

VILLAGE OF GNADENHUTTEN

AUDIT REPORT

JANUARY 1, 2016 - DECEMBER 31, 2017



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the Village of Gnadenhutten, Tuscarawas County, prepared by Wilson, Phillips & Agin, CPA's, Inc., for the audit period January 1, 2016 through December 31, 2017. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

June 26, 2018

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**VILLAGE OF GNADENHUTTEN
TUSCARAWAS COUNTY
JANUARY 1, 2016 - DECEMBER 31, 2017**

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

INDEPENDENT AUDITORS' REPORT

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type and related notes of the Village of Gnadenhutzen, Tuscarawas County, as of and for the years ended December 31, 2017 and 2016.

Management's Responsibility For the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village of Gnadenhutten as of December 31, 2017 and 2016, or changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Gnadenhutten, Tuscarawas County as of December 31, 2017 and 2016, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated April 6, 2018, on our consideration of the Village of Gnadenhutten's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

Wilson, Phillips & Agin, CPA's, Inc.

Zanesville, Ohio

April 6, 2018

**VILLAGE OF GNADENHUTTEN
TUSCARAWAS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash Receipts:				
Property Taxes	\$ 94,852	\$ 32,244	\$ -	\$ 127,096
Municipal Income Tax	-	320,801	-	320,801
Intergovernmental	49,682	69,143	-	118,825
Special Assessments	533	-	8,051	8,584
Charges for Services	80,449	-	-	80,449
Fines, Licenses, Permits	115	878	-	993
Earnings on Investments	2,638	-	-	2,638
Miscellaneous	16,017	186	-	16,203
Total Cash Receipts	<u>244,286</u>	<u>423,252</u>	<u>8,051</u>	<u>675,589</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	68,466	126,837	-	195,303
Public Health	15,707	-	-	15,707
Leisure Time Activities	8,965	-	-	8,965
Community Environment	1,385	-	-	1,385
Basic Utility Services	202,852	-	-	202,852
Transportation	46,369	69,557	-	115,926
General Government	44,412	15,074	-	59,486
Debt Service:				
Principal Retirement	6,883	13,632	-	20,515
Interest and Fiscal Charges	196	15	-	211
Capital Outlay	-	49,995	299,382	349,377
Total Cash Disbursements	<u>395,235</u>	<u>275,110</u>	<u>299,382</u>	<u>969,727</u>
Excess of Receipts Over (Under) Disbursements	(150,949)	148,142	(291,331)	(294,138)
Other Financing Receipts (Disbursements)				
Sale of Capital Assets	12,079	-	-	12,079
Debt Proceeds	-	49,995	160,506	210,501
Transfers - In	163,468	102,166	40,866	306,500
Transfers - Out	-	(306,500)	-	(306,500)
Other Financing Sources	300	-	-	300
Total Other Financing Receipts (Disbursements)	<u>175,847</u>	<u>(154,339)</u>	<u>201,372</u>	<u>222,880</u>
Extraordinary Item	17,693	-	-	17,693
Net Change in Fund Cash Balance	42,591	(6,197)	(89,959)	(53,565)
Fund Cash Balances, January 1	<u>147,575</u>	<u>103,028</u>	<u>120,707</u>	<u>371,310</u>
Fund Cash Balances, December 31				
Restricted	-	96,831	30,748	127,579
Unassigned (Deficit)	190,166	-	-	190,166
Fund Cash Balances, December 31	<u>\$ 190,166</u>	<u>\$ 96,831</u>	<u>\$ 30,748</u>	<u>\$ 317,745</u>

See notes to financial statements.

**VILLAGE OF GNADENHUTTEN
TUSCARAWAS COUNTY**

**FINANCIAL STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Enterprise
Operating Cash Receipts:	
Charges for Services	\$ 625,122
Miscellaneous	234
Total Operating Cash Receipts:	625,356
Operating Cash Disbursements:	
Personal Services	54,875
Fringe Benefits	20,531
Contractual Services	123,991
Supplies and Materials	98,216
Other	400
Total Operating Cash Disbursements	298,013
Operating Income	327,343
Non-Operating Receipts/(Disbursements)	
Capital Outlay	(5,864)
Principal Retirement	(206,444)
Interest and Other Fiscal Charges	(3,887)
Total Non-Operating Receipts/(Disbursements)	(216,195)
Net Change in Cash Fund Balance	111,148
Fund Cash Balances, January 1	351,248
Fund Cash Balances, December 31	\$ 462,396

See notes to financial statements.

**VILLAGE OF GNADENHUTTEN
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

1. REPORTING ENTITY

Description of the Entity

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

Fund Accounting

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

Governmental Funds

General Fund

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

Special Revenue Funds

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

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

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

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

**VILLAGE OF GNADENHUTTEN
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Projects Funds

These funds account for and report financial resources that are restricted, committed or assigned receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust fund to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant capital project funds:

Capital Improvement Fund – This fund receives income tax money for capital projects.

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

Enterprise Funds

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

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

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

Basis of Accounting

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

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

Budgetary Process

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

Appropriations

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

**VILLAGE OF GNADENHUTTEN
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimated Resources

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

Encumbrances

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

A summary of 2017 budgetary activity appears in Note 3.

Deposits and Investments

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

Property, Plant, and Equipment

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

Accumulated Leave

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

Fund Balance

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

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

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

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

**VILLAGE OF GNADENHUTTEN
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

3. BUDGETARY ACTIVITY

Budgetary activity for the year ended December 31, 2017 is as follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 350,000	\$ 437,826	\$ 87,826
Special Revenue	464,000	575,413	111,413
Capital Projects	335,000	209,423	(125,577)
Enterprise	491,372	625,356	133,984
Total	<u>\$ 1,640,372</u>	<u>\$ 1,848,018</u>	<u>\$ 207,646</u>

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 450,000	\$ 395,235	\$ 54,765
Special Revenue	497,900	581,610	(83,710)
Capital Projects	436,000	299,382	136,618
Enterprise	765,000	514,208	250,792
Total	<u>\$ 2,148,900</u>	<u>\$ 1,790,435</u>	<u>\$ 358,465</u>

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

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

**VILLAGE OF GNADENHUTTEN
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

4. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2017
Demand Deposits	\$ 613,318
Certificate of Deposit	166,823
Total Deposits	<u>\$ 780,141</u>

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

5. PROPERTY TAX

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

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

6. LOCAL INCOME TAX

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

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

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

7. RISK MANAGEMENT

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

The Village insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. York Insurance Services Group, Inc. (York) functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by York. Member governments pay

**VILLAGE OF GNADENHUTTEN
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

7. RISK MANAGEMENT (Continued)

annual contributions to fund PEP. PEP pays judgements, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2016, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

PEP's financial statements (audited by other auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2016.

	2016
Assets	\$42,182,281
Liabilities	(13,396,700)
Retained Earnings	\$28,785,581

At December 31, 2016 the liabilities above include approximately \$12.0 million of estimated incurred claims payable. The assets above also include approximately \$11.5 million of unpaid claims to be billed. The Pool's membership increased to 520 members in 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, the Village's share of these unpaid claims collectible in future years is approximately \$18,189.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

2017 Contributions to PEP
\$28,871

After completing one year of membership, a member may withdraw on the anniversary of the date of joining PEP if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

**VILLAGE OF GNADENHUTTEN
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

8. DEFINED BENEFIT PENSION PLAN

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. For 2017, OPERS members contributed 10.0% of their gross wages and the Village contributed an amount equal to 14.0% of participant's gross salaries. The Village has paid all contributions required through December 31, 2017.

Ohio Police and Fire Retirement

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

The Ohio Revised Code also prescribes contribution rates. OP&F participants, in 2017, contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.50% of full-time police officer's wages. The Village contributed to OP&F an amount equal to 24.0% of certified fire fighter wages. The Village has paid all contributions required through December 31, 2017.

Social Security

Several Village employees contributed to social security. This plan provides retirement benefits, including survivor and disability benefits to participants.

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

9. POSTEMPLOYMENT BENEFITS

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

**VILLAGE OF GNADENHUTTEN
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

10. DEBT

Debt outstanding at December 31, 2017 was as follows:

	2017 Principal	%
Ohio Public Works Commission Loan CN27T	\$ 38,750	0.00
Ohio Public Works Commission Loan CN16C	20,436	0.00
Ohio Water Development Authority Loan #3185	43,155	6.13
Ohio Water Development Authority Loan #4157	1,316,938	0.00
Ohio Water Development Authority Loan #7338	204,024	0.00
Total	\$ 1,623,303	

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

The Ohio Water Development Authority (OWDA) loan #4157 was awarded for a WWTP Improvement project. The loan is repaid semi-annually from the Sewer Upgrade Debt Service Fund. The loan is collateralized by the user fees.

The Ohio Water Development Authority (OWDA) loan #7338 was awarded for Preliminary Treatment Upgrade Planning and Design. The amount approved was \$481,680 and the Village has drawn \$228,108 as of December 31, 2017. There is no amortization schedule established for this loan. It will be repaid from the Sewer Upgrade Debt Service Fund.

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

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

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

Year Ending December 31	OWDA #3185	OWDA #4157	OPWC #CN16C	OPWC #CN27T
2018	\$ 6,367	\$ 175,592	\$ 10,218	\$ 2,500
2019	6,468	175,592	10,218	2,500
2020	6,576	175,592	-	2,500
2021	6,691	175,592	-	2,500
2022	6,812	175,592	-	2,500
2023-2027	17,612	438,978	-	12,500
2028-2032	-	-	-	12,500
2033-2037	-	-	-	1,250
	\$ 50,526	\$1,316,938	\$ 10,218	\$ 38,750

**VILLAGE OF GNADENHUTTEN
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

11. PUBLIC ENTITY RISK POOL

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

12. JOINTLY GOVERNED ORGANIZATION

Gnadenhutten-Clay Union Cemetery

The cemetery is a jointly governed organization under Ohio Revised Code Section 729.27, and is directed by an appointed three-member board. The Village of Gnadenhutten and Clay Township each appoint one member to the board. The third member is a citizen appointed by the other two members. The Village funding provides burial services and operations and maintenance of the cemetery. The cemetery reimburses the Village for funding provided. At December 31, 2017, the Cemetery was paid in full.

Community Improvement Corporation of Tuscarawas County

The Corporation is operated by Tuscarawas County, New Philadelphia, Dover, Uhrichsville, Dennison, Strasburg, Sugar Creek, and Gnadenhutten. It is controlled by 25 trustees consisting of the three county commissioners, the mayor of each participating city and 15 self-elected trustees. The board exercises total control over the operations of the corporation including budgeting, appropriating, contracting and designating management. Each participant's degree of control is limited to representation on the board. During 2017, no monies were paid to the Corporation by the Village.

Tuscarawas County Regional Planning Commission (the Commission)

The Commission is a statutorily created political subdivision of the State. The Commission is jointly governed among Tuscarawas County municipalities and townships. Each member's control over the operation of the Commission is limited to its representation on the board. The Commission makes studies, maps, plans, recommendation and reports concerning the physical, Environmental, social, economical and governmental characteristics, functions and services of the County. In 2017, \$206 was paid to the Commission by the Village for each year.

**VILLAGE OF GNADENHUTTEN
TUSCARAWAS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash Receipts:				
Property Taxes	\$ 97,479	\$ 33,113	\$ -	\$ 130,592
Municipal Income Tax	-	394,728	-	394,728
Intergovernmental	74,028	62,850	-	136,878
Charges for Services	82,963	-	-	82,963
Fines, Licenses, Permits	634	494	-	1,128
Earnings on Investments	1,010	-	-	1,010
Miscellaneous	8,381	7,579	865	16,825
Total Cash Receipts	<u>264,495</u>	<u>498,764</u>	<u>865</u>	<u>764,124</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	48,581	98,701	-	147,282
Public Health	18,588	-	-	18,588
Leisure Time Activities	19,290	-	-	19,290
Community Environment	1,193	-	-	1,193
Basic Utility Services	198,558	-	-	198,558
Transportation	79,336	68,519	-	147,855
General Government	60,598	24,648	-	85,246
Debt Service:				
Principal Retirement	7,673	4,617	-	12,290
Interest and Fiscal Charges	233	227	-	460
Capital Outlay	-	-	70,648	70,648
Total Cash Disbursements	<u>434,050</u>	<u>196,712</u>	<u>70,648</u>	<u>701,410</u>
Excess of Receipts Over (Under) Disbursements	(169,555)	302,052	(69,783)	62,714
Other Financing Receipts (Disbursements)				
Sale of Capital Assets	1,005	-	-	1,005
Debt Proceeds	11,500	-	67,602	79,102
Transfers - In	201,066	125,667	50,282	377,015
Transfers - Out	(15)	(377,000)	-	(377,015)
Other Financing Sources	130	-	-	130
Total Financing Receipts (Disbursements)	<u>213,686</u>	<u>(251,333)</u>	<u>117,884</u>	<u>80,237</u>
Extraordinary Item	6,273	-	-	6,273
Net Change in Fund Cash Balance	50,404	50,719	48,101	149,224
Fund Cash Balances, January 1	<u>97,171</u>	<u>52,309</u>	<u>72,606</u>	<u>222,086</u>
Fund Cash Balances, December 31				
Restricted	-	103,028	120,707	223,735
Unassigned (Deficit)	147,575	-	-	147,575
Fund Cash Balances, December 31	<u>\$ 147,575</u>	<u>\$ 103,028</u>	<u>\$ 120,707</u>	<u>\$ 371,310</u>

See notes to financial statements.

**VILLAGE OF GNADENHUTTEN
TUSCARAWAS COUNTY**

**FINANCIAL STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Enterprise
Operating Cash Receipts:	
Charges for Services	\$ 581,415
Miscellaneous	8,237
Total Operating Cash Receipts:	589,652
 Operating Cash Disbursements:	
Personal Services	43,068
Fringe Benefits	7,677
Contractual Services	118,890
Supplies and Materials	188,235
Other	300
Total Operating Cash Disbursements	358,170
 Operating Income	231,482
 Non-Operating Receipts/(Disbursements)	
Capital Outlay	(345)
Principal Retirement	(197,855)
Interest and Other Fiscal Charges	(1,584)
Total Non-Operating Receipts/(Disbursements)	(199,784)
 Net Change in Cash Fund Balance	31,698
 Fund Cash Balances, January 1	319,550
 Fund Cash Balances, December 31	\$ 351,248

See notes to financial statements.

**VILLAGE OF GNADENHUTTEN
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016**

1. REPORTING ENTITY

Description of the Entity

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

Fund Accounting

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

Governmental Funds

General Fund

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

Special Revenue Funds

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

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

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

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

**VILLAGE OF GNADENHUTTEN
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Projects Funds

These funds account for and report financial resources that are restricted, committed or assigned receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust fund to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant capital project funds:

Capital Improvement Fund – This fund receives income tax money for capital projects.

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

Enterprise Funds

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

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

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

Basis of Accounting

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

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

Budgetary Process

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

Appropriations

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

**VILLAGE OF GNADENHUTTEN
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimated Resources

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

Encumbrances

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

A summary of 2016 budgetary activity appears in Note 3.

Deposits and Investments

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

Property, Plant, and Equipment

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

Accumulated Leave

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

Fund Balance

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

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

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

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

**VILLAGE OF GNADENHUTTEN
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

3. BUDGETARY ACTIVITY

Budgetary activity for the year ended December 31, 2016 is as follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 300,000	\$ 484,469	\$ 184,469
Special Revenue	380,000	624,431	244,431
Capital Projects	35,000	118,749	83,749
Enterprise	451,372	589,652	138,280
Total	<u>\$ 1,166,372</u>	<u>\$ 1,817,301</u>	<u>\$ 650,929</u>

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 365,000	\$ 434,065	\$ (69,065)
Special Revenue	393,955	573,712	(179,757)
Capital Projects	500,000	70,648	429,352
Enterprise	573,634	557,954	15,680
Total	<u>\$ 1,832,589</u>	<u>\$ 1,636,379</u>	<u>\$ 196,210</u>

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

Contrary to ORC 5705.39, the Village's Other Capital Projects fund had appropriations greater than estimated resources.

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

**VILLAGE OF GNADENHUTTEN
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016**

4. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2016
Demand Deposits	\$ 556,788
Certificate of Deposit	165,770
Total Deposits	<u>\$ 722,558</u>

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

5. PROPERTY TAX

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

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

6. LOCAL INCOME TAX

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

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

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

7. RISK MANAGEMENT

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

The Village insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. York Insurance Services Group, Inc. (York) functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by York. Member governments pay

**VILLAGE OF GNADENHUTTEN
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016**

7. RISK MANAGEMENT (Continued)

annual contributions to fund PEP. PEP pays judgements, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2016, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

PEP's financial statements (audited by other auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2016.

	2016
Assets	\$42,182,281
Liabilities	(13,396,700)
Retained Earnings	\$28,785,581

At December 31, 2016 the liabilities above include approximately \$12.0 million of estimated incurred claims payable. The assets above also include approximately \$11.5 million of unpaid claims to be billed. The Pool's membership increased to 520 members in 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, the Village's share of these unpaid claims collectible in future years is approximately \$17,732.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

2016 Contributions to PEP
\$28,146

After completing one year of membership, a member may withdraw on the anniversary of the date of joining PEP if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

**VILLAGE OF GNADENHUTTEN
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016**

8. DEFINED BENEFIT PENSION PLAN

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. For 2016, OPERS members contributed 10.0% of their gross wages and the Village contributed an amount equal to 14.0% of participant's gross salaries. The Village has paid all contributions required through December 31, 2016.

Ohio Police and Fire Retirement

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

The Ohio Revised Code also prescribes contribution rates. OP&F participants, in 2016, contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.50% of full-time police officer's wages. The Village contributed to OP&F an amount equal to 24.0% of certified fire fighter wages. The Village has paid all contributions required through December 31, 2016.

Social Security

Several Village employees contributed to social security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2016.

9. POSTEMPLOYMENT BENEFITS

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

**VILLAGE OF GNADENHUTTEN
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016**

10. DEBT

Debt outstanding at December 31, 2016 was as follows:

	2016 Principal	%
First National Bank Cruiser Loan	\$ 2,387	3.25
First National Bank Chipper Loan	6,883	3.49
Ohio Public Works Commission Loan CN16C	30,653	0.00
Ohio Water Development Authority Loan #3185	49,677	6.13
Ohio Water Development Authority Loan #4157	1,482,529	0.00
Ohio Water Development Authority Loan #7338	67,602	0.00
Total	\$ 1,639,731	

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

The Ohio Water Development Authority (OWDA) loan #4157 was awarded for a WWTP Improvement project. The loan is repaid semi-annually from the Sewer Upgrade Debt Service Fund. The loan is collateralized by the user fees.

The Ohio Water Development Authority (OWDA) loan #7338 was awarded for Preliminary Treatment Upgrade Planning and Design. The amount approved was \$481,680 and the Village has drawn \$67,602 as of December 31, 2016. There is no amortization schedule established for this loan. It will be repaid from the Sewer Upgrade Debt Service Fund.

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

In 2014, the Village borrowed \$25,056 to purchase a police cruiser. Payments are made monthly, from the Police Fund, with an interest rate of 3.25%. The cruiser collateralizes the loan.

In 2016, the Village borrowed \$11,500 to purchase a chipper. Payments are made monthly, from the General Fund, with an interest rate of 3.49%. The chipper collateralizes the loan.

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

Year Ending December 31	OWDA #3185	OWDA #4157	OPWC #CN16C	Cruiser Loan	Chipper Loan
2017	\$ 9,373	\$ 175,592	\$ 10,218	\$ 2,588	\$ 7,079
2018	6,367	175,592	10,218	-	-
2019	6,468	175,592	10,217	-	-
2020	6,576	175,592	-	-	-
2021	6,691	175,592	-	-	-
2022-2026	24,424	604,569	-	-	-
	\$ 59,899	\$1,482,529	\$ 30,653	\$ 2,588	\$ 7,079

**VILLAGE OF GNADENHUTTEN
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016**

11. PUBLIC ENTITY RISK POOL

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

12. JOINTLY GOVERNED ORGANIZATION

Gnadenhutten-Clay Union Cemetery

The cemetery is a jointly governed organization under Ohio Revised Code Section 729.27, and is directed by an appointed three-member board. The Village of Gnadenhutten and Clay Township each appoint one member to the board. The third member is a citizen appointed by the other two members. The Village funding provides burial services and operations and maintenance of the cemetery. The cemetery reimburses the Village for funding provided. At December 31, 2016, the Cemetery was paid in full.

Community Improvement Corporation of Tuscarawas County

The Corporation is operated by Tuscarawas County, New Philadelphia, Dover, Uhrichsville, Dennison, Strasburg, Sugar Creek, and Gnadenhutten. It is controlled by 25 trustees consisting of the three county commissioners, the mayor of each participating city and 15 self-elected trustees. The board exercises total control over the operations of the corporation including budgeting, appropriating, contracting and designating management. Each participant's degree of control is limited to representation on the board. During 2016, no monies were paid to the Corporation by the Village.

Tuscarawas County Regional Planning Commission (the Commission)

The Commission is a statutorily created political subdivision of the State. The Commission is jointly governed among Tuscarawas County municipalities and townships. Each member's control over the operation of the Commission is limited to its representation on the board. The Commission makes studies, maps, plans, recommendation and reports concerning the physical, Environmental, social, economical and governmental characteristics, functions and services of the County. In 2016, \$206 was paid to the Commission by the Village for each year.

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

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

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

To the Village Council:

We have audited, in accordance with auditing standards general accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Village of Gnadenhutten, Tuscarawas County as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements and have issued our report thereon dated April 6, 2018, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider Findings 2017-002 and 2017-004 described in the accompanying schedule of findings to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Village of Gnadenhutten's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed three instances of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as items 2017-001, 2017-003 and 2017-004.

Purpose of this Report

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

Wilson, Phillips & Agin, CPA's, Inc.
Zanesville, Ohio
April 6, 2018

**VILLAGE OF GNADENHUTTEN
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016**

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

FINDING NUMBER 2017-001

Noncompliance – Certification of Funds

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

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

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

**VILLAGE OF GNADENHUTTEN
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016**

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

FINDING NUMBER 2017-001 (Continued)

The Village did not certify the availability of funds prior to the purchase commitment for 74% of expenditures tested for 2017 and 2016. For these item the Village also did not prepare blanket certificates, super blankets certificates or then and now certificates in accordance with the Ohio Revised Code. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

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

Client Response: We have no response from the client.

FINDING 2017-002

Material Weakness – Financial Reporting

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

The Village Officer's Handbook (Revised march 2017) provides suggested accounts classifications. These accounts classify receipts by fund and source (Taxes or charges for services, for example) and classify disbursements by fund, program (general government, for example) or object (personal services, for example). Using these classifications and the aforementioned accounting records will provide the Village with information required to monitor compliance with the budget, and prepare annual reports in the format required by the Auditor of State.

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

Reclassifications:

- In 2017, a reclassification was made from Property and Other Taxes to Intergovernmental in the amount of \$13,320 for rollbacks not posted correctly in the General Fund. Also a reclassification was made from General Government to Principal Retirement in the amount of \$6,883 and to Interest and Fiscal Charges in the amount of \$196 for debt payments in the General Fund.
- In 2017, a reclassification was made from Security of Persons in the amount of \$2,402 and from Transportation in the amount of \$11,245 to Principal Retirement in the amount of \$13,632 and to Interest and Fiscal Charges in the amount of \$15 for debt payments in the Special Revenue Fund.

**VILLAGE OF GNADENHUTTEN
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016**

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

FINDING 2017-002 (Continued)

Reclassifications

- In 2017, a reclassification was made from Special Assessment to Debt Proceeds in the amount of \$160,506 in the Capital Projects Fund for loan draws not correctly posted.
- In 2017, a reclassification was made from Interest and Fiscal Charges in the amount of \$212,278 to Principal Retirement in the amount of \$206,444 and \$5,834 to Capital Outlay for Debt payment in the Enterprise Funds.
- In 2016, a reclassification was made from Property and Other Taxes to Intergovernmental in the amount of \$6,715 for rollbacks not posted correctly in the General Fund. Also a reclassification was made from General Government to Principal Retirement in the amount of \$7,673 and to Interest and Fiscal Charges in the amount of \$233 for debt payments in the General Fund. Also a reclassification was made from Other Financing Sources to Debt Proceeds for the Chipper loan in the General Fund.
- In 2016, a reclassification was made from Security of Persons in the amount of \$4,844 to Principal Retirement in the amount of \$4,617 and to Interest and Fiscal Charges in the amount of \$227 for debt payments in the Special Revenue Fund.
- In 2016, a reclassification was made from Special Assessment to Debt Proceeds in the amount of \$52,876 in the Capital Projects Fund for loan draws not correctly posted. Also an adjustment of \$14,726 was posted to Capital Outlay and Debt Proceeds for capitalized interest.
- In 2016, a reclassification was made from Interest and Fiscal Charges in the amount of \$191,071 and from Capital Outlay in the amount of \$6,784 to Principal Retirement in the amount of \$197,855 for Debt payment in the Enterprise Funds.

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

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

Client Response: We received no response from the client.

**VILLAGE OF GNADENHUTTEN
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016**

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

FINDING NUMBER 2017-003

Noncompliance – Appropriations Exceeding Estimated Resources

Ohio Revised Code Section 5705.39 provides that total appropriations from each fund shall not exceed the total of the estimated revenues available for expenditure as certified by the budget commission. In addition, no appropriation measure is to become effective until the County Auditor files a certificate that the total appropriations from each fund do not exceed the total estimate or amended official estimate.

Fund	Year	Estimated Resources	Appropriations	Variance
Cap. Improvement	2017	\$ -	\$ 400,000	\$ (400,000)

We recommend Council review estimated resources versus appropriations throughout the year. Also, Council should not approve appropriations greater than estimated resources. This could result in the Village spending more money than it receives and could cause possible negative fund balances.

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

FINDING NUMBER 2017-004

Material Weakness/Noncompliance – Expenditures Exceeding Appropriations

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

Fund	Year	Appropriation Authority	Expenditures	Variance
Fire Protection Fund	2017	37,500	38,450	(950)
Income Tax	2017	250,000	321,574	(71,574)
General Fund	2016	365,000	434,065	(69,065)
Income Tax	2016	250,000	401,646	(151,646)

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

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

**VILLAGE OF GNADENHUTTEN
TUSCARAWAS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

Finding Number	Finding Summary	Fully Corrected	Not Corrected, Partially Corrected Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2015-001	Noncompliance ORC 5705.41(D) prior certification not made	No	Not Corrected; Reported as Finding 2017-001
2015-002	Material Weakness Financial Reporting	No	Not Corrected; Reported as Finding 2017-002
2015-003	Noncompliance ORC 5705.39 Appropriations exceeding estimated resources	No	Not Corrected; Reported as Finding 2017-003
2015-004	Noncompliance/Material Weakness ORC 5705.41(B) expenditures exceed appropriations	No	Not Corrected; Reported as Finding 2017-004

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Dave Yost • Auditor of State

VILLAGE OF GNADENHUTTEN

TUSCARAWAS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JULY 10, 2018