

VILLAGE OF GNADENHUTTEN
AUDIT REPORT
JANUARY 1, 2018 - DECEMBER 31, 2019

Wilson, Phillips & Agin, CPA's, Inc.
1100 Brandywine Blvd. Building G
Zanesville, Ohio 43701

OHIO AUDITOR OF STATE
KEITH FABER



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Village Council
Village of Gnadenhutzen
P.O. Box 129
Gnadenhutzen, Ohio 44629

We have reviewed the *Independent Auditors' Report* of the Village of Gnadenhutzen, Tuscarawas County, prepared by Wilson, Phillips & Agin, CPA's, 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 Gnadenhutzen is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

July 8, 2020

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**VILLAGE OF GNADENHUTTEN
TUSCARAWAS COUNTY
JANUARY 1, 2018 - DECEMBER 31, 2019**

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**WILSON, PHILLIPS & AGIN, CPA'S, INC.
1100 BRANDYWINE BLVD. BUILDING G
ZANESVILLE, OHIO 43701**

INDEPENDENT AUDITORS' REPORT

Village of Gnadenhutten
Tuscarawas County
P.O. Box 129
Gnadenhutten, Ohio 44629

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 Gnadenhutten, Tuscarawas County, 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 provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

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

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

Although the effects on the financial statements of the variances between the regulatory basis of accounting and GAAP are not reasonably determinable, are presumed to be material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis permitted 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 Gnadenhutzen as of December 31, 2019 and 2018, or 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 the related notes of Village of Gnadenhutzen, Tuscarawas 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 discussed in Note 13 to the 2019 financial statements, during 2020, the impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Village. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated May 6, 2020, on our consideration of the Village of Gnadenhutzen's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

Wilson, Phillips & Agin, CPA's, Inc.
Zanesville, Ohio
May 6, 2020

**VILLAGE OF GNADENHUTTEN
TUSCARAWAS COUNTY**

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

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash Receipts:				
Property and Other Taxes	\$ 102,172	\$ 15,333	\$ -	\$ 117,505
Municipal Income Tax	-	438,756	-	438,756
Intergovernmental	42,191	80,513	-	122,704
Charges for Services	95,950	-	-	95,950
Fines, Licenses, Permits	150	981	-	1,131
Earnings on Investments	9,583	-	-	9,583
Miscellaneous	28,811	414	-	29,225
Total Cash Receipts	<u>278,857</u>	<u>535,997</u>	<u>-</u>	<u>814,854</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	55,417	89,776	-	145,193
Public Health	14,247	-	-	14,247
Leisure Time Activities	17,041	-	-	17,041
Community Environment	1,385	-	-	1,385
Basic Utility Services	278,989	-	-	278,989
Transportation	108,183	83,669	-	191,852
General Government	55,419	64,039	-	119,458
Debt Service:				
Principal Retirement	-	13,000	-	13,000
Capital Outlay	-	-	114,903	114,903
Total Cash Disbursements	<u>530,681</u>	<u>250,484</u>	<u>114,903</u>	<u>896,068</u>
Excess of Receipts Over (Under) Disbursements	(251,824)	285,513	(114,903)	(81,214)
Other Financing Receipts (Disbursements)				
Sale of Capital Assets	6,071	-	-	6,071
Debt Proceeds	-	-	84,542	84,542
Transfers - In	208,666	124,667	49,867	383,200
Transfers - Out	(9,200)	(374,000)	-	(383,200)
Other Financing Sources	605	-	-	605
Total Other Financing Receipts (Disbursements)	<u>206,142</u>	<u>(249,333)</u>	<u>134,409</u>	<u>91,218</u>
Net Change in Fund Cash Balance	(45,682)	36,180	19,506	10,004
Fund Cash Balances, January 1	<u>269,666</u>	<u>133,956</u>	<u>13,281</u>	<u>416,903</u>
Fund Cash Balances, December 31				
Restricted	-	170,136	32,787	202,923
Unassigned (Deficit)	223,984	-	-	223,984
Fund Cash Balances, December 31	<u>\$ 223,984</u>	<u>\$ 170,136</u>	<u>\$ 32,787</u>	<u>\$ 426,907</u>

See notes to financial statements.

**VILLAGE OF GNADENHUTTEN
TUSCARAWAS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Enterprise
Operating Cash Receipts:	
Charges for Services	\$ 627,514
Miscellaneous	9,870
Total Operating Cash Receipts:	637,384
Operating Cash Disbursements:	
Personal Services	65,750
Fringe Benefits	32,210
Contractual Services	227,756
Supplies and Materials	70,620
Other	494
Total Operating Cash Disbursements	396,830
Operating Income	240,554
Non-Operating Receipts/(Disbursements)	
Principal Retirement	(214,874)
Interest and Other Fiscal Charges	(2,282)
Total Non-Operating Receipts/(Disbursements)	(217,156)
Net Change in Fund Cash Balance	23,398
Fund Cash Balances, January 1	529,748
Fund Cash Balances, December 31	\$ 553,146

See notes to financial statements.

**VILLAGE OF GNADENHUTTEN
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019**

1. REPORTING ENTITY

Description of the Entity

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

The Village participates in three jointly governed organizations and a public entity risk pool. Notes 7 and 12 to the financial statements provides additional information for these entities.

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

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 balance (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balance (regulatory cash basis) for all proprietary 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:

Governmental Funds

General Fund

The General fund is the operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds

These funds are used to account for proceeds from specific sources that are restricted or committed to expenditures for specific purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

Street Construction, Maintenance and Repair Fund - This fund receives gasoline tax and motor vehicle license tax money for constructing, maintaining, and repairing Village streets.

Police Fund – This fund receives income tax money for providing police services.

Fire Fund – This fund receives property tax money to pay for providing fire protection and emergency medical services.

**VILLAGE OF GNADENHUTTEN
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Projects Funds

These funds account for and report financial resources that are restricted, committed or assigned receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust fund 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 receives income tax money for capital projects.

Other Capital Projects Fund – This fund receives loan proceeds WWTP Upgrade project.

Enterprise Funds

These funds account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered 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.

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 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 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. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

**VILLAGE OF GNADENHUTTEN
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimated Resources

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

Encumbrances

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

A summary of 2019 budgetary activity appears in Note 3.

Deposits and Investments

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

Property, Plant, and Equipment

Acquisition of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

Accumulated Leave

In certain circumstances, such as 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* via formal action (resolution). The Village must adhere to these commitments unless council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

**VILLAGE OF GNADENHUTTEN
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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 ordinance, or by State Statute.

Unassigned – Unassigned fund balance is the residual classification for the general fund and includes amounts not contained 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 (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 classification could be used.

3. BUDGETARY ACTIVITY

Budgetary activity for the year ended December 31, 2019 is as follows:

2019 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 367,800	\$ 494,199	\$ 126,399
Special Revenue	490,000	660,664	170,664
Capital Projects	80,000	134,409	54,409
Enterprise	610,000	637,384	27,384
Total	\$ 1,547,800	\$ 1,926,656	\$ 378,856

2019 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 500,000	\$ 539,881	\$ (39,881)
Special Revenue	545,400	624,484	(79,084)
Capital Projects	93,000	114,903	(21,903)
Enterprise	817,000	613,986	203,014
Total	\$ 1,955,400	\$ 1,893,254	\$ 62,146

Contrary to ORC 5705.41(D), the Village made expenditures without prior certification.

Contrary to ORC 5705.41(B), the Village had funds where expenditures exceeded appropriations.

**VILLAGE OF GNADENHUTTEN
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019**

4. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2019
Demand Deposits	\$ 808,361
Certificate of Deposit	171,692
Total Deposits	<u>\$ 980,053</u>

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by the financial institutions public entity deposit pool.

5. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted 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 make semiannual payment, the first half is due by 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.

6. LOCAL INCOME TAX

The Village levies a municipal income tax of 1.5 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

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

Of the 1.5 percent income tax that the village collects, 80 percent of the first one percent is designated to support general Village operations and 20 percent is designated to support the Village police department.

**VILLAGE OF GNADENHUTTEN
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019**

7. RISK MANAGEMENT

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

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

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

	<u>2018</u>
Cash and investments	\$35,381,789
Actuarial liabilities	\$12,965,015

8. DEFINED BENEFIT PENSION PLAN

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. For 2019, OPERS members contributed 10.0% of their gross wages and the Village contributed an amount equal to 14.0% of participant's gross salaries. The Village has paid all contributions required through December 31, 2019.

Ohio Police and Fire Retirement

The 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, in 2019, contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.50% of full-time police officer's wages. The Village contributed to OP&F an amount equal to 24.0% of certified fire fighter wages. The Village has paid all contributions required through December 31, 2019.

**VILLAGE OF GNADENHUTTEN
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019**

8. DEFINED BENEFIT PENSION PLAN (Continued)

Social Security

Several Village 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.

9. POSTEMPLOYMENT BENEFITS

Both OPERS and OP&F offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for 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.

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

10. DEBT

Debt outstanding at December 31, 2019 was as follows:

	2019 Principal	%
Ohio Public Works Commission Loan CN27T	\$ 19,000	0.00
Ohio Water Development Authority Loan #3185	33,487	6.13
Ohio Water Development Authority Loan #4159	965,754	0.00
Ohio Water Development Authority Loan #7338	377,427	0.00
Total	\$ 1,395,668	

The Ohio Water Development Authority (OWDA) loan #3185 was awarded for a waterline replacement project. The loan is repaid semi-annually from the Waterline Replacement Debt Service Fund. The loan is collateralized by user fees.

The Ohio Water Development Authority (OWDA) loan #4159 was awarded for a WWTP Improvement project. The loan is repaid semi-annually from the Sewer Upgrade Debt Service Fund. The loan is collateralized by the user fees.

The Ohio Water Development Authority (OWDA) loan #7338 was awarded for Preliminary Treatment Upgrade Planning and Design. The amount approved was \$481,680 and the Village has drawn \$449,679 as of December 31, 2019. There is no amortization schedule established for this loan. It will be repaid from the Sewer Upgrade Debt Service Fund.

**VILLAGE OF GNADENHUTTEN
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019**

10. DEBT (Continued)

The Ohio Public Works Commission loan CN27T was obtained to complete a street paving project. This loan is repaid semi-annually from the Street Fund. The Village’s taxing authority collateralizes the loan.

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

Year Ending December 31	OWDA #3185	OWDA #4159	OPWC #CN27T
2020	\$ 6,576	\$ 175,592	\$ 2,500
2021	6,691	175,592	2,500
2022	6,812	175,592	2,500
2023	6,941	175,592	2,500
2024	7,078	175,592	2,500
2025-2029	3,593	87,794	6,500
	<u>\$ 37,691</u>	<u>\$ 965,754</u>	<u>\$ 19,000</u>

11. PUBLIC ENTITY RISK POOL

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims exceeding the member’s deductible.

12. JOINTLY GOVERNED ORGANIZATION

Gnadenhutten-Clay Union Cemetery

The cemetery is a jointly governed organization under Ohio Revised Code Section 729.27, and is directed by an appointed three-member board. The Village of Gnadenhutten and Clay Township each appoint one member to the board. The third member is a citizen appointed by the other two members. The Village funding provides burial services and operations and maintenance of the cemetery. The cemetery reimburses the Village for funding provided. At December 31, 2019, the Cemetery was paid in full.

Community Improvement Corporation of Tuscarawas County

The Corporation is operated by Tuscarawas County, New Philadelphia, Dover, Uhrichsville, Dennison, Strasburg, Sugar Creek, and Gnadenhutten. It is controlled by 25 trustees consisting of the three county commissioners, the mayor of each participating city and 15 self-elected trustees. The board exercises total control over the operations of the corporation including budgeting, appropriating, contracting and designating management. Each participant’s degree of control is limited to representation on the board. During 2019, no monies were paid to the Corporation by the Village.

**VILLAGE OF GNADENHUTTEN
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019**

12. JOINTLY GOVERNED ORGANIZATION

Tuscarawas County Regional Planning Commission (the Commission)

The Commission is a statutorily created political subdivision of the State. The Commission is jointly governed among Tuscarawas County municipalities and townships. Each member's control over the operation of the Commission is limited to its representation on the board. The Commission makes studies, maps, plans, recommendation and reports concerning the physical, Environmental, social, economical and governmental characteristics, functions and services of the County. In 2019, \$206 was paid to the Commission by the Village for each year.

13. SUBSEQUENT EVENTS

The United State 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 will impact subsequent periods of the Village. The impact on the Village's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

**VILLAGE OF GNADENHUTTEN
TUSCARAWAS COUNTY**

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

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash Receipts:				
Property and Other Taxes	\$ 102,828	\$ 32,716	\$ -	\$ 135,544
Municipal Income Tax	-	342,362	-	342,362
Intergovernmental	41,638	70,212	-	111,850
Charges for Services	66,325	-	-	66,325
Fines, Licenses, Permits	200	1,634	-	1,834
Earnings on Investments	6,910	-	-	6,910
Miscellaneous	21,604	16,213	-	37,817
Total Cash Receipts	239,505	463,137	-	702,642
Cash Disbursements:				
Current:				
Security of Persons and Property	46,529	106,671	-	153,200
Public Health	14,942	-	-	14,942
Leisure Time Activities	9,900	-	-	9,900
Community Environment	1,478	-	-	1,478
Basic Utility Services	170,788	-	-	170,788
Transportation	25,734	78,423	-	104,157
General Government	63,741	18,833	-	82,574
Debt Service:				
Principal Retirement	-	6,750	-	6,750
Capital Outlay	-	-	209,605	209,605
Total Cash Disbursements	333,112	210,677	209,605	753,394
Excess of Receipts Over (Under) Disbursements	(93,607)	252,460	(209,605)	(50,752)
Other Financing Receipts (Disbursements)				
Sale of Capital Assets	467	-	-	467
Debt Proceeds	-	-	137,029	137,029
Transfers - In	172,268	107,666	55,109	335,043
Transfers - Out	-	(323,001)	-	(323,001)
Other Financing Sources	372	-	-	372
Total Other Financing Receipts (Disbursements)	173,107	(215,335)	192,138	149,910
Net Change in Fund Cash Balance	79,500	37,125	(17,467)	99,158
Fund Cash Balances, January 1	190,166	96,831	30,748	317,745
Fund Cash Balances, December 31				
Restricted	-	133,956	13,281	147,237
Unassigned (Deficit)	269,666	-	-	269,666
Fund Cash Balances, December 31	\$ 269,666	\$ 133,956	\$ 13,281	\$ 416,903

See notes to financial statements.

**VILLAGE OF GNADENHUTTEN
TUSCARAWAS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Enterprise
Operating Cash Receipts:	
Charges for Services	\$ 636,041
Miscellaneous	3,384
Total Operating Cash Receipts:	639,425
Operating Cash Disbursements:	
Personal Services	70,923
Fringe Benefits	30,020
Contractual Services	149,637
Supplies and Materials	91,512
Other	300
Total Operating Cash Disbursements	342,392
Operating Income	297,033
Non-Operating Receipts/(Disbursements)	
Principal Retirement	(214,582)
Interest and Other Fiscal Charges	(3,057)
Total Non-Operating Receipts/(Disbursements)	(217,639)
Income (Loss) before Capital Contributions, Special Items, Extraordinary Item, Transfers and Advances	79,394
Transfers Out	(12,042)
Net Change in Fund Cash Balance	67,352
Fund Cash Balances, January 1	462,396
Fund Cash Balances, December 31	\$ 529,748

See notes to financial statements.

**VILLAGE OF GNADENHUTTEN
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018**

1. REPORTING ENTITY

Description of the Entity

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

The Village participates in three jointly governed organizations and a public entity risk pool. Notes 7 and 12 to the financial statements provides additional information for these entities.

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

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 balance (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balance (regulatory cash basis) for all proprietary 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:

Governmental Funds

General Fund

The General fund is the operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds

These funds are used to account for proceeds from specific sources that are restricted or committed to expenditures for specific purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

Street Construction, Maintenance and Repair Fund - This fund receives gasoline tax and motor vehicle license tax money for constructing, maintaining, and repairing Village streets.

Police Fund – This fund receives income tax money for providing police services.

Fire Fund – This fund receives property tax money to pay for providing fire protection and emergency medical services.

**VILLAGE OF GNADENHUTTEN
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Projects Funds

These funds account for and report financial resources that are restricted, committed or assigned receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust fund 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 receives income tax money for capital projects.

Other Capital Projects Fund – This fund receives loan proceeds WWTP Upgrade project.

Enterprise Funds

These funds account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered 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.

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 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 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. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

**VILLAGE OF GNADENHUTTEN
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimated Resources

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

Encumbrances

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

A summary of 2018 budgetary activity appears in Note 3.

Deposits and Investments

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

Property, Plant, and Equipment

Acquisition of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

Accumulated Leave

In certain circumstances, such as 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* via formal action (resolution). The Village must adhere to these commitments unless council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

**VILLAGE OF GNADENHUTTEN
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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 ordinance, or by State Statute.

Unassigned – Unassigned fund balance is the residual classification for the general fund and includes amounts not contained 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 (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 classification could be used.

3. BUDGETARY ACTIVITY

Budgetary activity for the year ended December 31, 2018 is as follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 213,000	\$ 412,612	\$ 199,612
Special Revenue	426,000	570,803	144,803
Capital Projects	180,000	192,138	12,138
Enterprise	365,397	639,425	274,028
Total	<u>\$ 1,184,397</u>	<u>\$ 1,814,978</u>	<u>\$ 630,581</u>

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 403,000	\$ 333,112	\$ 69,888
Special Revenue	457,454	533,678	(76,224)
Capital Projects	200,000	209,605	(9,605)
Enterprise	723,577	572,073	151,504
Total	<u>\$ 1,784,031</u>	<u>\$ 1,648,468</u>	<u>\$ 135,563</u>

Contrary to ORC 5705.41(D), the Village made expenditures without prior certification.

Contrary to ORC 5705.41(B), the Village had funds where expenditures exceeded appropriations.

**VILLAGE OF GNADENHUTTEN
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018**

4. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2018
Demand Deposits	\$ 777,785
Certificate of Deposit	168,866
Total Deposits	<u>\$ 946,651</u>

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by the financial institutions public entity deposit pool.

5. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted 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 make semiannual payment, the first half is due by 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.

6. LOCAL INCOME TAX

The Village levies a municipal income tax of 1.5 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

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

Of the 1.5 percent income tax that the village collects, 80 percent of the first one percent is designated to support general Village operations and 20 percent is designated to support the Village police department.

**VILLAGE OF GNADENHUTTEN
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018**

7. RISK MANAGEMENT

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

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

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

	<u>2018</u>
Cash and investments	\$35,381,789
Actuarial liabilities	\$12,965,015

8. DEFINED BENEFIT PENSION PLAN

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. For 2018, OPERS members contributed 10.0% of their gross wages and the Village contributed an amount equal to 14.0% of participant's gross salaries. The Village has paid all contributions required through December 31, 2018.

Ohio Police and Fire Retirement

The 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, in 2018, contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.50% of full-time police officer's wages. The Village contributed to OP&F an amount equal to 24.0% of certified fire fighter wages. The Village has paid all contributions required through December 31, 2018.

**VILLAGE OF GNADENHUTTEN
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018**

8. DEFINED BENEFIT PENSION PLAN (Continued)

Social Security

Several Village 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.

9. POSTEMPLOYMENT BENEFITS

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent of the employer contribution to fund these benefits and OP&F contributes 0.5 percent to fund these benefits.

10. DEBT

Debt outstanding at December 31, 2018 was as follows:

	2018 Principal	%
Ohio Public Works Commission Loan CN27T	\$ 32,000	0.00
Ohio Public Works Commission Loan CN16C	10,218	0.00
Ohio Water Development Authority Loan #3185	38,467	6.13
Ohio Water Development Authority Loan #4159	1,141,346	0.00
Ohio Water Development Authority Loan #7338	316,969	0.00
Total	\$ 1,539,000	

The Ohio Water Development Authority (OWDA) loan #3185 was awarded for a waterline replacement project. The loan is repaid semi-annually from the Waterline Replacement Debt Service Fund. The loan is collateralized by user fees.

The Ohio Water Development Authority (OWDA) loan #4159 was awarded for a WWTP Improvement project. The loan is repaid semi-annually from the Sewer Upgrade Debt Service Fund. The loan is collateralized by the user fees.

The Ohio Water Development Authority (OWDA) loan #7338 was awarded for Preliminary Treatment Upgrade Planning and Design. The amount approved was \$481,680 and the Village has drawn \$365,137 as of December 31, 2018. There is no amortization schedule established for this loan. It will be repaid from the Sewer Upgrade Debt Service Fund.

The Ohio Public Works Commission loan CN16C was obtained to complete a waterline project. This loan is repaid semi-annually from the Waterline Replacement Debt Service Fund. The loan is collateralized by user fees.

The Ohio Public Works Commission loan CN27T was obtained to complete a street paving project. This loan is repaid semi-annually from the Street Fund. The Village's taxing authority collateralizes the loan.

**VILLAGE OF GNADENHUTTEN
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018**

10. DEBT (Continued)

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

Year Ending December 31	OWDA #3185	OWDA #4159	OPWC #CN16C	OPWC #CN27T
2019	\$ 6,468	\$ 175,592	\$ 10,218	\$ 2,500
2020	6,576	175,592	-	2,500
2021	6,691	175,592	-	2,500
2022	6,812	175,592	-	2,500
2023	6,941	175,592	-	2,500
2024-2028	10,671	263,386	-	12,500
2029-2033	-	-	-	7,000
	<u>\$ 44,159</u>	<u>\$1,141,346</u>	<u>\$ 10,218</u>	<u>\$ 32,000</u>

11. PUBLIC ENTITY RISK POOL

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims exceeding the member's deductible.

12. JOINTLY GOVERNED ORGANIZATION

Gnadenhutten-Clay Union Cemetery

The cemetery is a jointly governed organization under Ohio Revised Code Section 729.27, and is directed by an appointed three-member board. The Village of Gnadenhutten and Clay Township each appoint one member to the board. The third member is a citizen appointed by the other two members. The Village funding provides burial services and operations and maintenance of the cemetery. The cemetery reimburses the Village for funding provided. At December 31, 2018, the Cemetery was paid in full.

Community Improvement Corporation of Tuscarawas County

The Corporation is operated by Tuscarawas County, New Philadelphia, Dover, Uhrichsville, Dennison, Strasburg, Sugar Creek, and Gnadenhutten. It is controlled by 25 trustees consisting of the three county commissioners, the mayor of each participating city and 15 self-elected trustees. The board exercises total control over the operations of the corporation including budgeting, appropriating, contracting and designating management. Each participant's degree of control is limited to representation on the board. During 2018, no monies were paid to the Corporation by the Village.

Tuscarawas County Regional Planning Commission (the Commission)

The Commission is a statutorily created political subdivision of the State. The Commission is jointly governed among Tuscarawas County municipalities and townships. Each member's control over the operation of the Commission is limited to its representation on the board. The Commission makes studies, maps, plans, recommendation and reports concerning the physical, Environmental, social, economical and governmental characteristics, functions and services of the County. In 2018, \$206 was paid to the Commission by the Village for each year.

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**WILSON, PHILLIPS & AGIN, CPA'S, INC.
1100 BRANDYWINE BLVD. BUILDING G
ZANESVILLE, OHIO 43701**

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

Village of Gnadenhutten
Tuscarawas County
P.O. Box 129
Gnadenhutten, Ohio 44629

To the Village Council:

We have audited, in accordance with auditing standards general accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Village of Gnadenhutten, Tuscarawas County 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 May 6, 2020, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider to be material weaknesses. We consider finding 2019-002 and 2019-003 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Village of Gnadenhutten'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 was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed two instances of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as items 2019-001 and 2019-003.

Purpose of this Report

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

Wilson, Phillips & Agin, CPA's, Inc.
Zanesville, Ohio
May 6, 2020

**VILLAGE OF GNADENHUTTEN
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2019 AND 2018.6**

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

FINDING NUMBER 2019-001

Noncompliance – Certification of Funds

Ohio Revised Code Section 5705.41(D) prohibits a subdivision or taxing authority from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a fiscal officer’s certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: “then and now” certificates, blanket certificates and super blanket certificates, which are provided for in Sections 5705.41(D) (1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

- If the fiscal officer can certify that both at the time that the contract or order was made (“then”) and at the time that the fiscal officer is completing the certification (“now”), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village has 30 days from the receipt of the “then and now” certificate to approve payment by ordinance or resolution. Amounts less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the “then and now” certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of the expenditures by the Village.
- Blanket Certificates. Fiscal officers may prepare “blanket” certificates if the Village has approved their use and established maximum amounts.
- Super Blanket Certificates. The Village may also make expenditures and contracts for any amount from a specific line item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonable predictable operation expense. This certification is not to extend beyond the current year. More than one so-called “super blanket” certificate may be outstanding at a particular time for any line item appropriation.

**VILLAGE OF GNADENHUTTEN
TUSCARAWAS COUNTY**

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

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

FINDING NUMBER 2019-001 (Continued)

The Village did not certify the availability of funds prior to the purchase commitment for 23% of expenditures tested for 2017 and 2016. For these item the Village also did not prepare blanket certificates, super blankets certificates or then and now certificates in accordance with the Ohio Revised Code. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

We recommend the Village certify purchases to which Section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification at the time the Village incurs a commitment and only when the requirements of 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase commitments to the proper code, to reduce available appropriations.

Client Response: We have no response from the client.

FINDING 2019-002

Material Weakness – Financial Reporting

All local offices should maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

The Village Officer’s Handbook (Revised March 2019) provides suggested accounts classifications. These accounts classify receipts by fund and source (Taxes or charges for services, for example) and classify disbursements by fund, program (general government, for example) or object (personal services, for example). Using these classifications and the aforementioned accounting records will provide the Village with information required to monitor compliance with the budget, and prepare annual reports in the format required by the Auditor of State.

The Village did not properly post and classify all receipts and expenditures. Errors were made in recording various transactions. Amounts were not always posted to the correct fund and/or line item. The following reclassifications were made.

Reclassifications:

- In 2018, a reclassification was made from Property and Other Taxes to Intergovernmental in the amount of \$6,583 for rollbacks not posted correctly in the General Fund.
- In 2018, a reclassification was made from Extraordinary Item in the amount of 9,321 to Miscellaneous Income in the General File.
- In 2018, a reclassification was made from Miscellaneous Revenue in the amount of \$16,075 to Sale of Capital Assets in the Police Protection Fund.
- In 2018, a reclassification was made from Security of Persons in the amount of \$6,750 to Principal Retirement in the Special Revenue Fund.

**VILLAGE OF GNADENHUTTEN
TUSCARAWAS COUNTY**

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

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

FINDING 2019-002 (Continued)

- In 2018, a reclassification was made from Special Assessments in the amount of \$129,894 to Loan Proceeds in the Capital Projects Fund, In addition we increased Loan Proceeds and Capital Outlay by \$7,135 to show debt issued.
- In 2018, a reclassification was made from Interest and Other Fiscal Charges in the amount of \$204,218 to Principal Retirement in the Enterprise Fund to show principal paid.
- In 2018, a reclassification was made from Contractual Services to Principal Retirement in the amount of \$10,364 and from Contractual Services to Interest and Other Fiscal Charges in the amount of \$3,057 in the Enterprise Fund to show debt paid.
- In 2019, a reclassification was made from Property and Other Taxes to Intergovernmental in the amount of \$6,669 for rollbacks not posted correctly in the General Fund.
- In 2019, a reclassification was made from Extraordinary Item in the amount of \$2,243 to Miscellaneous Income in the General File.
- In 2019, a reclassification was made from Extraordinary Item in the amount of \$5,532 to Sale of Capital Assets in the General Fund.
- In 2019, a reclassification was made from Special Assessments in the amount of \$73,674 to Loan Proceeds in the Capital Projects Fund, In addition we increased Loan Proceeds and Capital Outlay by \$10,868 to show debt issued.
- In 2019, a reclassification was made from Interest and Other Fiscal Charges in the amount of \$214,874 to Principal Retirement in the Enterprise Fund to show principal paid.
- In 2019, a reclassification was made from Interest and Other Fiscal Charges in the Amount of \$56,429 to Contractual Services in the Enterprise Fund to properly show debt.

The reclassifications are reflected in the accompanying financial statements and posted to the accounting records.

We recommend the Village utilize available authoritative resources to appropriately classify and record all receipt and expenditure transactions.

Client Response: We received no response from the client.

**VILLAGE OF GNADENHUTTEN
TUSCARAWAS COUNTY**

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

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

FINDING NUMBER 2019-003

Material Weakness/Noncompliance – Expenditures Exceeding Appropriations

Ohio Revised Code Section 5705.41 (B) states no subdivision or taxing unit is to expend money unless it has been appropriated. The Village had the following funds which had expenditures greater than appropriation authority.

		Appropriation			
Fund	Year	Authority	Expenditures		Variance
General	2019	500,000	539,883		(39,883)
Income Tax	2019	300,000	437,792		(137,792)
Capital Projects	2019	45,000	73,674		(28,764)
Sewer Upgrade	2019	250,000	256,900		(6,900)
Fire Protection	2018	18,000	19,964		(1,964)
Income Tax	2018	250,000	341,834		(91,834)
Capital Projects	2018	50,000	57,201		(7,201)
Sewer Upgrade	2018	150,000	199,676		(49,676)

We recommend Council review expenditures versus appropriation authority throughout the year. Also, Council should not approve expenditures greater than appropriations. This results in the Village spending more money than it appropriated and could cause possible negative fund balances.

Client Response: We have not received a response from the client.

**VILLAGE OF GNADENHUTTEN
TUSCARAWAS COUNTY**

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

Finding Number	Finding Summary	Fully Corrected	Not Corrected, Partially Corrected Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2017-001	Noncompliance ORC 5705.41(D) prior certification not made	No	Not Corrected; Reported as Finding 2019-001
2017-002	Material Weakness Financial Reporting	No	Not Corrected; Reported as Finding 2019-002
2017-003	Noncompliance ORC 5705.39 Appropriations exceeding estimated resources	Yes	Finding No Longer Valid
2017-004	Noncompliance/Material Weakness ORC 5705.41(B) expenditures exceed appropriations	No	Not Corrected; Reported as Finding 2019-003

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OHIO AUDITOR OF STATE KEITH FABER



VILLAGE OF GNADENHUTTEN

TUSCARAWAS 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
JULY 21, 2020**