

VILLAGE OF MT. GILEAD
MORROW COUNTY, OHIO

Financial Statements
(Audited)

For the Years Ended
December 31, 2019 and 2018



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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, 2018 through December 31, 2019. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Keith Faber
Auditor of State
Columbus, Ohio

November 18, 2020

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**VILLAGE OF MT. GILEAD
MORROW COUNTY**

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Independent Auditor's Report

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

To the Members of Council and Mayor:

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 years ended December 31, 2019 and 2018.

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, 2019 and 2018, 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 Mt. Gilead, Morrow County as of December 31, 2019 and 2018, 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.

Emphasis of Matter

As described in Note 13, for the year ended December 31, 2018, a prior period restatement was required to reclassify the Income Tax and Peace Officer Training funds to the General Fund. As discussed in Note 10 to the financial statements for the year ended December 31, 2019, the financial impact of COVID-19 and the ensuing emergency measures may impact subsequent periods of the Village of Mt. Gilead. We did not modify our opinion regarding these matters.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 12, 2020, 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.
August 12, 2020

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

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

	Governmental Fund Types			Total (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash receipts:				
Property and other taxes	\$ 75,548	\$ 84,505	\$ -	\$ 160,053
Municipal income tax	1,120,393	-	58,968	1,179,361
Intergovernmental	76,235	184,652	-	260,887
Charges for services	-	310,680	-	310,680
Fines, licenses and permits	69,245	2,800	-	72,045
Earnings on Investments	140,087	5,429	-	145,516
Miscellaneous	26,578	50,249	800	77,627
Total cash receipts	<u>1,508,086</u>	<u>638,315</u>	<u>59,768</u>	<u>2,206,169</u>
Cash disbursements:				
Current:				
Security of persons and property	474,299	393,873	-	868,172
Public health services	2,500	-	-	2,500
Basic utility services	-	-	-	-
Transportation	-	397,737	-	397,737
General government	348,108	74,949	-	423,057
Capital outlay	-	3,038	102,641	105,679
Total cash disbursements	<u>824,907</u>	<u>869,597</u>	<u>102,641</u>	<u>1,797,145</u>
Total cash receipts over/(under) cash disbursements	<u>683,179</u>	<u>(231,282)</u>	<u>(42,873)</u>	<u>409,024</u>
Other financing receipts (disbursements):				
Sale of Assets	-	799	18,176	18,975
Transfers In	76,611	421,097	200,000	697,708
Transfers Out	(537,708)	(180,000)	-	(717,708)
Other Financing Sources	31,662	-	100	31,762
Total other financing receipts (disbursements)	<u>(429,435)</u>	<u>241,896</u>	<u>218,276</u>	<u>30,737</u>
Net change in fund cash balances	253,744	10,614	175,403	439,761
Fund cash balances, January 1, 2019	<u>2,907,996</u>	<u>502,040</u>	<u>320,643</u>	<u>3,730,679</u>
Fund cash balances, December 31, 2019				
Restricted	-	512,654	251,506	764,160
Committed	39,714	-	219,697	259,411
Assigned	11,168	-	24,843	36,011
Unassigned	3,110,858	-	-	3,110,858
Fund cash balances, December 31, 2019	<u>\$ 3,161,740</u>	<u>\$ 512,654</u>	<u>\$ 496,046</u>	<u>\$ 4,170,440</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

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

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

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	Total (Memorandum Only)
	<u>Enterprise</u>	<u>Agency</u>	
Operating cash receipts:			
Charges for services	\$ 1,969,791	\$ -	\$ 1,969,791
Fines and Fees	-	36,284	36,284
Miscellaneous	19,069	-	19,069
Total operating cash receipts	<u>1,988,860</u>	<u>36,284</u>	<u>2,025,144</u>
Operating cash disbursements:			
Personal services	475,427	-	475,427
Fringe benefits	229,986	-	229,986
Contractual services	311,324	-	311,324
Supplies and materials	288,490	-	288,490
Disbursement of Fines and Fees		36,071	36,071
Other	107		107
Total operating cash disbursements	<u>1,305,334</u>	<u>36,071</u>	<u>1,341,405</u>
Operating income/(loss)	<u>683,526</u>	<u>213</u>	<u>683,739</u>
Nonoperating cash receipts/(disbursements):			
Property and Other Local Taxes	46,910	-	46,910
Intergovernmental	1,445	-	1,445
Sale of assets	36,015	-	36,015
Other financing sources	22,163	-	22,163
Capital outlay	(439,576)	-	(439,576)
Debt service:			
Principal	(370,001)	-	(370,001)
Interest	(8,000)	-	(8,000)
Total nonoperating cash receipts/(disbursements)	<u>(711,044)</u>	<u>-</u>	<u>(711,044)</u>
Income/(loss) before operating transfers	(27,518)	213	(27,305)
Transfers in	526,985	-	526,985
Transfers out	<u>(506,985)</u>	<u>-</u>	<u>(506,985)</u>
Net income/(loss)	(7,518)	213	(7,305)
Fund cash balances, January 1, 2019	<u>3,130,425</u>	<u>2,742</u>	<u>3,133,167</u>
Fund cash balances, December 31, 2019	<u>\$ 3,122,907</u>	<u>\$ 2,955</u>	<u>\$ 3,125,862</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

Village of Mt. Gilead, Ohio
Morrow County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 1 - Reporting Entity

The Village of Mt. Gilead (the Village), Morrow County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. 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, 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 Fund The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

Fire Fund This fund receives property tax proceeds and charges for services. The fund is 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 Fund This fund accounts for all significant capital outlay transactions relating to Village improvement projects. This fund receives revenue primarily from income taxes and transfers.

Police Equipment Reserve Fund This fund accounts for all significant capital outlay transactions related to police equipment. This fund receives revenue primarily from transfers.

Village of Mt. Gilead, Ohio
Morrow County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Fire Equipment Reserve Fund This fund accounts for all significant capital outlay transactions related to fire equipment. This fund receives revenue primarily from transfers.

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 report fiduciary activity that is not required to be reported in a trust fund. The Village's agency fund account for 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 Village 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.

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

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

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.

Village of Mt. Gilead, Ohio
Morrow County
Notes to the Financial Statements
For the Year Ended December 31, 2019

A summary of 2019 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 certificate of deposit, commercial paper, US treasury notes, and federal securities at cost. Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

Capital Assets

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

Accumulated Leave

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

Fund Balance

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

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

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

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

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.

Village of Mt. Gilead, Ohio
Morrow County
Notes to the Financial Statements
For the Year Ended December 31, 2019

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 2019 follows:

2019 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,265,750	\$1,538,920	\$273,170
Special Revenue	1,033,208	1,137,650	104,442
Capital Projects	260,000	278,044	18,044
Enterprise	2,740,700	2,622,378	(118,322)
Total	\$5,299,658	\$5,576,992	\$277,334

2019 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,426,110	\$1,312,837	\$113,273
Special Revenue	1,162,825	1,110,543	52,282
Capital Projects	279,564	137,641	141,923
Enterprise	3,184,624	2,651,298	533,326
Total	\$6,053,123	\$5,212,319	\$840,804

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund in accordance with GASB 54. This includes the Village Income Tax Fund and the Peace Officer Training Fund.

Village of Mt. Gilead, Ohio
Morrow County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 4 - Deposits and Investments

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

	2019
Demand deposits	\$2,910,944
Petty Cash	\$400
STAR Ohio Plus	398
Total deposits	2,911,742
STAR Ohio	1,268,653
Commercial Paper	677,841
US Treasury Notes	501,811
Federal Securities	525,000
Negotiable Certificate of Deposits	1,411,254
Total investments	4,384,559
Total deposits and investments	\$7,296,301

Deposits

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

Investments

The Village utilizes certificates of deposit, commercial paper, US treasury notes, and federal securities 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 exemption credits 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.

Village of Mt. Gilead, Ohio
Morrow County
Notes to the Financial Statements
For the Year Ended December 31, 2019

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

Workers' Compensation

Workers' Compensation coverage is provided by the State of Ohio. The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

Risk Pool Membership

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, 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.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. The OPRM is also participated in a property primary excess of loss treaty. This treaty reimbursed the OPRM 30% for losses between \$200,000 and \$1,000,000. The reimbursement is based on the amount of loss between \$200,000 and \$1,000,000. Effective November 1, 2018, the OPRM the property retention remained unchanged, however, the Plan assumed 100% of the first \$250,000 casualty treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. Effective November 1, 2019, the OPRM's property retention increased from 30% to 33%, while the casualty treaty remains unchanged and still assumes 100% of the first \$250,000 casualty treaty. OPRM had 776 members as of December 31, 2019.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2019.

Assets	\$ 15,920,504
Liabilities	<u>(11,329,011)</u>
Members' Equity	<u>\$ 4,591,493</u>

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

Village of Mt. Gilead, Ohio
Morrow County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Certain 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, 2019.

Ohio Police and Fire Retirement System

Certain 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.

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, 2019.

Social Security

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

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

Note 8 - Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2019. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2019. OP&F contributes 0.5 percent to fund these benefits.

Village of Mt. Gilead, Ohio
Morrow County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 9 - Debt

Debt outstanding at December 31, 2019 was as follows:

	Principal	Interest Rate
OWDA Sanitary Sewer Improvements - 5497	\$48,086	1%
OWDA Sanitary Sewer Improvements, Phase I - 5403	\$47,894	1%
OWDA WWTP - 4441	2,828,745	0.23
Total	\$2,924,725	

The Ohio Water Development Authority (OWDA) loan (5497) relates to a sewer project. The OWDA approved \$80,247 in loans to the Village for this project. The Village will repay the loans in semiannual installments of \$2,218, including interest, over 20 years. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Water Development Authority (OWDA) loan (5403) relates to a sewer project. The OWDA approved \$79,925 in loans to the Village for this project. The Village will repay the loans in semiannual installments of \$2,210, including interest, over 20 years. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Water Development Authority (OWDA) loan (4441) 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.

Amortization

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

Year Ending December 31:	OWDA WWTP	Sanitary Sewer Improvements	Sanitary Sewer Improvements Phase I
2020	357,059	4,437	4,419
2021	357,059	4,437	4,419
2022	357,059	4,437	4,419
2023	357,059	4,437	4,419
2024	357,059	4,437	4,419
2025-2029	1,071,179	22,185	22,095
2030-2031	0	6,655	6,630
Total	\$2,856,474	\$51,025	\$50,820

Village of Mt. Gilead, Ohio
Morrow County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 10 - Subsequent Event

The United States of America and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures may impact subsequent periods of the Village. In addition, the impact on the Village's future resources and obligations cannot be estimated.

Note 11 - Beginning Fund Balances

The General Fund beginning fund balance is off \$463 due to negative interest not being recorded. The Enterprise Fund beginning fund balance is off 2,013 due to voiding checks.

Note 12 - Transfers

The Village recorded transfers out of the Street Maintenance & Repair Fund (a special revenue fund), the Fire Fund (a special revenue fund), the Garbage Refuse Fund (a enterprise fund), the Water Operating Fund (a enterprise fund), and the Sewer Operating Fund (a enterprise fund) to the Street Equipment Reserve Fund (a capital project fund), the Fire Equipment Reserve Fund (a capital project fund), the Trash Equipment Reserve Fund (a enterprise fund), the Water Capital Improvement (a enterprise fund), and the Sewer Capital Improvement Fund (a enterprise fund), respectively. All transfers were for the purpose of future capital purchases.

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

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (CASH BASIS) - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2018

	Governmental Fund Types			Total (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash receipts:				
Property and other taxes	\$ 72,450	\$ 85,728	\$ -	\$ 158,178
Municipal income tax	1,103,761	-	58,093	1,161,854
Intergovernmental	57,454	236,220	-	293,674
Charges for services	-	311,388	-	311,388
Fines, licenses and permits	28,933	2,431	-	31,364
Earnings on Investments	24,144	-	1,639	25,783
Miscellaneous	72,720	10,847	14,100	97,667
Total cash receipts	<u>1,359,462</u>	<u>646,614</u>	<u>73,832</u>	<u>2,079,908</u>
Cash disbursements:				
Current:				
Security of persons and property	502,663	556,842	-	1,059,505
Public health services	2,500	-	-	2,500
Basic utility services	43,931	12,831	-	56,762
Transportation	2,250	87,228	-	89,478
General government	289,228	187,782	11,482	488,492
Capital outlay	-	-	74,357	74,357
Total cash disbursements	<u>840,572</u>	<u>844,683</u>	<u>85,839</u>	<u>1,771,094</u>
Total cash receipts over/(under) cash disbursements	<u>518,890</u>	<u>(198,069)</u>	<u>(12,007)</u>	<u>308,814</u>
Other financing receipts (disbursements):				
Transfers In	66,821	271,097	35,000	372,918
Transfers Out	(372,918)	(15,000)	-	(387,918)
Total other financing receipts (disbursements)	<u>(306,097)</u>	<u>256,097</u>	<u>35,000</u>	<u>(15,000)</u>
Net change in fund cash balances	212,793	58,028	22,993	293,814
Fund cash balances, January 1, 2018, restated	<u>2,695,666</u>	<u>444,012</u>	<u>297,650</u>	<u>3,437,328</u>
Fund cash balances, December 31, 2018				
Restricted	-	502,040	106,669	608,709
Committed	23,221	-	177,017	200,238
Assigned	160,360	-	36,957	197,317
Unassigned	2,724,878	-	-	2,724,878
Fund cash balances, December 31, 2018	<u>\$ 2,908,459</u>	<u>\$ 502,040</u>	<u>\$ 320,643</u>	<u>\$ 3,731,142</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

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

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND
BALANCES (CASH BASIS) - PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	Total (Memorandum Only)
	<u>Enterprise</u>	<u>Agency</u>	
Operating cash receipts:			
Charges for services	\$ 1,918,863	\$ -	\$ 1,918,863
Fines and Fees	-	33,382	\$ 33,382
Miscellaneous	24,428	-	24,428
Total operating cash receipts	<u>1,943,291</u>	<u>33,382</u>	<u>1,976,673</u>
Operating cash disbursements:			
Personal services	427,510	-	427,510
Fringe benefits	231,152	-	231,152
Contractual services	376,339	-	376,339
Supplies and materials	313,609	-	313,609
Disbursements of Fines and Fees	-	34,229	34,229
Other	4,003	-	4,003
Total operating cash disbursements	<u>1,352,613</u>	<u>34,229</u>	<u>1,386,842</u>
Operating income/(loss)	<u>590,678</u>	<u>(847)</u>	<u>589,831</u>
Nonoperating cash receipts/(disbursements):			
Property and Other Local Taxes	46,871	-	46,871
Earnings On Investmets	17,271	-	17,271
Capital outlay	(103,627)	-	(103,627)
Debt service:			
Principal	(541,723)	-	(541,723)
Interest	(10,301)	-	(10,301)
Total nonoperating cash receipts/(disbursements)	<u>(591,509)</u>	<u>-</u>	<u>(591,509)</u>
Income/(loss) before operating transfers	(831)	(847)	(1,678)
Transfers in	505,000	-	505,000
Transfers out	<u>(490,000)</u>	<u>-</u>	<u>(490,000)</u>
Net income/(loss)	14,169	(847)	13,322
Fund cash balances, January 1, 2018	<u>3,114,243</u>	<u>3,589</u>	<u>3,117,832</u>
Fund cash balances, December 31, 2018	<u>\$ 3,128,412</u>	<u>\$ 2,742</u>	<u>\$ 3,131,154</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

Village of Mt. Gilead, Ohio
Morrow County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 1 - Reporting Entity

The Village of Mt. Gilead (the Village), Morrow County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. 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, 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 Fund The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

Fire Fund This fund receives property tax proceeds and charges for services. The fund is 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 Fund This fund accounts for all significant capital outlay transactions relating to Village improvement projects. This fund receives revenue primarily from income taxes and transfers.

Police Equipment Reserve Fund This fund accounts for all significant capital outlay transactions related to police equipment. This fund receives revenue primarily from transfers.

Village of Mt. Gilead, Ohio
Morrow County
Notes to the Financial Statements
For the Year Ended December 31, 2018

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 report fiduciary activity that is not required to be reported in a trust fund. The Village's agency fund account for 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 Village 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.

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

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

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 2018 budgetary activity appears in Note 3.

Village of Mt. Gilead, Ohio
Morrow County
Notes to the Financial Statements
For the Year Ended December 31, 2018

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 at cost. Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

Capital Assets

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

Accumulated Leave

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

Fund Balance

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

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

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

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

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, 2018

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 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,265,500	\$1,358,035	\$92,535
Special Revenue	932,701	985,959	52,858
Capital Projects	95,500	108,832	13,332
Enterprise	2,828,528	2,512,433	(316,095)
Total	\$5,122,229	\$4,965,259	(\$157,370)

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,262,926	\$1,146,563	\$116,363
Special Revenue	1,091,856	926,610	165,246
Capital Projects	131,672	118,053	13,619
Enterprise	3,310,082	2,565,941	744,141
Total	\$5,796,536	\$4,757,167	\$1,039,369

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund in accordance with GASB 54. This includes the Village Income Tax Fund and the Peace Officer Training Fund.

Village of Mt. Gilead, Ohio
Morrow County
Notes to the Financial Statements
For the Year Ended December 31, 2018

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:

	2018
Demand deposits	\$2,250,297
Petty Cash	\$400
STAR Ohio Plus	1,035,241
Certificates of deposit	2,072,942
Total deposits	5,358,880
STAR Ohio	512,722
Negotiable Certificates of Deposit	990,694
Total investments	1,503,416
Total deposits and investments	\$6,862,296

Deposits

Deposits are insured by the Federal Deposit 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 exemption credits 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.

Village of Mt. Gilead, Ohio
Morrow County
Notes to the Financial Statements
For the Year Ended December 31, 2018

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

Workers' Compensation

Workers' Compensation coverage is provided by the State of Ohio. The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

Risk Pool Membership

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, 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.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Effective November 1, 2018, the OPRM the property retention remained unchanged, however, the Plan assumed 100% of the first \$250,000 casualty treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 774 members as of December 31, 2018.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2018.

Assets	\$15,065,412
Liabilities	<u>(10,734,623)</u>
Members' Equity	<u>\$ 4,330,789</u>

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

Village of Mt. Gilead, Ohio
Morrow County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Certain 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, 2018.

Ohio Police and Fire Retirement System

Certain 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.

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, 2018.

Social Security

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

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2018.

Note 8 - Postemployment Benefits

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

Village of Mt. Gilead, Ohio
Morrow County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 9 - Debt

Debt outstanding at December 31, 2018 was as follows:

	Principal	Interest Rate
OWDA Sanitary Sewer Improvements - 5497	\$52,013	1%
OWDA Sanitary Sewer Improvements, Phase I - 5403	\$51,805	1%
OWDA WWTP - 4441	3,178,695	0.23
Total	\$3,282,513	

The Ohio Water Development Authority (OWDA) loan (5497) relates to a sewer project. The OWDA approved \$80,247 in loans to the Village for this project. The Village will repay the loans in semiannual installments of \$2,218, including interest, over 20 years. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Water Development Authority (OWDA) loan (5403) relates to a sewer project. The OWDA approved \$79,925 in loans to the Village for this project. The Village will repay the loans in semiannual installments of \$2,210, including interest, over 20 years. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Water Development Authority (OWDA) loan (4441) 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.

Amortization

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

Year Ending December 31:	OWDA WWTP	Sanitary Sewer Improvements	Sanitary Sewer Improvements Phase I
2019	\$357,059	\$4,437	\$4,419
2020	357,059	4,437	4,419
2021	357,059	4,437	4,419
2022	357,059	4,437	4,419
2023	357,059	4,437	4,419
2024-2028	1,428,238	22,185	22,096
2029-2031	0	11,092	11,048
Total	\$3,213,533	\$55,462	\$55,239

Village of Mt. Gilead, Ohio
Morrow County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 10 - Compliance

- A. The Village had appropriations in excess of estimated resources, in noncompliance with Ohio Revised Code Sections 5705.39 and 5705.36.
- B. The Village had appropriations that were greater than actual resources, in noncompliance with Ohio Revised Code 5705.36(A)(4).

Note 11 - Miscellaneous Receipts

Capital projects fund type receipts consist primarily of cellphone tower rental and a reimbursement for an antenna added to the cell phone tower.

Note 12 - Transfers

The Village recorded transfers out of the Street Maintenance & Repair Fund (a special revenue fund), the Garbage Refuse Fund (a enterprise fund), the Water Operating Fund (a enterprise fund), and the Sewer Operating Fund (a enterprise fund) to the Street Equipment Reserve Fund (a capital project fund), the Trash Equipment Reserve Fund (a enterprise fund), the Water Capital Improvement (a enterprise fund), and the Sewer Capital Improvement Fund (a enterprise fund), respectively. All transfers were for the purpose of future capital purchases.

Note 13 – Prior Period Restatement

During the year ended December 31, 2018, it was determined that the Village’s Income Tax and Peace Officer Training funds are to be reported in the General Fund and not the Special Revenue Fund per GASB 54. The determination had the following effect on financial statement fund balances at January 1, 2018:

	General	Special Revenue
<u>Fund cash balance</u>		
December 31, 2017	\$ 2,672,726	\$ 466,952
Income Tax Fund	\$ 22,300	\$ (22,300)
Peace Officer Training Fund	640	(640)
January 1, 2018, restated	\$ 2,695,666	\$ 444,012

**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 Members of Council and Mayor:

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 years ended December 31, 2019 and 2018, and the related notes to the financial statements and have issued our report thereon dated August 12, 2020, 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. In addition, as discussed in Note 13 to the financial statements for the year ended December 31, 2018, a prior period restatement was required to reclassify fund balances. Furthermore, as discussed in Note 10 to the financial statements for the year ended December 31, 2019, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods.

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 certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider material weaknesses. We consider findings 2019-001 through 2019-004 to be material weaknesses.

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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings and responses as items 2019-001, 2019-002 and 2019-004.

Village of Mt. Gilead's Responses to Findings

The Village of Mt. Gilead's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not subject the Village of Mt. Gilead's responses to the auditing procedures applied in the audit of the financial statements 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.
August 12, 2020

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

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

FINDINGS RELATED TO THE FINANCIAL STATEMENT REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2019-001

Material Weakness/Noncompliance

Ohio Revised Code Section 5705.39 in part requires that total appropriations from each fund should not exceed total estimated resources.

The Village had appropriations in excess of estimated resources for the year ending December 31, 2018 in the following fund:

<u>Fund Type/Fund</u>	<u>Resources</u>	<u>Appropriations</u>	<u>Excess</u>
<u>Special Revenue Fund:</u>			
Street Construction, Maint. & Repair Fund	\$ 396,385	\$ 454,145	\$ 57,760

With appropriations exceeding estimated resources, the Village is appropriating monies that are not in the Treasury or in the process of collection that have been certified with the County Auditor. Thus, over appropriating may cause expenditures to increase and cause a deficit fund balance.

We recommend the Village comply with the Ohio Revised Code by monitoring appropriations so they do not exceed estimated resources. This may be achieved by monitoring the budget more closely on a continual basis and amending estimated resources or appropriations as necessary.

Client Response: The Village will continue to attempt to modify appropriations and amended certificates in an efficient and accurate manner.

Finding Number	2019-002
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Material Weakness/Noncompliance

Ohio Revised Code Section 5705.36, in part, requires Fiscal Officers to certify to the County Auditor the total amount from all sources which are available for expenditures from each fund in the tax budget along with any unencumbered balances that existed at the end of the preceding year. Furthermore, it requires subdivisions to request increased or reduced amended certificates of estimated resources upon determination by the fiscal officer that revenue to be collected be greater or less than the amount in the last certified amended certificate.

The Village did not request enough amended certificates throughout the year ended December 31, 2018, upon notice of increased or decreased resources.

By not amending its certificate of estimated resources to the County Auditor, the Village is basing appropriation and expenditure decisions on outdated information.

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

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

FINDINGS RELATED TO THE FINANCIAL STATEMENT REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2019-002 - (Continued)

We recommend the Village consult the Ohio Compliance Supplement, the Village’s Manual and its auditors to ensure that Village the Village certify its available sources at year end and file amended certificates as necessary throughout the year. This will facilitate the Village’s appropriation process.

Client Response: The Village is attempting to monitor the budget more closely.

Finding Number	2019-003
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Material Weakness - Financial Statement Presentation

Management is responsible for preparing complete and accurate financial statements in accordance with the applicable financial reporting framework. Control and monitoring activities typically associated with the period-end financial reporting process include reviewing and approving manual journal entries, consolidating entries, and any entries that are recorded directly to the financial statements. For the Village, this could also include reviewing the year-end UAN reports to ensure activity is reported in the correct line items, all on-behalf activity is included, and fund balances are properly classified.

Numerous adjustments were made to the financial statements and notes to the financial statements for the years ended December 31, 2019 and 2018 to properly state financial statement amounts.

The financial statements and notes have been adjusted to properly report the activity.

A lack of proper policies and procedures for control and monitoring activities associated with the period-end financial reporting process could lead to financial statement and note disclosure adjustments, which if uncorrected, could lead to a misrepresentation of the Village’s activity.

We recommend the Village design and implement additional procedures to facilitate more accurate and detailed financial reporting. The Village should consider having an outside third-party, or Council member with financial experience, review the financial report prior to filing in the Hinkle System. Further, the Village should reach out to its auditor throughout the year if questions arise on how to properly account for receipts or disbursements.

Client Response: The Village will closely monitor all transactions to ensure accurate financial reporting in the future.

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

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

FINDINGS RELATED TO THE FINANCIAL STATEMENT REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2019-004

Material Weakness/Noncompliance

Ohio Revised Code Section 5705.36 (A)(4) states that upon a determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be less than the amount included in an official certificate and that the amount of the deficiency will reduce available resources below the level of current appropriations, the fiscal officer shall certify the amount of the deficiency to the commission, and the commission shall certify an amended certificate reflecting the deficiency.

The Village had appropriations that were greater than actual resources for the year ending December 31, 2018 in the following fund:

<u>Fund Type/Fund</u>	<u>Resources</u>	<u>Appropriations</u>	<u>Excess</u>
<u>Special Revenue Fund:</u>			
Street Construction, Maint. & Repair	\$ 375,686	\$ 454,145	\$ 78,459

By appropriating more funds than actual resources, the Village is at risk of spending more money than available; this may result in negative fund balances.

We recommend the Village monitor appropriations in comparison to actual resources and obtain decreased amended appropriations as needed. Further guidance may be found in Auditor of State bulletin 97-010.

Client Response: The Village will monitor appropriations and amend when necessary.

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

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

Finding Number	Year Initially Occurred	Finding Summary	Status	Additional Information
2017-001	2016	<u>Material Weakness - Financial Statement Presentation</u> - The Village had adjustments to its financial statements and notes.	Not Corrected	Finding repeated as 2019-003
2017-002	2017	<u>Noncompliance/Material Weakness - Ohio Revised Code Section 5705.41(B)</u> requires the Village issue purchase orders prior to purchases. The Village did not properly certify 36% of disbursements.	Corrected	N/A

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OHIO AUDITOR OF STATE KEITH FABER



VILLAGE OF MOUNT GILEAD

MORROW COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 12/1/2020

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

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