



OHIO AUDITOR OF STATE
KEITH FABER



VILLAGE OF MOUNT GILEAD
MORROW COUNTY

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

Report on the Audit of the Financial Statements

Unmodified and Adverse Opinions

We have audited the financial statements of the Village of Mount Gilead, Morrow County, Ohio (the Village), which comprises 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 years ended December 31, 2021 and 2020, and the related notes to the financial statements.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the accompanying 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 years ended December 31, 2021 and 2020, and the related notes to the financial statements, in accordance with the financial reporting provisions which Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit, described in Note 2.

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* section of our report, the accompanying financial statements 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, 2021 and 2020, or the changes in financial position or, where applicable, cash flows thereof for the year then ended.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Village, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

As described in Note 2 of the financial statements, the financial statements are prepared by the Village on the basis of 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. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 2 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Emphasis of Matter

As discussed in Note 10 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Village. We did not modify our opinion regarding this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 9, 2023, 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. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village's 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.



Keith Faber
Auditor of State
Columbus, Ohio

March 9, 2023

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Village of Mount Gilead, Ohio
Morrow County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2021

	General	Special Revenue	Capital Projects	Combined Total
Cash Receipts				
Property and Other Local Taxes	\$ 82,206	\$ 107,772	\$ -	\$ 189,978
Municipal Income Tax	1,180,886	-	62,152	1,243,038
Intergovernmental	84,557	418,628	-	503,185
Charges for Services	-	399,274	-	399,274
Fines, Licenses and Permits	84,984	4,296	-	89,280
Earnings on Investments	90,008	10,187	-	100,195
Miscellaneous	14,127	41,182	-	55,309
<i>Total Cash Receipts</i>	<u>1,536,768</u>	<u>981,339</u>	<u>62,152</u>	<u>2,580,259</u>
Cash Disbursements				
Current:				
Security of Persons and Property	561,284	468,785	-	1,030,069
Public Health Services	9,441	-	-	9,441
Transportation	30,000	378,689	-	408,689
General Government	484,993	73,122	-	558,115
Capital Outlay	40,000	-	49,302	89,302
<i>Total Cash Disbursements</i>	<u>1,125,718</u>	<u>920,596</u>	<u>49,302</u>	<u>2,095,616</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>411,050</u>	<u>60,743</u>	<u>12,850</u>	<u>484,643</u>
Other Financing Receipts (Disbursements)				
Sale of Bonds	-	-	700,000	700,000
Sale of Capital Assets	-	7,787	-	7,787
Transfers In	-	471,584	-	471,584
Transfers Out	(668,700)	-	(2,884)	(671,584)
Other Financing Sources	10,982	-	-	10,982
Other Financing Uses	(256)	-	-	(256)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(657,974)</u>	<u>479,371</u>	<u>697,116</u>	<u>518,513</u>
<i>Net Change in Fund Cash Balances</i>	<u>(246,924)</u>	<u>540,114</u>	<u>709,966</u>	<u>1,003,156</u>
<i>Fund Cash Balances, January 1</i>	<u>3,797,552</u>	<u>875,730</u>	<u>279,666</u>	<u>4,952,948</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 3,550,628</u>	<u>\$ 1,415,844</u>	<u>\$ 989,632</u>	<u>\$ 5,956,104</u>

See accompanying notes to the basic financial statements

Village of Mount Gilead, Ohio
Morrow County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
Proprietary Fund Type
For the Year Ended December 31, 2021

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts	
Charges for Services	\$ 1,997,350
Miscellaneous	18,548
	2,015,898
<i>Total Operating Cash Receipts</i>	<i>2,015,898</i>
Operating Cash Disbursements	
Personal Services	441,390
Employee Fringe Benefits	266,936
Contractual Services	329,221
Supplies and Materials	548,701
	1,586,248
<i>Total Operating Cash Disbursements</i>	<i>1,586,248</i>
<i>Operating Income (Loss)</i>	<i>429,650</i>
Non-Operating Receipts (Disbursements)	
Property and Other Local Taxes	46,619
Intergovernmental Receipts	46,914
Sale of Capital Assets	644
Miscellaneous Receipts	1,100
Capital Outlay	(421,325)
Principal Retirement	(359,557)
Interest and Other Fiscal Charges	(6,358)
Other Financing Sources	7,289
	(684,674)
<i>Total Non-Operating Receipts (Disbursements)</i>	<i>(684,674)</i>
<i>Income (Loss) before Capital Contributions, Special Item, Extraordinary Item, Transfers and Advances</i>	<i>(255,024)</i>
Transfers In	718,916
Transfers Out	(518,916)
	(55,024)
<i>Net Change in Fund Cash Balances</i>	<i>(55,024)</i>
<i>Fund Cash Balances, January 1</i>	<i>2,915,682</i>
<i>Fund Cash Balances, December 31</i>	<i>\$ 2,860,658</i>

See accompanying notes to the basic financial statements

Village of Mount Gilead, Ohio
Morrow County
Combined Statement of Additions, Deductions
and Changes in Fund Balances (Regulatory Cash Basis)
Fiduciary Fund Type
For the Year Ended December 31, 2021

	Fiduciary Fund Type
	Other Custodial
Additions	
Other Amounts Collected for Distribution	\$ 50,037
<i>Total Additions</i>	50,037
Deductions	
Distributions to Other Governments	16,875
Distributions to Other Funds (Primary Gov't)	33,195
Other Distributions	1,407
<i>Total Deductions</i>	51,477
<i>Net Change in Fund Balances</i>	(1,440)
<i>Fund Cash Balances, January 1</i>	1,890
<i>Fund Cash Balances, December 31</i>	\$ 450

See accompanying notes to the basic financial statements

Village of Mount Gilead, Ohio
Morrow County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 1 – Reporting Entity

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

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

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

Street Construction Maintenance and Repair The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

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

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

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

Village of Mount Gilead, Ohio
Morrow County
Notes to the Financial Statements
For the Year Ended December 31, 2021

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

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

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

Fiduciary Funds Fiduciary funds include private purpose trust funds, investment trust funds, and custodial funds. Trust funds account for assets held under a trust agreement meeting certain criteria. Custodial funds are purely custodial in nature and are used to report fiduciary activity that is not required to be reported in a trust fund. The Village's Custodial fund account for Mayor's court.

Basis of Accounting

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

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

Budgetary Process

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

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

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

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

A summary of 2021 budgetary activity appears in Note 3.

Village of Mount Gilead, Ohio
Morrow County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Deposits and Investments

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

The Village values certificate of deposit, commercial paper, U.S. Treasury Notes and federal securities at cost. Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

Capital Assets

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

Accumulated Leave

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

Fund Balance

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

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

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

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

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

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

Village of Mount Gilead, Ohio
Morrow County
Notes to the Financial Statements
For the Year Ended December 31, 2021

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

Note 3 – Budgetary Activity

Budgetary activity for the year ending 2021 follows:

2021 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,324,350	\$1,547,750	\$223,400
Special Revenue	1,488,132	1,460,710	(27,422)
Capital Projects	219,000	762,152	543,152
Enterprise	2,638,806	2,837,380	198,574
Total	\$5,670,288	\$6,607,992	\$937,704

2021 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,950,146	\$1,794,674	\$155,472
Special Revenue	1,641,173	920,596	720,577
Capital Projects	248,930	52,186	196,744
Enterprise	3,244,380	2,892,404	351,976
Total	\$7,084,629	\$5,659,860	\$1,424,769

Village of Mount Gilead, Ohio
Morrow County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 4 – Deposits and Investments

To improve cash management, cash received by the Village is pooled. Monies for all funds are maintained in this pool. The Ohio Revised Code prescribes allowable deposits and investments. A summary of the Village’s deposit and investment accounts are as follows:

	2021
<i>Cash Management Pool:</i>	
Demand deposits	\$4,315,641
Petty Cash	400
Total deposits	4,316,041
U.S. Treasury Notes	596,463
STAR Plus/GDIP	1,279,085
Commercial Paper	454,467
Negotiable Certificate of Deposits	1,718,465
Money Market	44,120
Government Agency	408,571
Total investments	4,501,171
Total carrying amount of deposits and investments held in the Pool (ties to FS)	8,817,212

Deposits

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

Investments

The Village utilizes certificates of deposit, commercial paper, U.S. Treasury notes, and federal securities for investments. Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

Note 5 – Taxes

Property Taxes

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

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

Village of Mount Gilead, Ohio
Morrow County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Income Taxes

The Village levies a municipal income tax of 1 percent on substantially all earned income arising from employment, residency, or business activities within the Village. Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

Note 6 – Risk Management

Workers' Compensation

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

Risk Pool Membership

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

Pursuant to section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

Effective November 1, 2010 (through October 31, 2017), the corridor is for losses paid is between 60% and 70% of casualty premiums earned in the first \$250,000. Effective November 1, 2016, the OPRM elected to participate in a property loss corridor deductible. The property corridor includes losses paid between 70% and 75%. In 2018, the casualty loss corridor was eliminated and the property corridor was adjusted to losses paid between 65% and 70%. Effective November 1, 2019, the property loss corridor was adjusted to losses between 60% and 67.5% and remain unchanged effective November 1, 2021 and November 1, 2020. OPRM had 769 members as of December 31, 2021.

The pool's audited financial statements confirm with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2021.

	<u>2021</u>
Cash and investments	\$21,777,439
Actuarial liabilities	(\$15,037,383)
Member's Equity	\$6,740,056

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

Village of Mount Gilead, Ohio
Morrow County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Certain Village 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 health care and survivor and disability benefits. The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the Village contributed an amount equaling 14 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2021.

Ohio Police and Fire Retirement System

Certain Village's certified Fire Fighters and full-time Police Officers belong to the Ohio 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 health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25 percent of their wages. The Village contributed to OP&F an amount equal to 19.5 percent of full-time police members' wages and 24 percent of full-time fire fighters' wages. The Village has paid all contributions required through December 31, 2021.

Social Security

Several of the 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, 2021.

Note 8 – Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2021. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2021. 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.

Village of Mount Gilead, Ohio
Morrow County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 9 – Debt

Debt outstanding at December 31, 2021, was as follows:

	Principal	Interest Rate
General Obligations Bonds	\$700,000	2%
OWDA Loan - 4441	\$2,126,428	23%
OWDA Loan - 5497	\$40,114	1%
OWDA Loan - 5403	\$39,954	1%
Total	\$2,906,496	

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

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

The Ohio Water Development Authority (OWDA) loan (4441) related to water and sewer plant improvements. The OWDA approved \$6,975,512 in loans to the Village for this project. The Village will repay the loans in semiannual installments of \$178,529, including interest, over 20 year Water and sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements. The Village's taxing authority collateralized the bonds.

The Village issued General Obligation debt in the amount of \$700,000 at 1.970% interest for the purpose of repairing the Village swimming pool, tennis courts, basketball courts, and baseball fields. The Village will make annual installment payments, including interest, over five years ending in October 2026. Payment of principal and interest will be made from the capital project fund through fund transfers from the General Fund.

Village of Mount Gilead, Ohio
Morrow County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Amortization

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

Year Ending December 31:	OWDA Loans	General Obligation Bonds
2022	365,915	148,386
2023	365,915	148,386
2024	365,915	148,386
2025	365,915	148,386
2026	365,915	148,386
2027-2030	392,483	
2031	4,428	
Total	<u>\$2,226,486</u>	<u>\$741,930</u>

Note 10 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Village. The Village’s investment portfolio fluctuates with market conditions, and due to market volatility, the amount of gains or losses that will be realized in subsequent periods, if any, cannot be determined. In addition, the impact on the Village’s future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

During 2021, the Village received CARES Act funding. The total amount received was, \$193,808. This amount is reflected in the Local Fiscal Recovery Fund.

Note 11 – Fund Balances

The fund balance of special revenue and capital projects fund is either restricted or committed. These restricted and committed amounts in the special revenue and capital projects funds would include the outstanding encumbrances if applicable. In the general fund, outstanding encumbrances are considered assigned if applicable. However, as of December 31, 2021, the Village had no outstanding encumbrances.

Village of Mount Gilead, Ohio
Morrow County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2020

	General	Special Revenue	Capital Projects	Combined Total
Cash Receipts				
Property and Other Local Taxes	\$ 73,597	\$ 111,215	\$ -	\$ 184,812
Municipal Income Tax	1,084,622	-	57,085	1,141,707
Intergovernmental	451,549	589,393	17,406	1,058,348
Charges for Services	-	330,670	-	330,670
Fines, Licenses and Permits	38,780	1,898	-	40,678
Earnings on Investments	108,473	6,357	-	114,830
Miscellaneous	40,685	61,591	-	102,276
<i>Total Cash Receipts</i>	<u>1,797,706</u>	<u>1,101,124</u>	<u>74,491</u>	<u>2,973,321</u>
Cash Disbursements				
Current:				
Security of Persons and Property	445,117	402,439	-	847,556
Public Health Services	6,275	-	-	6,275
Transportation	24,719	359,307	-	384,026
General Government	442,192	349,850	-	792,042
Capital Outlay	25,000	-	161,032	186,032
<i>Total Cash Disbursements</i>	<u>943,303</u>	<u>1,111,596</u>	<u>161,032</u>	<u>2,215,931</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>854,403</u>	<u>(10,472)</u>	<u>(86,541)</u>	<u>757,390</u>
Other Financing Receipts (Disbursements)				
Sale of Capital Assets	-	14,730	4,379	19,109
Transfers In	25,400	358,818	-	384,218
Transfers Out	(250,000)	-	(134,218)	(384,218)
Other Financing Sources	6,137	-	-	6,137
Other Financing Uses	(128)	-	-	(128)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(218,591)</u>	<u>373,548</u>	<u>(129,839)</u>	<u>25,118</u>
<i>Net Change in Fund Cash Balances</i>	635,812	363,076	(216,380)	782,508
<i>Fund Cash Balances, January 1</i>	<u>3,161,740</u>	<u>512,654</u>	<u>496,046</u>	<u>4,170,440</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 3,797,552</u>	<u>\$ 875,730</u>	<u>\$ 279,666</u>	<u>\$ 4,952,948</u>

See accompanying notes to the basic financial statements

Village of Mount Gilead, Ohio
Morrow County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
Proprietary Fund Type
For the Year Ended December 31, 2020

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts	
Charges for Services	\$ 1,913,489
Miscellaneous	19,462
	1,932,951
Operating Cash Disbursements	
Personal Services	443,680
Employee Fringe Benefits	237,987
Contractual Services	358,547
Supplies and Materials	372,073
	1,412,287
<i>Total Operating Cash Receipts</i>	<i>1,932,951</i>
<i>Operating Income (Loss)</i>	<i>520,664</i>
Non-Operating Receipts (Disbursements)	
Property and Other Local Taxes	45,853
Intergovernmental Receipts	492,331
Sale of Capital Assets	687
Capital Outlay	(900,995)
Principal Retirement	(358,670)
Interest and Other Fiscal Charges	(7,245)
Other Financing Sources	150
	(727,889)
<i>Total Non-Operating Receipts (Disbursements)</i>	<i>(727,889)</i>
<i>Income (Loss) before Capital Contributions, Special Item, Extraordinary Item, Transfers and Advances</i>	<i>(207,225)</i>
Transfers In	459,853
Transfers Out	(459,853)
	(207,225)
<i>Net Change in Fund Cash Balances</i>	<i>(207,225)</i>
<i>Fund Cash Balances, January 1</i>	<i>3,122,907</i>
<i>Fund Cash Balances, December 31</i>	<i>\$ 2,915,682</i>

See accompanying notes to the basic financial statements

Village of Mount Gilead, Ohio
Morrow County
Combined Statement of Additions, Deductions
and Changes in Fund Balances (Regulatory Cash Basis)
Fiduciary Fund Type
For the Year Ended December 31, 2020

	Fiduciary Fund Type
	Other Custodial
Additions	
Other Amounts Collected for Distribution	\$ 25,108
<i>Total Additions</i>	<i>25,108</i>
Deductions	
Distributions to Other Governments	6,939
Distributions to Other Funds (Primary Gov't)	17,055
Other Distributions	2,179
<i>Total Deductions</i>	<i>26,173</i>
<i>Net Change in Fund Balances</i>	<i>(1,065)</i>
<i>Fund Cash Balances, January 1</i>	<i>2,955</i>
<i>Fund Cash Balances, December 31</i>	<i>\$ 1,890</i>

See accompanying notes to the basic financial statements

Village of Mount Gilead, Ohio
Morrow County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 1 – Reporting Entity

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

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

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

Street Construction Maintenance and Repair The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

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

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

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

Village of Mount Gilead, Ohio
Morrow County
Notes to the Financial Statements
For the Year Ended December 31, 2020

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

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

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

Fiduciary Funds Fiduciary funds include private purpose trust funds and 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 report fiduciary activity that is not required to be reported in a trust fund. The Village's custodial fund account for Mayor's court.

Basis of Accounting

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

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

Budgetary Process

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

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

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

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

A summary of 2020 budgetary activity appears in Note 3.

Village of Mount Gilead, Ohio
Morrow County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Deposits and Investments

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

The Village values certificate of deposit, commercial paper, U.S. Treasury Notes and federal securities at cost. Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

Capital Assets

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

Accumulated Leave

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

Fund Balance

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

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

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

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

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

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

Village of Mount Gilead, Ohio
Morrow County
Notes to the Financial Statements
For the Year Ended December 31, 2020

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

Note 3 – Budgetary Activity

Budgetary activity for the year ending 2020 follows:

2020 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,263,231	\$1,829,243	\$566,012
Special Revenue	1,200,569	1,474,672	274,103
Capital Projects	68,784	78,870	10,086
Enterprise	2,757,514	2,931,825	174,311
Total	\$5,290,098	\$6,314,610	\$1,024,512

2020 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,310,631	\$1,193,431	\$117,200
Special Revenue	1,292,265	1,111,595	180,670
Capital Projects	298,132	295,250	2,882
Enterprise	3,366,943	3,139,050	227,893
Total	\$6,267,971	\$5,739,326	\$528,645

Village of Mount Gilead, Ohio
Morrow County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 4 – Deposits and Investments

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

	2020
<i>Cash Management Pool:</i>	
Demand deposits	\$3,414,171
Petty Cash	400
Total deposits	3,414,571
U.S. Treasury Notes	337,211
STAR Ohio	1,278,073
Commercial Paper	553,841
Government Agency	149,850
Negotiable Certificate of Deposits	2,071,840
Money Market	65,134
Total investments	4,455,949
Total carrying amount of deposits and investments held in the Pool (ties to FS)	7,870,520

Deposits

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

Investments

The Village utilizes certificates of deposit, commercial paper, U.S. Treasury notes, and federal securities for investments. Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

Note 5 – Taxes

Property Taxes

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

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

Village of Mount Gilead, Ohio
Morrow County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Income Taxes

The Village levies a municipal income tax of 1 percent on substantially all earned income arising from employment, residency, or business activities within the Village. Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

Note 6 – Risk Management

Workers' Compensation

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

Risk Pool Membership

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

Pursuant to section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000.00 casualty treaty and 30% of the first \$1,000,000 property treaty. The OPRM is also participated in a property primary excess of loss treaty. This treaty reimbursed the OPRM 30% for losses between \$200,000 and \$1,000,000. The reimbursement is based on the amount of loss between \$200,000 and \$1,000,000. Effective November 1, 2018, the OPRM property retention remained unchanged, however, the Plan assumed 100% of the first \$250,000 casualty treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. Effective November 1, 2019, the OPRM's property retention increased from 30% to 33% while the casualty treaty remains unchanged and still assumes 100% of the first \$250,000 casualty treaty. Effective November 1, 2020, the OPRM's property retention increased from 33% to 55%, while the casualty treaty remains unchanged and still assumes 100% of the first \$250,000 casualty treaty. OPRM had 771 members as of December 31, 2020.

Village of Mount Gilead, Ohio
Morrow County
Notes to the Financial Statements
For the Year Ended December 31, 2020

The pool's audited financial statements confirm with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2020.

The time period of the information reported and indicate it is the most recent information available at the time the footnotes were prepared.

	<u>2020</u>
Cash and investments	\$18,826,974
Actuarial liabilities	(\$13,530,267)
Member's Equity	\$5,296,707

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

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Certain Village 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 health care and survivor and disability benefits. The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the Village contributed an amount equaling 14 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2020.

Ohio Police and Fire Retirement System

Certain Village's certified Fire Fighters and full-time Police Officers belong to the Ohio 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 health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25 percent of their wages. The Village contributed to OP&F an amount equal to 19.5 percent of full-time police members' wages and 24 percent of full-time fire fighters' wages. The Village has paid all contributions required through December 31, 2020.

Social Security

Several of the 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, 2020.

Village of Mount Gilead, Ohio
Morrow County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 8 – Postemployment Benefits

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

Note 9 – Debt

Debt outstanding at December 31, 2020, was as follows:

	Principal	Interest Rate
OWDA Sanitary Sewer Improvements-5497	\$44,121	1%
OWDA Storm Sewer - 5403	\$43,944	1%
OWDA WWTP - 4441	\$2,477,990	23%
Total	\$2,566,055	

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

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

The Ohio Water Development Authority (OWDA) loan (4441) related to water and sewer plant improvements. The OWDA approved \$6,975,512 in loans to the Village for this project. The Village will repay the loans in semiannual installments of \$178,529, including interest, over 20 years. Water and sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements. The Village’s taxing authority collateralized the bonds.

Village of Mount Gilead, Ohio
Morrow County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Amortization

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

Year Ending December 31:	OWDA WWTP	Sanitary Sewer Improvements	Sanitary Sewer Improvements Phase 1
2021	\$357,059	\$4,437	\$4,419
2022	357,059	4,437	4,419
2023	357,059	4,437	4,419
2024	357,059	4,437	4,419
2025	357,059	4,437	4,419
2026-2030	714,118	22,185	22,095
2031	0	2,218	2,210
Total	<u>\$2,499,413</u>	<u>\$46,588</u>	<u>\$46,400</u>

Note 10 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Village. The Village’s investment portfolio fluctuates with market conditions, and due to market volatility, the amount of gains or losses that will be realized in subsequent periods, if any, cannot be determined. In addition, the impact on the Village’s future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

During 2020, the Village received CARES Act funding. The total amount funded, \$397,338 was used by the Village. These amounts are reflected as general government expenditures in the Coronavirus Relief Special Revenue Fund on the accompanying financial statements.

Note 11 – Fund Balances

The fund balance of special revenue and capital projects fund is either restricted or committed. These restricted and committed amounts in the special revenue and capital projects funds would include the outstanding encumbrances if applicable. In the general fund, outstanding encumbrances are considered assigned if applicable. However, as of December 31, 2020, the Village had no outstanding encumbrances.

OHIO AUDITOR OF STATE KEITH FABER



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(800) 282-0370

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

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

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by 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 years ended December 31, 2021 and 2020 and the related notes to the financial statements of the Village of Mount Gilead, Morrow County, (the Village) and have issued our report thereon dated March 9, 2023, wherein we noted the Village followed financial reporting provisions Ohio Rev. Code § 117.38 and Ohio Admin. Code 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.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Village's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purposes of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings as item 2021-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

March 9, 2023

**VILLAGE OF MOUNT GILEAD
MORROW COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2021 AND 2020**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2021-001

Financial Reporting – Material Weakness

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in AU-C Section 210 paragraphs .A14 & .A16.

We noted the following errors in financial statement presentation:

- Beginning balance for the General Fund and combined Special Revenue Funds did not agree to prior year for 2020 in the amount of \$39,714 due to audit adjustments from the 2019 audit period not being posted to the system. An additional offsetting adjustment was made to recognize \$39,714 in General Government expenses in the General Fund instead of the combined Special Revenue Funds in the amount of \$39,714.
- Intergovernmental revenue for the Coronavirus Relief Fund and the Local Fiscal Relief Fund for fiscal years 2021 and 2020 were incorrectly classified as miscellaneous revenue in the amounts of \$192,637 and \$397,338, respectively.
- Miscellaneous revenue and Security of Persons and Property expenses within the General Fund and the Coronavirus Relief Fund were reduced by \$16,962 and \$107,076, respectively, for the fiscal year 2020.
- Security of Persons and Property Expenses in the Local Fiscal Relief Fund were reclassified from General Government expenses in the amount of \$124,038 for the fiscal year 2020.
- Mayor's Court custodial revenue and disbursements in the amounts of \$26,173 were incorrectly posted to the General Fund in 2020.
- Mayor's Court custodial expenses in amount of \$32,742 were incorrectly allocated to incorrect expense line items during fiscal year 2021.
- Note disclosure for GASB 54 fund balance presentation was not included in the initial footnote presentation for fiscal years 2020 and 2021.
- Debt principal balance as of 12/31/2021 was understated by \$179,890 within the footnote presentation.

The Village has recorded these adjustments to the financial statements and accounting records. In addition, the reclassifications have been recorded to the financial statements.

By not ensuring proper financial statement presentation, the Village cannot report accurate financial activity to its constituents.

The Village should implement additional procedures to provide assurance over the completeness and accuracy of information recorded in their accounting records and reported within the financial statements and footnote disclosures. Such procedures may include additional reviews of the financial statements including the notes to the financial statements by a member of management and an analytical comparison of the current year annual report to the prior year annual report for obvious errors or omissions.

Officials' Response

We did not receive a response from Officials to this finding.

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Village of Mount Gilead

72 West High Street • Mount Gilead, Ohio 43338

Cathy Davis
Fiscal Officer
 (419) 946-4861

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

DECEMBER 31, 2021 AND 2020

Finding Number	Finding Summary	Status	Additional Information
2019-001	Ohio Rev. Code § 5705.39 – Material Weakness/Noncompliance	Fully Corrected	None
2019-002 2019-004	Ohio Rev. Code § 5705.36 – Material Weakness/Noncompliance	Fully Corrected	None
2016-001 2017-001 2019-003	Financial Statement Presentation – Material Weakness	Not Corrected	Reported as Finding 2021-001

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OHIO AUDITOR OF STATE KEITH FABER



VILLAGE OF MOUNT GILEAD

MORROW COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 4/4/2023

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