



**VILLAGE OF GRATIS
PREBLE COUNTY
REGULAR AUDIT
FOR THE YEARS ENDED DECEMBER 31, 2020 - 2019**

313 Second St.
Marietta, OH 45750
740 373 0056

1907 Grand Central Ave.
Vienna, WV 26105
304 422 2203

150 W. Main St., #A
St. Clairsville, OH 43950
740 695 1569

1310 Market St., #300
Wheeling, WV 26003
304 232 1358

749 Wheeling Ave., #300
Cambridge, OH 43725
740 435 3417

www.perrycpas.com

OHIO AUDITOR OF STATE
KEITH FABER



88 East Broad Street
Columbus, Ohio 43215
IPAReport@ohioauditor.gov
(800) 282-0370

Village Council
Village of Gratis
404 Harrison St
Gratis, OH 45330-0574

We have reviewed the *Independent Auditor's Report* of the Village of Gratis, Preble County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2019 through December 31, 2020. 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 Gratis 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

January 05, 2023

This page intentionally left blank.

VILLAGE OF GRATIS
PREBLE COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Regulatory Cash Basis) – All Governmental Fund Types - For the Year Ended December 31, 2020.....	3
Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Regulatory Cash Basis) – Proprietary Fund Type - For the Year Ended December 31, 2020.....	4
Combined Statement of Additions, Deductions and Changes in Fund Balances (Regulatory Cash Basis) – Fiduciary Fund Type - For the Year Ended December 31, 2020.....	5
Notes to the Financial Statements 2020.....	6
Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Regulatory Cash Basis) – All Governmental Fund Types - For the Year Ended December 31, 2019.....	15
Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Regulatory Cash Basis) – All Proprietary and Fiduciary Fund Types - For the Year Ended December 31, 2019.....	16
Notes to the Financial Statements 2019.....	17
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	25
Schedule of Audit Findings	27
Schedule of Prior Audit Findings.....	31

This page intentionally left blank.



313 Second St.
Marietta, OH 45750
740.373.0056

1907 Grand Central Ave.
Vienna, WV 26105
304.422.2203

150 West Main St.
St. Clairsville, OH 43950
740.695.1569

1310 Market Street, Suite 300
Wheeling, WV 26003
304.232.1358

749 Wheeling Ave., Suite 300
Cambridge, OH 43725
740.435.3417

INDEPENDENT AUDITOR'S REPORT

Village of Gratis
Preble County
404 Harrison Street
Gratis, Ohio 45330

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements for each governmental and proprietary fund type and the fiduciary fund type combined total as of and for the year ended December 31, 2020 and for each governmental, proprietary, and fiduciary fund type as of and for the year ended December 31, 2019, and related notes of the Village of Gratis, Preble County, Ohio (the Village).

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Tax - Accounting - Audit - Review - Compilation - Agreed Upon Procedure - Consultation - Bookkeeping - Payroll - Litigation Support - Financial Investigations
Members: American Institute of Certified Public Accountants

• Ohio Society of CPAs • West Virginia Society of CPAs • Association of Certified Fraud Examiners • Association of Certified Anti-Money Laundering Specialists •

RSM US Alliance member firms are separate and independent businesses and legal entities that are responsible for their own acts and omissions, and each are separate and independent from RSM US LLP. RSM US LLP is the U.S. member firm of RSM International, a global network of independent audit, tax, and consulting firms. Members of RSM US Alliance have access to RSM International resources through RSM US LLP but are not member firms of RSM International.

An Independently owned member
RSM US Alliance 

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(C), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village, as of December 31, 2020 and 2019, 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 for each governmental and proprietary fund type and the fiduciary fund type combined total as of and for the year ended December 31, 2020 and for each governmental, proprietary and fiduciary fund type as of and for the year ended December 31, 2019, and related notes of the Village, in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit, described in Note 2.

Emphasis of Matters

As discussed in Note 12 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Village. In addition, as discussed in Note 15, during 2020, the Village adopted a change in accounting principle and removed the fund balance classification from the Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Regulatory Cash Basis) – All Governmental Fund Types. We did not modify our opinions regarding these matters.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2022 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



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

November 21, 2022

**VILLAGE OF GRATIS
PREBLE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2020**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$ 23,157	\$ 29,009	\$ -	\$ 52,166
Municipal Income Tax	100,344	-	-	100,344
Intergovernmental	28,638	157,183	-	185,821
Charges for Services	898	295,878	-	296,776
Fines, Licenses and Permits	18,734	-	-	18,734
Earnings on Investments	594	52	-	646
Miscellaneous	45,853	51,878	-	97,731
<i>Total Cash Receipts</i>	<u>218,218</u>	<u>534,000</u>	<u>-</u>	<u>752,218</u>
Cash Disbursements				
Current:				
Security of Persons and Property	75,361	128,350	-	203,711
Public Health Services	-	266,514	-	266,514
Leisure Time Activities	-	1,550	-	1,550
Basic Utility Services	-	7,984	-	7,984
Transportation	-	30,975	-	30,975
General Government	109,822	765	-	110,587
Debt Service:				
Principal Retirement	-	22,772	-	22,772
Interest and Fiscal Charges	-	3,464	-	3,464
<i>Total Cash Disbursements</i>	<u>185,183</u>	<u>462,374</u>	<u>-</u>	<u>647,557</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>33,035</u>	<u>71,626</u>	<u>-</u>	<u>104,661</u>
Other Financing Receipts (Disbursements)				
Advances In	13,800	13,800	-	27,600
Advances Out	(13,800)	(13,800)	-	(27,600)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net Change in Fund Cash Balances</i>	33,035	71,626	-	104,661
<i>Fund Cash Balances, January 1</i>	<u>13,842</u>	<u>143,084</u>	<u>58</u>	<u>156,984</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$ 46,877</u></u>	<u><u>\$ 214,710</u></u>	<u><u>\$ 58</u></u>	<u><u>\$ 261,645</u></u>

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

**VILLAGE OF GRATIS
PREBLE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>Proprietary Fund Types</u>
	<u>Enterprise</u>
Operating Cash Receipts	
Charges for Services	\$ 397,024
<i>Total Operating Cash Receipts</i>	<u>397,024</u>
Operating Cash Disbursements	
Personal Services	70,510
Employee Fringe Benefits	17,505
Contractual Services	161,793
Supplies and Materials	18,300
Other	45,434
<i>Total Operating Cash Disbursements</i>	<u>313,542</u>
<i>Operating Income (Loss)</i>	<u>83,482</u>
Non-Operating Receipts (Disbursements)	
Other Debt Proceeds	285,951
Miscellaneous Receipts	42,933
Capital Outlay	(219,230)
Principal Retirement	(112,594)
Interest and Other Fiscal Charges	(20,881)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(23,821)</u>
<i>Net Change in Fund Cash Balances</i>	59,661
<i>Fund Cash Balances, January 1</i>	<u>494,825</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 554,486</u>

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

VILLAGE OF GRATIS
PREBLE COUNTY

COMBINED STATEMENT OF ADDITIONS, DEDUCTIONS
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>Other Custodial</u>
Additions	
Fines, Licenses and Permits for Distribution	<u>\$ 12,671</u>
<i>Total Additions</i>	<u>12,671</u>
Deductions	
Distributions to Other Governments	<u>9,355</u>
<i>Total Deductions</i>	<u>9,355</u>
Net Change in Fund Balances	3,316
<i>Fund Cash Balances, January 1</i>	<u>1,806</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$ 5,122</u></u>

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

VILLAGE OF GRATIS
PREBLE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

Note 1 – Reporting Entity

The Village of Gratis (the Village), Preble 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. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, emergency medical services, fire services, and police services.

Public Entity Risk Pool

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

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

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary fund types and a combined statement of additions, deductions and changes in fund balances (regulatory cash basis) all fiduciary fund types which are all 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 sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village has the following significant Special Revenue Funds:

Fire Fund - This fund receives real estate and personal property taxes and contracts with Gratis Township to provide for the protection of area citizens.

EMS Fund - This fund receives real estate and personal property taxes and contracts with Gratis Township and the Village of West Elkton to provide for the protection of area citizens.

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 a Capital Project Fund used to construct a capital improvement.

VILLAGE OF GRATIS
PREBLE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

Fund Accounting (Continued)

Enterprise Funds - These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Funds:

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

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

Water Debt Fund - This fund accounts for the payments of water loans the Village has applied for.

Sewer Debt Fund - This fund accounts for the payments of sewer loans the Village has applied for.

Fiduciary Funds - Fiduciary funds include private purpose trust funds and custodial 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.

Custodial funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's custodial fund accounts for the collection and distribution of Mayor's Court fines and fees.

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(C). 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(C) 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, and object level of control and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

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

VILLAGE OF GRATIS
PREBLE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

Budgetary Process (Continued)

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 2020 budgetary activity appears in Note 4.

Deposits and Investments

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

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 report these items as assets.

Fund Balance

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

Nonspendable – The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact. For regulatory purposes nonspendable fund balance includes unclaimed monies that are required to be held for five years before they may be utilized by the Village and the nonexpendable portion of the corpus in permanent funds.

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. For regulatory purposes, assigned fund balance in the general fund is limited to encumbrances outstanding at year end.

VILLAGE OF GRATIS
PREBLE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

Fund Balance (Continued)

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.

For regulatory purposes, limited disclosure related to fund balance is included in Note 14.

Note 3 – Compliance

Contrary to Ohio law, appropriation authority exceeded estimated resources for the General Fund for the year ended December 31, 2020.

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the EMS and Sewer Funds for the year ended December 31, 2020.

Note 4 – Budgetary Activity

Budgetary activity for the year ending December 31, 2020 follows:

2020 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 141,885	\$ 218,218	\$ 76,333
Special Revenue	419,592	534,000	114,408
Enterprise	344,100	725,908	381,808
Total	\$ 905,577	\$ 1,478,126	\$ 572,549

2020 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 221,849	\$ 185,183	\$ 36,666
Special Revenue	485,899	462,374	23,525
Enterprise	522,439	666,247	(143,808)
Total	\$ 1,230,187	\$ 1,313,804	\$ (83,617)

VILLAGE OF GRATIS
PREBLE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020
(Continued)

Note 5 – Deposits

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

	<u>2020</u>
Demand deposits	\$ 770,420
Other time deposits (savings account)	50,833
Total deposits	<u>\$ 821,253</u>

The Village does not use a separate payroll clearing account. The expenditures included in the accompanying financial statement reflect net payroll plus all remitted payroll withholdings. At December 31, 2020, the Village is holding \$2,354 in unremitted employee payroll withholdings.

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; and collateralized by securities specifically pledged by the financial institution to the Village and collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Note 6 – Taxes

Property Taxes

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

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 one 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.

Note 7 – Risk Management

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

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

VILLAGE OF GRATIS
PREBLE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020
(Continued)

Note 7 – Risk Management (Continued)

Risk Pool Membership

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

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

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

	2020
Cash and Investments	<u>\$ 40,318,971</u>
Actuarial Liabilities	<u>\$ 14,111,510</u>

Note 8 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

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, 2020.

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, 2020.

VILLAGE OF GRATIS
PREBLE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020
(Continued)

Note 9 – Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2020. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2020.

Note 10 – Debt

Debt outstanding at December 31, 2020 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OPWC CK06U	\$170,100	0.00%
OPWC CK19I	41,179	0.00%
OWDA 4497	420,488	4.42%
OWDA 8310	60,877	3.14%
OWDA 8799	235,951	0.00%
Fire Equipment Lease	12,621	0.00%
Ambulance Lease - TV Bank	57,742	4.00%
Total	<u>\$998,958</u>	

Ohio Public Works Commission (OPWC) loan CK06U was obtained in 2020 in the amount of \$189,000 for street improvements. Starting in July 2020, the loan will be repaid in semi-annual installments of \$3,150 over 30 years.

Ohio Public Works Commission (OPWC) loan CK19I was obtained in 2005 in the amount of \$102,947 for water treatment storage and distribution improvements. Starting in July 2009, the loan will be repaid in semi-annual installments of \$2,574 over 20 years.

The Ohio Water Development Authority (OWDA) loan 4497 was obtained in 2004 in the amount of \$768,390 for water system improvements. The loan had a negative disbursement of \$138,008 in February 2008, which brought the disbursed funds capitalized interest at December 31, 2009 to \$610,552, and was a reduction of the principal balance. The loan will be repaid over 30 years. The loan is collateralized by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover loan repayment requirements.

The Ohio Water Development Authority (OWDA) loan 8310 was obtained for a WWTP Influent Pump Replacement project. The total amount of the loan is \$64,442. The loan will be repaid in semi-annual installments of \$2,181.74 over 20 years at an interest rate of 3.14%.

The Ohio Water Development Authority (OWDA) loan 8799 was obtained for a Back-Up Power and Lift Station Replacement project. Disbursements are not complete. No amortization schedule is currently available.

VILLAGE OF GRATIS
PREBLE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020
(Continued)

Note 10 – Debt (Continued)

The Sewer Revenue Bonds relate to mortgage revenue bonds issued in 1980. The bonds were repaid in annual installments over 40 years. The bonds were collateralized by sewer receipts. The Village agreed to set utility rates sufficient to cover the debt service requirements. The bonds were paid off in 2020.

Leases

The Village leases equipment under noncancelable leases. The Village disbursed \$26,237 to pay costs related to the equipment leases for the year ended December 31, 2020.

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

Year ending December 31:	OPWC CK06U	OPWC CK19I	OWDA Loans	Ambulance Lease	Fire Equipment Lease
2021	\$ 6,300	\$ 5,147	\$ 37,334	\$ 15,764	\$ 12,621
2022	6,300	5,147	39,593	15,764	-
2023	6,300	5,147	39,673	15,764	-
2024	6,300	5,147	39,758	15,764	-
2025	6,300	5,147	39,845	-	-
2026-2030	31,500	15,444	200,689	-	-
2031-2035	31,500	-	203,557	-	-
2036-2040	31,500	-	72,636	-	-
2041-2045	31,500	-	-	-	-
2046-2050	12,600	-	-	-	-
Total	<u>\$ 170,100</u>	<u>\$ 41,179</u>	<u>\$ 673,085</u>	<u>\$ 63,056</u>	<u>\$ 12,621</u>

Note 11 – Contingent Liabilities

The Village is defendant in several lawsuits. Management cannot presently determine the outcome of these lawsuits.

Note 12 – COVID-19

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

Note 13 – Construction and Contractual Commitments

The Village is currently working with engineering firm Mote and Associates on wastewater upgrades with the influent pump and the influent pump and the Geeding Street Bridge replacement.

VILLAGE OF GRATIS
PREBLE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020
(Continued)

Note 14 – Fund Balances

Included in fund balance are amounts the Village cannot spend, including the balance of unclaimed monies which cannot be spent for five years and the unexpendable corpus of the permanent funds. Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end the balances of these amounts were zero.

The fund balance of special revenue funds is either restricted or committed. The fund balance of debt service funds and capital projects fund are restricted committed or assigned. The fund balance of permanent funds that is not part of the nonspendable corpus is either restricted or committed. These restricted, committed and assigned amounts in the special revenue, debt service, capital projects and permanent funds would include the outstanding encumbrances. In the general fund, outstanding encumbrances are considered assigned.

Note 15 – Change in Accounting Principle

For 2020, the Village has made changes to their cash basis reporting model. These changes include modifications to the definition of fiduciary funds, adding a separate Combined Statement of Additions, Deductions and Changes in Fund Balances (Regulatory Cash Basis) -- All Fiduciary Fund Types, and removing the fund balance classifications from the Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Regulatory Cash Basis) – All Governmental Fund Types.

**VILLAGE OF GRATIS
PREBLE COUNTY**

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

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$ 23,592	\$ 30,223	\$ -	\$ 53,815
Municipal Income Tax	96,306	-	-	96,306
Intergovernmental	30,454	53,517	-	83,971
Charges for Services	6,171	293,164	-	299,335
Fines, Licenses and Permits	8,919	-	-	8,919
Earnings on Investments	830	50	-	880
Miscellaneous	16,963	15,201	-	32,164
<i>Total Cash Receipts</i>	<u>183,235</u>	<u>392,155</u>	<u>-</u>	<u>575,390</u>
Cash Disbursements				
Current:				
Security of Persons and Property	83,231	65,865	-	149,096
Public Health Services	-	256,295	-	256,295
Transportation	-	21,136	-	21,136
General Government	163,166	904	-	164,070
Debt Service:				
Principal Retirement	-	95,572	-	95,572
Interest and Fiscal Charges	-	3,308	-	3,308
<i>Total Cash Disbursements</i>	<u>246,397</u>	<u>443,080</u>	<u>-</u>	<u>689,477</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(63,162)</u>	<u>(50,925)</u>	<u>-</u>	<u>(114,087)</u>
Other Financing Receipts (Disbursements)				
Other Debt Proceeds	-	70,793	-	70,793
Advances In	9,000	9,000	-	18,000
Advances Out	(9,000)	(9,000)	-	(18,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>-</u>	<u>70,793</u>	<u>-</u>	<u>70,793</u>
<i>Net Change in Fund Cash Balances</i>	<u>(63,162)</u>	<u>19,868</u>	<u>-</u>	<u>(43,294)</u>
<i>Fund Cash Balances, January 1</i>	<u>77,004</u>	<u>123,216</u>	<u>58</u>	<u>200,278</u>
Fund Cash Balances, December 31				
Restricted	-	143,084	58	143,142
Assigned	13,842	-	-	13,842
<i>Fund Cash Balances, December 31</i>	<u>\$ 13,842</u>	<u>\$ 143,084</u>	<u>\$ 58</u>	<u>\$ 156,984</u>

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

**VILLAGE OF GRATIS
PREBLE COUNTY**

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

	Proprietary Fund Types		Fiduciary Fund Types		Totals
	Enterprise		Agency		(Memorandum Only)
Operating Cash Receipts					
Charges for Services	\$ 400,307		\$ -		\$ 400,307
<i>Total Operating Cash Receipts</i>	400,307		-		400,307
Operating Cash Disbursements					
Personal Services	75,871		-		75,871
Employee Fringe Benefits	16,777		-		16,777
Contractual Services	149,942		-		149,942
Supplies and Materials	17,837		-		17,837
Other	50,652		-		50,652
<i>Total Operating Cash Disbursements</i>	311,079		-		311,079
<i>Operating Income (Loss)</i>	89,228		-		89,228
Non-Operating Receipts (Disbursements)					
Other Debt Proceeds	64,442		-		64,442
Miscellaneous Receipts	645		-		645
Capital Outlay	(65,155)		-		(65,155)
Principal Retirement	(56,478)		-		(56,478)
Interest and Other Fiscal Charges	(22,113)		-		(22,113)
Other Financing Sources	-		23,206		23,206
Other Financing Uses	-		(24,869)		(24,869)
<i>Total Non-Operating Receipts (Disbursements)</i>	(78,659)		(1,663)		(80,322)
<i>Net Change in Fund Cash Balances</i>	10,569		(1,663)		8,906
<i>Fund Cash Balances, January 1</i>	484,256		3,469		487,725
<i>Fund Cash Balances, December 31</i>	\$ 494,825		\$ 1,806		\$ 496,631

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

VILLAGE OF GRATIS
PREBLE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

Note 1 – Reporting Entity

The Village of Gratis (the Village), Preble 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. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, emergency medical services, fire services, and police services.

Public Entity Risk Pool

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

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

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund - The General Fund accounts for and reports all financial resources not accounted for and reported in another fund. The General Fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds - These funds account for and report the proceeds of specific sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village has the following significant Special Revenue Funds:

Fire Fund - This fund receives real estate and personal property taxes and contracts with Gratis Township to provide for the protection of area citizens.

EMS Fund - This fund receives real estate and personal property taxes and contracts with Gratis Township and the Village of West Elkton to provide for the protection of area citizens.

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 a Capital Project Fund used to construct a capital improvement.

VILLAGE OF GRATIS
PREBLE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

Fund Accounting (Continued)

Enterprise Funds - These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Funds:

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

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

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

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

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(C). 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(C) 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, and object level of control and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

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

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

A summary of 2019 budgetary activity appears in Note 4.

VILLAGE OF GRATIS
PREBLE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

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.

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 report these items as assets.

Fund Balance

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

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

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

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

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

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

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

VILLAGE OF GRATIS
PREBLE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Continued)

Note 3 – Compliance

Contrary to Ohio law, actual receipts in the General Fund fell below budgeted receipts which caused a reduction in the resources available for appropriations below the allowable amount for the year ended December 31, 2019.

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General and EMS Funds for the year ended December 31, 2019.

Note 4 – Budgetary Activity

Budgetary activity for the year ending December 31, 2019 follows:

2019 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 228,550	\$ 183,235	\$ (45,315)
Special Revenue	377,170	462,948	85,778
Enterprise	448,400	465,394	16,994
Total	\$ 1,054,120	\$ 1,111,577	\$ 57,457

2019 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 245,271	\$ 247,246	\$ (1,975)
Special Revenue	460,298	446,442	13,856
Enterprise	640,810	456,164	184,646
Total	\$ 1,346,379	\$ 1,149,852	\$ 196,527

Note 5 – Deposits

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

	2019
Demand deposits	\$ 602,962
Other time deposits (savings account)	50,653
Total deposits	\$ 653,615

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; and collateralized by securities specifically pledged by the financial institution to the Village and collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

VILLAGE OF GRATIS
PREBLE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Continued)

Note 6 – Taxes

Property Taxes

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

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 one 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.

Note 7 – Risk Management

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

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

Risk Pool Membership

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

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

VILLAGE OF GRATIS
PREBLE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Continued)

Note 7 – Risk Management (Continued)

Risk Pool Membership (Continued)

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

	2019
Cash and Investments	<u>\$ 38,432,610</u>
Actuarial Liabilities	<u>\$ 14,705,917</u>

Note 8 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

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.

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 9 – Postemployment Benefits

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

VILLAGE OF GRATIS
PREBLE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Continued)

Note 10 – Debt

Debt outstanding at December 31, 2019 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OPWC CK06U	\$176,400	0.00%
OPWC CK19I	46,326	0.00%
OWDA 4497	438,249	4.42%
OWDA 8310	63,262	3.14%
Sewer Revenue Bonds	31,000	5.00%
Fire Equipment Lease	22,343	0.00%
Ambulance Lease - TV Bank	70,793	4.00%
Total	<u>\$848,373</u>	

Ohio Public Works Commission (OPWC) loan CK06U was obtained in 2018 in the amount of \$189,000 for street improvements. Starting in July 2020, the loan will be repaid in semi-annual installments of \$3,150 over 30 years.

Ohio Public Works Commission (OPWC) loan CK19I was obtained in 2005 in the amount of \$102,947 for water treatment storage and distribution improvements. Starting in July 2009, the loan will be repaid in semi-annual installments of \$2,574 over 20 years.

The Ohio Water Development Authority (OWDA) loan 4497 was obtained in 2004 in the amount of \$768,390 for water system improvements. The loan had a negative disbursement of \$138,008 in February 2008, which brought the disbursed funds capitalized interest at December 31, 2009 to \$610,552, and was a reduction of the principal balance. The loan will be repaid over 30 years. The loan is collateralized by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover loan repayment requirements.

The Ohio Water Development Authority (OWDA) loan 8310 was obtained for a WWTP Influent Pump Replacement project. Disbursements are not complete. No amortization schedule is currently available.

The Ohio Water Development Authority (OWDA) loan 8799 was obtained for a Back-Up Power and Lift Station Replacement project. Disbursements are not complete. No amortization schedule is currently available.

The Sewer Revenue Bonds relate to mortgage revenue bonds issued in 1980. The bonds will be repaid in annual installments over 40 years. The bonds are collateralized by sewer receipts. The Village has agreed to set utility rates sufficient to cover the debt service requirements.

Leases

The Village leases equipment under noncancelable leases. The Village disbursed \$95,731 to pay costs related to the equipment leases for the year ended December 31, 2019. The prior audit balance of the ambulance lease was incorrectly stated as \$86,819. The correct amount outstanding at December 31, 2018 was \$83,315.

VILLAGE OF GRATIS
PREBLE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Continued)

Note 10 – Debt (Continued)

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

Year ending December 31:	OPWC CK06U	OPWC CK19I	OWDA 4497	Sewer Revenue Bonds	Ambulance Lease	Fire Equipment Lease
2020	\$ 3,150	\$ 2,574	\$ 35,079	\$ 32,550	\$ 15,764	\$ 10,484
2021	6,300	5,147	35,152	-	15,764	11,859
2022	6,300	5,147	35,229	-	15,764	-
2023	6,300	5,147	35,310	-	15,764	-
2024	6,300	5,147	35,394	-	15,764	-
2025-2029	31,500	23,164	178,370	-	-	-
2030-2034	31,500	-	181,115	-	-	-
2035-2039	31,500	-	91,790	-	-	-
2040-2044	31,500	-	-	-	-	-
2045-2049	22,050	-	-	-	-	-
Total	<u>\$ 176,400</u>	<u>\$ 46,326</u>	<u>\$ 627,439</u>	<u>\$ 32,550</u>	<u>\$ 78,820</u>	<u>\$ 22,343</u>

Note 11 – Contingent Liabilities

The Village is defendant in several lawsuits. Management cannot presently determine the outcome of these lawsuits.

Note 12 – Subsequent Events

The United States 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, any recovery from emergency funding, either federal or state, cannot be estimated.



313 Second St.
Marietta, OH 45750
740.373.0056

1907 Grand Central Ave.
Vienna, WV 26105
304.422.2203

150 West Main St.
St. Clairsville, OH 43950
740.695.1569

1310 Market Street, Suite 300
Wheeling, WV 26003
304.232.1358

749 Wheeling Ave., Suite 300
Cambridge, OH 43725
740.435.3417

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

Village of Gratis
Preble County
404 Harrison Street
Gratis, Ohio 45330

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements for each governmental and proprietary fund type and the fiduciary fund type combined total as of and for the year ended December 31, 2020 and for each governmental, proprietary and fiduciary fund type as of and for the year ended December 31, 2019, and related notes of the **Village of Gratis**, Preble County, (the Village) and have issued our report thereon dated November 21, 2022, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit. We also noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the Village. We also noted that the Village adopted a change in accounting principle and removed the fund balance classification from the Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Regulatory Cash Basis) – All Governmental Fund Types. We did not modify our opinion regarding these matters.

Internal Control Over Financial Reporting

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

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

Tax - Accounting - Audit - Review - Compilation - Agreed Upon Procedure - Consultation - Bookkeeping - Payroll - Litigation Support - Financial Investigations
Members: American Institute of Certified Public Accountants
• Ohio Society of CPAs • West Virginia Society of CPAs • Association of Certified Fraud Examiners • Association of Certified Anti-Money Laundering Specialists •

RSM US Alliance member firms are separate and independent businesses and legal entities that are responsible for their own acts and omissions, and each are separate and independent from RSM US LLP. RSM US LLP is the U.S. member firm of RSM International, a global network of independent audit, tax, and consulting firms. Members of RSM US Alliance have access to RSM International resources through RSM US LLP but are not member firms of RSM International.



Internal Control Over Financial Reporting (Continued)

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of audit findings that we consider material weaknesses. We consider findings 2020-001 through 2020-004 to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the financial statements. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of audit findings as item 2020-004.

Village's Response to Findings

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



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

November 21, 2022

**VILLAGE OF GRATIS
PREBLE COUNTY**

**SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2020 - 2019**

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

FINDING NUMBER 2020-001

Material Weakness

Financial Reporting

The Village should have procedures and controls in place to prevent and detect errors in financial reporting. Fund balances should be properly classified based on Governmental Accounting Standards Statement No. 54 – Fund Balance Reporting and Governmental Fund Type Definitions.

During 2020 and 2019, receipts, disbursements, and fund balances were not always posted or classified correctly. The following errors were noted:

- A receipt for local government was misclassified as Municipal Income Tax instead of Intergovernmental in the General Fund in 2020;
- A receipt for rollback was misclassified as Property and Other Local Taxes and not properly allocated to the required funds in the General Fund in 2019;
- Receipts for EMS services were misclassified as Miscellaneous and incorrectly posted to the General Fund in 2019;
- The Village posted a transfer from the General Fund to the EMS Fund to move EMS receipts instead of properly recording the EMS receipts in the EMS Fund originally in 2019;
- A receipt for EMS services was misclassified as Miscellaneous instead of Charges for Services in the EMS Fund in 2019;
- Budget carryover in the General Fund was misclassified as Unassigned instead of Assigned in 2019;
- Receipts for gasoline tax, auto license tax, and permissive motor vehicle tax were not properly classified or allocated in the Street, State Highway, and Permissive MVL Funds in 2020 and 2019;
- Lease debt payments were not properly posted resulting in a portion of Principal Retirement being misclassified as Interest and Fiscal Charges in the Fire District Fund in 2020;
- Lease debt payments were misclassified as Security of Persons and Property and Public Health Services instead of Principal Retirement and Interest and Fiscal Charges in the Fire District and EMS Funds in 2019;
- Disbursements for OPWC loan payments were misclassified as Contractual Services and Transportation instead of Principal Retirement in the Water Fund in 2020 and Street Fund in 2019;
- Disbursements for OWDA loan payments were misclassified as Contractual Services instead of Principal Retirement and Interest and Other Fiscal Charges in the Sewer Fund in 2019;
- Ambulance debt proceeds and payoff of old ambulance debt was not recorded in 2019;
- Debt activity for OWDA 8799 and 8310 including debt proceeds and the corresponding Capital Outlay disbursements were not recorded in the Sewer Fund in 2020 and 2019;
- Debt proceeds were misclassified as Miscellaneous instead of Other Debt Proceeds in the Sewer Fund in 2020; and
- Mayor's Court activity was not properly recorded in an Custodial/Agency Fund in 2020 and 2019.

VILLAGE OF GRATIS
PREBLE COUNTY

SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2020 - 2019

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

FINDING NUMBER 2020-001 (Continued)

Financial Reporting (Continued)

Not posting receipts, disbursements, and fund balances accurately resulted in the financial statements requiring several adjustments and reclassifications. The Village has made the adjustments to their accounting system. The financial statements reflect all adjustments and reclassifications.

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

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

Officials' Response: Issues cited were under the previous fiscal officer who resigned effective May 25, 2022.

FINDING NUMBER 2020-002

Material Weakness

Bank Reconciliations

The Village Fiscal Officer did not prepare accurate monthly reconciliations of bank balances to book balances.

The bank reconciliations contained erroneous and unnecessary other adjusting factors which created fund balance variances. The lack of proper reconciliations among the bank statements and ledgers resulted in numerous errors which remained undetected and/or uncorrected until the audit.

We recommend the Village Fiscal Officer prepare detailed bank reconciliations that include all bank account balances being reconciled to total fund balances, with support for all reconciling items or other adjusting factors. Bank reconciliations should be presented to Council for review and use in managing the Village.

Officials' Response: Officials' Response: Issues cited were under the previous fiscal officer who resigned effective May 25, 2022.

VILLAGE OF GRATIS
PREBLE COUNTY

SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2020 - 2019

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

FINDING NUMBER 2020-003

Material Weakness

Timely Posting of Financial Transactions

Throughout 2020 and 2019, we noted that a large number of receipts and disbursements were not entered into the UAN accounting system in a timely manner. Some transactions were not input into UAN until many months later. This resulted in inaccurate financial information being maintained in the accounting system. Bank reconciliations were not complete nor were they an accurate reflection of the Village's financial situation. Financial information that was presented for review was not reliable.

Failure to timely post transactions to the accounting system could result in difficulties with accurately completing monthly bank reconciliations and maintaining accurate financial reports.

The Village should timely post transactions to the accounting system.

Officials' Response: **Officials' Response:** Issues cited were under the previous fiscal officer who resigned effective May 25, 2022.

FINDING NUMBER 2020-004

Material Weakness/Noncompliance

Budgetary Controls

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

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

- **Violations of 5705.36** – Instances of actual receipts falling below budgeted receipts which caused appropriation authority to exceed allowable amounts;
- **Violations of 5705.39** – Instances of appropriation authority exceeding the allowable amount; and
- **Violations of 5705.41(B)** – Instances of budgetary expenditures exceeding total appropriation authority.

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

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

VILLAGE OF GRATIS
PREBLE COUNTY

SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2020 - 2019

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

FINDING NUMBER 2020-004 (Continued)

Budgetary Controls (Continued)

Council should review the requirements of ORC section 5705 to be familiar with these laws and to make sure the Village is complying with applicable sections. If the Council does not consider these necessary steps should be taken to make sure amounts are encumbered (purchase orders are used and assigned to each purchase prior to ordering), certifications of available funds are done by the Village Fiscal Officer prior to purchasing and unencumbered balances are tracked for each line item.

Officials' Response: Officials' Response: Issues cited were under the previous fiscal officer who resigned effective May 25, 2022.

**VILLAGE OF GRATIS
PREBLE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2020 - 2019**

Finding Number	Finding Summary	Status	Additional Information
2018-001	Posting Receipts, Disbursements and Fund Balances	Not Corrected	Repeated as Finding 2020-001
2018-002	Bank Reconciliations	Not Corrected	Repeated as Finding 2020-002
2018-003	Lack of Council Oversight	Corrected	N/A
2018-004	Timely Posting of Financial Transactions	Not Corrected	Repeated as Finding 2020-003
2018-005	Monitoring of Adjustments to Water and Sewer Accounts	Corrected	N/A
2018-006	Remittances for Payroll Withholdings	Corrected	N/A
2018-007	Budgetary Controls	Not Corrected	Repeated as Finding 2020-004

This page intentionally left blank.

OHIO AUDITOR OF STATE KEITH FABER



VILLAGE OF GRATIS

PREBLE 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 1/17/2023

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