditure of money be certified to ensure all monies expended are lawfully appropriated and available in the treasury or in the process of collection. The Village may also use “Then & Now” certification to approve a purchase order, when applicable.

Client Response: The Fiscal Officer will work closely with the department heads to ensure purchase orders are approved before purchases are made.

**VILLAGE OF MT. GILEAD
MORROW COUNTY, OHIO**

**STATUS OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2017**

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain: |
|-----------------------|---|-------------------------|--|
| 2016-001 | Material Weakness - Financial Statement Presentation - Accurate financial reporting is required in order to provide management and the Council with objective and timely information to enable well-informed decisions. Adjustments were made to correct misstatements identified during the audit of the Village's financial statements. | No | Repeated as finding 2017-001 |



Dave Yost • Auditor of State

VILLAGE OF MOUNT GILEAD

MORROW 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