



OHIO AUDITOR OF STATE  
**KEITH FABER**





VILLAGE OF GNADENHUTTEN  
TUSCARWAS COUNTY

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# OHIO AUDITOR OF STATE KEITH FABER



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## INDEPENDENT AUDITOR'S REPORT

Village of Gnadenhutten  
Tuscarawas County  
131 S. Walnut Street  
P.O. Box 877  
Gnadenhutten, Ohio 44629

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 Gnadenhutten, Tuscarawas County, Ohio (the Village), which comprises the cash balances, receipts and disbursements for each governmental and proprietary fund type 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 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.

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Efficient • Effective • Transparent

***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 16 to the financial statements, during 2020, the Village adopted a change in accounting principle and removed the fund balance classifications from the Combined Statement of Receipts, Disbursements and Changes in Fund Balance (Regulatory Cash Basis) – All Governmental Fund Types. Our opinion is not modified with respect to 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 April 26, 2024, 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

April 26, 2024

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**Village Gnadenhutten, Ohio**  
*Tuscarawas 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
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$117,881	\$16,415	\$0	\$134,296
Municipal Income Tax	378,594	0	0	378,594
Intergovernmental	40,951	162,823	0	203,774
Charges for Services	89,976	0	0	89,976
Fines, Licenses and Permits	473	1,170	0	1,643
Earnings on Investments	1,982	0	0	1,982
Miscellaneous	32,536	785	0	33,321
<i>Total Cash Receipts</i>	<u>662,393</u>	<u>181,193</u>	<u>0</u>	<u>843,586</u>
<b>Cash Disbursements</b>				
Current:				
Security of Persons and Property	6,791	136,502	0	143,293
Public Health Services	16,038	0	0	16,038
Leisure Time Activities	16,966	0	0	16,966
Community Environment	1,402	0	0	1,402
Basic Utility Services	258,630	0	0	258,630
Transportation	127,077	76,542	0	203,619
General Government	77,089	0	0	77,089
Capital Outlay	0	0	43,637	43,637
<i>Total Cash Disbursements</i>	<u>503,993</u>	<u>213,044</u>	<u>43,637</u>	<u>760,674</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>158,400</u>	<u>(31,851)</u>	<u>(43,637)</u>	<u>82,912</u>
<b>Other Financing Receipts (Disbursements)</b>				
Sale of Capital Assets	559	0	0	559
Transfers In	0	118,336	47,332	165,668
Transfers Out	(165,668)	0	0	(165,668)
Other Financing Sources	2,086	0	0	2,086
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(163,023)</u>	<u>118,336</u>	<u>47,332</u>	<u>2,645</u>
Extraordinary Item	4,548	0	0	4,548
<i>Net Change in Fund Cash Balances</i>	(75)	86,485	3,695	90,105
<i>Fund Cash Balances, January 1</i>	<u>275,811</u>	<u>247,845</u>	<u>10,983</u>	<u>534,639</u>
<i>Fund Cash Balances, December 31</i>	<u>\$275,736</u>	<u>\$334,330</u>	<u>\$14,678</u>	<u>\$624,744</u>

*See accompanying notes to the basic financial statements*

**Village Gnadenhutten, Ohio**  
*Tuscarawas County*  
*Combined Statement of Receipts, Disbursements*  
*and Changes in Fund Balances (Regulatory Cash Basis)*  
*All Proprietary Fund Types*  
*For the Year Ended December 31, 2021*

	Enterprise
<b>Operating Cash Receipts</b>	
Charges for Services	\$641,535
Miscellaneous	1,654
	643,189
 <b>Operating Cash Disbursements</b>	
Personal Services	47,685
Employee Fringe Benefits	8,171
Contractual Services	207,553
Supplies and Materials	147,861
Other	200
	411,470
 <i>Total Operating Cash Receipts</i>	 643,189
 <i>Total Operating Cash Disbursements</i>	 411,470
 <i>Operating Income (Loss)</i>	 231,719
 <b>Non-Operating Receipts (Disbursements)</b>	
Other Debt Proceeds	77,050
Capital Outlay	(77,050)
Principal Retirement	(206,233)
Interest and Other Fiscal Charges	(1,314)
	(207,547)
 <i>Total Non-Operating Receipts (Disbursements)</i>	 (207,547)
 <i>Net Change in Fund Cash Balances</i>	 24,172
 <i>Fund Cash Balances, January 1</i>	 551,537
 <i>Fund Cash Balances, December 31</i>	 \$575,709

*See accompanying notes to the basic financial statements*

**VILLAGE OF GNADENHUTTEN  
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

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**Note 1 – Reporting Entity**

**Description of the Entity**

The constitution and laws of the State of Ohio established 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 services.

The Village participates in jointly governed organizations and a public entity risk pool. Notes 8 and 13 to the financial statements provide additional information for these entities.

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

**Note 2 – Summary of Significant Accounting Policies**

***Basis of Presentation***

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

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

***State and Local Fiscal Recovery Funds*** This fund received American Rescue Act funding of State and Local Fiscal Recovery funds.

**VILLAGE OF GNADENHUTTEN  
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

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**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 receives income tax money for capital projects via transfer.

**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 Operating Fund** The water fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village.

**Sewer Operating Fund** The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

**Sewer Upgrade & Debt Fund** The sewer upgrade and debt fund accounts for loan proceeds from the Ohio Water Development Authority restricted to the sewer upgrade project. A utility surcharge recorded in this fund will repay this loan.

***Basis of Accounting***

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (C). This basis is similar to the cash receipts and disbursements accounting basis. The 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 (C) permit.

***Budgetary Process***

The Ohio Revised Code requires that each fund 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.

**VILLAGE OF GNADENHUTTEN  
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

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**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 4.

**Deposits and Investments**

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

**Property, Plant, and Equipment**

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

**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. For regulatory purposes nonspendable fund balance includes unclaimed monies that are required to be held for five years before they may be utilized by the Village and the nonexpendable portion of the corpus in permanent funds.

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

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

**Assigned** Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. For regulatory purposes, assigned fund balance in the general fund is limited to encumbrances outstanding at year end.

**VILLAGE OF GNADENHUTTEN  
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

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

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

For regulatory purposes, limited disclosure related to fund balance is included in Note 15.

**Note 3 – Compliance**

Contrary to Ohio law, in 2021, the Village made expenditures without prior certification.

**Note 4 – Budgetary Activity**

Budgetary activity for the year ending December 31, 2021 follows:

2021 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$798,600	\$669,586	(\$129,014)
Special Revenue	223,101	299,529	76,428
Capital Projects	121,710	47,332	(74,378)
Enterprise	603,831	720,239	116,408
Total	\$1,747,242	\$1,736,686	(\$10,556)

2021 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$910,000	\$669,661	\$240,339
Special Revenue	333,000	263,190	69,810
Capital Projects	122,050	43,637	78,413
Enterprise	928,119	696,067	232,052
Total	\$2,293,169	\$1,672,555	\$620,614

**VILLAGE OF GNADENHUTTEN  
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

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**Note 5 – 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. The carrying amount of deposits at December 31 was as follows:

	<u>2021</u>
<i>Cash Management Pool:</i>	
Demand deposits	\$954,402
Certificates of deposit	246,051
Total deposits	<u>1,200,453</u>

***Deposits***

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

**Note 6 – 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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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.

**Note 7 – 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 designed to support general Village operations and remaining 20 percent is designed to support Capital Improvement Fund and 50 percent is designated to support the Village police department.

**VILLAGE OF GNADENHUTTEN  
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

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**Note 8 – Risk Management**

***Risk Pool Membership***

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

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

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31, 2021:

Cash and investments	\$ 41,996,850
Actuarial liabilities	\$14,974,099

**Note 9 – Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

Some of the Village's 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***

The Village's 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. The Village has paid all contributions required through December 31, 2021.



**VILLAGE OF GNADENHUTTEN  
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

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***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, 2021.

**Note 10 – 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.

**Note 11 – Debt**

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

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan #3185	\$22,566	6.13%
Ohio Water Development Authority Loan #4159	614,571	0.00%
Ohio Water Development Authority Loan #7338	361,649	0.00%
Ohio Water Development Authority Loan #9024	105,020	0.00%
Total	<u>\$1,103,806</u>	

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 Enterprise Fund. The loan is collateralized by user fees.

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

The Ohio Water Development Authority (OWDA) loan #7338 was awarded for a Preliminary Treatment Upgrade Planning and Design project. The amount approved was \$481,680 and the Village has drawn \$470,027 as of December 31, 2021. There is no amortization schedule established for this loan. It will be repaid from the Sewer Upgrade and Debt Service Enterprise Fund.

**VILLAGE OF GNADENHUTTEN  
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

The Ohio Water Development Authority (OWDA) loan #9024 was awarded for WWTP Improvements. The amount approved was \$118,000 and the Village has drawn the full amount as of December 31, 2021. There is no amortization schedule established for this loan. It will be repaid from the Sewer Upgrade and Debt Service Enterprise Fund.

***Amortization***

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

Year Ending December 31:	OWDA #3185	OWDA #4159
2022	6,812	175,592
2023	6,941	175,592
2024	7,078	175,592
2025	3,593	87,795
Total	<u>\$24,424</u>	<u>\$614,571</u>

**Note 12 – 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.

**Note 13 – Jointly Governed Organizations**

**Arrowhead Joint Fire District**

The Joint Fire District is a jointly governed organization under Ohio Revised Code Section 505.371 and is directed by an appointed five-member board of District Trustees. Two members are council members in the Village of Gnadenhutten as appointed by Village Council, two members are Trustees of Clay Township as appointed by the Township Trustees, and one member is a resident appointed by the Village Council and Township Trustees. The Board is responsible for the fire protection of the District. The Joint Fire District houses their equipment in a portion of the Village Hall for which it leases in the amount of \$2,500 annually.

**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, 2021, the Cemetery was paid in full.

**VILLAGE OF GNADENHUTTEN  
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

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**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 2021, 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, recommendations and reports concerning the physical, Environmental, social, economical and governmental characteristics, functions and services of the County. In 2021, \$206 was paid to the Commission by the Village for each year.

**Note 14 – 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. Ohio's state of emergency ended in June, 2021 while the national state of emergency continues. During 2021, the Village received State and Local Fiscal Recovery Funds. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Village. 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.

**Note 15 – Fund Balances**

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

The fund balance of special revenue funds is either restricted or committed. The fund balance of debt service funds and capital projects fund are restricted committed or assigned. The fund balance of permanent funds that is not part of the nonspendable corpus is either restricted or committed. These restricted, committed and assigned amounts in the special revenue, debt service, capital projects and permanent funds would include the outstanding encumbrances. In the general fund, outstanding encumbrances are considered assigned. The Village had \$50,146 of outstanding encumbrances in the Special Revenue Funds at December 31, 2021. No other funds had outstanding encumbrances at December 31, 2021.

**VILLAGE OF GNADENHUTTEN  
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

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**Note 16 – Contingent Liabilities**

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

**Note 17 – Subsequent Events**

In July 2022, the Village entered into a loan agreement with the Ohio Public Works Commission for the Walnut Street Paving Project in the amount of \$168,840. This loan has an interest rate of zero percent and maturity of January 30, 2039.

On December 15, 2022, the Village entered into a Promissory Note in the amount of \$35,340 with The First National Bank of Dennison for the purchase of a truck. This Note has an interest rate of 4.59 percent and a maturity of December 15, 2027.

On April 2023, the Village entered into a SIB Loan and Promissory Note through the Ohio Department of Transportation in the amount of \$616,300 for TAPS project.

On August 22, 2023, the Village issued \$1,521,00 in Sanitary Sewer System Revenue Bonds through the Rural Utilities Service, United States Department of Agriculture for waste water treatment plant improvements. These bonds carry an interest rate of 1.75 percent and a maturity of August 1, 2063.

On February 29, 2024, the Village entered into a Promissory Note in the amount of \$25,319 with The First National Bank of Dennison for the purchase of a front-end loader. This note has an interest rate of 6.5 percent and a maturity of February 28, 2029.

**Village Gnadenhutzen, Ohio**  
*Tuscarawas 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
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$108,358	\$14,918	\$0	\$123,276
Municipal Income Tax	386,612	0	0	386,612
Intergovernmental	48,426	199,948	0	248,374
Special Assessments	436	0	0	436
Charges for Services	84,340	0	0	84,340
Fines, Licenses and Permits	1,375	658	0	2,033
Earnings on Investments	3,665	0	0	3,665
Miscellaneous	27,504	3,590	0	31,094
<i>Total Cash Receipts</i>	<u>660,716</u>	<u>219,114</u>	<u>0</u>	<u>879,830</u>
<b>Cash Disbursements</b>				
Current:				
Security of Persons and Property	6,499	177,208	0	183,707
Public Health Services	15,488	0	0	15,488
Leisure Time Activities	7,864	0	0	7,864
Community Environment	1,287	0	0	1,287
Basic Utility Services	246,813	0	0	246,813
Transportation	101,922	65,674	0	167,596
General Government	85,438	322	0	85,760
Capital Outlay	0	0	70,737	70,737
Debt Service:				
Principal Retirement	0	19,000	0	19,000
<i>Total Cash Disbursements</i>	<u>465,311</u>	<u>262,204</u>	<u>70,737</u>	<u>798,252</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>195,405</u>	<u>(43,090)</u>	<u>(70,737)</u>	<u>81,578</u>
<b>Other Financing Receipts (Disbursements)</b>				
Sale of Capital Assets	560	0	0	560
Transfers In	0	167,481	48,933	216,414
Transfers Out	(171,266)	(45,148)	0	(216,414)
Other Financing Sources	6,581	0	0	6,581
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(164,125)</u>	<u>122,333</u>	<u>48,933</u>	<u>7,141</u>
Extraordinary Item	19,013	0	0	19,013
<i>Net Change in Fund Cash Balances</i>	50,293	79,243	(21,804)	107,732
<i>Fund Cash Balances, January 1, Restated (Note 17)</i>	<u>225,518</u>	<u>168,602</u>	<u>32,787</u>	<u>426,907</u>
<i>Fund Cash Balances, December 31</i>	<u>\$275,811</u>	<u>\$247,845</u>	<u>\$10,983</u>	<u>\$534,639</u>

*See accompanying notes to the basic financial statements*

**Village Gnadenhutten, Ohio**  
*Tuscarawas County*  
*Combined Statement of Receipts, Disbursements*  
*and Changes in Fund Balances (Regulatory Cash Basis)*  
*All Proprietary Fund Types*  
*For the Year Ended December 31, 2020*

	Enterprise
<b>Operating Cash Receipts</b>	
Charges for Services	\$625,972
Miscellaneous	330
	626,302
<i>Total Operating Cash Receipts</i>	<i>626,302</i>
<b>Operating Cash Disbursements</b>	
Personal Services	43,054
Employee Fringe Benefits	8,099
Contractual Services	208,888
Supplies and Materials	161,277
Other	300
	421,618
<i>Total Operating Cash Disbursements</i>	<i>421,618</i>
<i>Operating Income (Loss)</i>	<i>204,684</i>
<b>Non-Operating Receipts (Disbursements)</b>	
Other Debt Proceeds	40,950
Capital Outlay	(40,950)
Principal Retirement	(204,966)
Interest and Other Fiscal Charges	(1,327)
	(206,293)
<i>Total Non-Operating Receipts (Disbursements)</i>	<i>(206,293)</i>
<i>Net Change in Fund Cash Balances</i>	<i>(1,609)</i>
<i>Fund Cash Balances, January 1</i>	<i>553,146</i>
<i>Fund Cash Balances, December 31</i>	<i>\$551,537</i>

*See accompanying notes to the basic financial statements*

**VILLAGE OF GNADENHUTTEN  
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2020**

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**Note 1 – Reporting Entity**

**Description of the Entity**

The constitution and laws of the State of Ohio established 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 services.

The Village participates in jointly governed organizations and a public entity risk pool. Notes 8 and 13 to the financial statements provide additional information for these entities.

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

**Note 2 – Summary of Significant Accounting Policies**

***Basis of Presentation***

The Village’s financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary fund types 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.

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

***Coronavirus Fund*** This fund received Cares Act Funds for coronavirus relief services.

**VILLAGE OF GNADENHUTTEN  
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2020**

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**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 receives income tax money for capital projects via transfer.

**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 Operating Fund** The water fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village.

**Sewer Operating Fund** The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

**Sewer Upgrade & Debt Fund** The sewer upgrade and debt fund accounts for loan proceeds from the Ohio Water Development Authority restricted to the sewer upgrade project. A utility surcharge recorded in this fund will repay this loan.

***Basis of Accounting***

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (C). This basis is similar to the cash receipts and disbursements accounting basis. The 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 (C) permit.

***Budgetary Process***

The Ohio Revised Code requires that each fund 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. Appropriations lapse at year end.

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



**VILLAGE OF GNADENHUTTEN  
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2020**

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**Encumbrances** The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2020 budgetary activity appears in Note 4.

**Deposits and Investments**

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

**Property, Plant, and Equipment**

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

**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. For regulatory purposes nonspendable fund balance includes unclaimed monies that are required to be held for five years before they may be utilized by the Village and the nonexpendable portion of the corpus in permanent funds.

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

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

**Assigned** Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. For regulatory purposes, assigned fund balance in the general fund is limited to encumbrances outstanding at year end.

**VILLAGE OF GNADENHUTTEN  
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2020**

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

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

For regulatory purposes, limited disclosure related to fund balance is included in Note 15.

**Note 3 – Compliance**

Contrary to Ohio law, in 2020, the Village made expenditures without prior certification.

**Note 4 – Budgetary Activity**

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

2020 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$700,000	\$686,870	(\$13,130)
Special Revenue	300,169	386,595	86,426
Capital Projects	40,000	48,933	8,933
Enterprise	617,001	626,302	9,301
Total	\$1,657,170	\$1,748,700	\$91,530

2020 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$825,000	\$636,577	\$188,423
Special Revenue	418,170	307,352	110,818
Capital Projects	188,000	70,737	117,263
Enterprise	1,104,100	668,861	435,239
Total	\$2,535,270	\$1,683,527	\$851,743

**VILLAGE OF GNADENHUTTEN  
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2020**

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**Note 5 – 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. The carrying amount of deposits at December 31 was as follows:

	<u>2020</u>
<i>Cash Management Pool:</i>	
Demand deposits	\$913,337
Certificates of deposit	<u>172,839</u>
Total deposits	<u>1,086,176</u>

***Deposits***

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

**Note 6 – 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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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.

**Note 7 – 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 designed to support general Village operations and remaining 20 percent is designed to support Capital Improvement Fund and 50 percent is designated to support the Village police department.

**VILLAGE OF GNADENHUTTEN  
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2020**

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**Note 8 – Risk Management**

***Risk Pool Membership***

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

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

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31, 2020:

Cash and investments	\$ 40,318,971
Actuarial liabilities	\$14,111,510

**Note 9 – Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

Some of the Village's 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***

The Village's 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. The Village has paid all contributions required through December 31, 2020.

**VILLAGE OF GNADENHUTTEN  
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2020**

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***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, 2020.

**Note 10 – 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.

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.

**Note 11 – Debt**

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

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan #3185	\$28,185	6.13%
Ohio Water Development Authority Loan #4159	790,163	0.00%
Ohio Water Development Authority Loan #7338	363,901	0.00%
Ohio Water Development Authority Loan #9024	40,950	0.00%
Total	<u>\$1,223,199</u>	

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 Enterprise Fund. The loan is collateralized by user fees.

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

The Ohio Water Development Authority (OWDA) loan #7338 was awarded for a Preliminary Treatment Upgrade Planning and Design project. The amount approved was \$481,680 and the Village has drawn \$460,237 as of December 31, 2020. There is no amortization schedule established for this loan. It will be repaid from the Sewer Upgrade and Debt Service Enterprise Fund.

**VILLAGE OF GNADENHUTTEN  
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2020**

The Ohio Water Development Authority (OWDA) loan #9024 was awarded for WWTP Improvements. The amount approved was \$118,000 and the Village has drawn \$40,950 as of December 31, 2020. There is no amortization schedule established for this loan. It will be repaid from the Sewer Upgrade and Debt Service Enterprise Fund.

***Amortization***

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

Year Ending December 31:	OWDA #3185	OWDA #4159
2021	\$6,691	\$175,592
2022	6,812	175,592
2023	6,941	175,592
2024	7,078	175,592
2025	3,593	87,795
Total	<u>\$31,115</u>	<u>\$790,163</u>

**Note 12 – 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.

**Note 13 – Jointly Governed Organizations**

**Arrowhead Joint Fire District**

The Joint Fire District is a jointly governed organization under Ohio Revised Code Section 505.371 and is directed by an appointed five-member board of District Trustees. Two members are council members in the Village of Gnadenuhuten as appointed by Village Council, two members are Trustees of Clay Township as appointed by the Township Trustees, and one member is a resident appointed by the Village Council and Township Trustees. The Board is responsible for the fire protection of the District. The Joint Fire District houses their equipment in a portion of the Village Hall for which it leases in the amount of \$2,500 annually.

**Gnadenuhuten-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 Gnadenuhuten 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, 2020, the Cemetery was paid in full.

**VILLAGE OF GNADENHUTTEN  
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2020**

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**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 2020, 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, recommendations and reports concerning the physical, Environmental, social, economical and governmental characteristics, functions and services of the County. In 2020, \$206 was paid to the Commission by the Village for each year.

**Note 14 – 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. Ohio's state of emergency ended in June, 2021 while the national state of emergency continues. During 2020, the Village received Coronavirus Relief Fund funding. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Village. 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.

**Note 15 – Fund Balances**

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

The fund balance of special revenue funds is either restricted or committed. The fund balance of debt service funds and capital projects fund are restricted committed or assigned. The fund balance of permanent funds that is not part of the nonspendable corpus is either restricted or committed. These restricted, committed and assigned amounts in the special revenue, debt service, capital projects and permanent funds would include the outstanding encumbrances. In the general fund, outstanding encumbrances are considered assigned. The Village has no outstanding encumbrances at December 31, 2020.

**Note 16 – Change in Accounting Principles**

For 2020, the Village has made a change to their cash basis reporting model. This change includes removing the fund balance classifications from the Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Regulatory Cash Basis) – All Governmental Fund Types.

**VILLAGE OF GNADENHUTTEN  
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2020**

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**Note 17 – Restatement of Fund Balances**

During fiscal year 2020, it was determined the Income Tax Fund should be reported within the General Fund rather than as a Special Revenue Fund. The reclassification of this fund had the following impact on fund balance, resulting in a restatement at January 1, 2020.

	<b>General Fund</b>	<b>Special Revenue Fund</b>
Fund Balance, December 31, 2019	223,984	170,136
Change	1,534	(1,534)
Restated Fund Balance, January 1, 2020	225,518	168,602

**Note 18 – Contingent Liabilities**

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.



# OHIO AUDITOR OF STATE KEITH FABER



65 East State Street  
Columbus, Ohio 43215  
ContactUs@ohioauditor.gov  
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 Gnadenhutten  
Tuscarawas County  
131 S. Walnut Street  
P.O. Box 877  
Gnadenhutten, Ohio 44629

To the Village Council:

We have audited, in accordance with the 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 as of and for the years ended December 31, 2021 and 2020 and the related notes to the financial statements of the Village of Gnadenhutten, Tuscarawas County, (the Village) and have issued our report thereon dated April 26, 2024, 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 Village adopted a change in accounting principle in 2020 and removed the fund balance classifications from the Combined Statement of Receipts, Disbursements and Changes in Fund Balance (Regulatory Cash Basis) – All Governmental Fund Types.

### ***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 purpose 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 certain deficiencies in internal control, described in the accompanying Schedule of Findings as item 2021-001 and 2021-002 that we consider to be material weaknesses.

***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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings as item 2021-002.

***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

April 26, 2024

VILLAGE OF GNADENHUTTEN  
TUSCARAWAS COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2021 AND 2020

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

FINDING NUMBER 2021-001

**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.

Auditor of State Bulletin 2015-007, states the notes to the financial statements, and all other components, are required to be included in the financial statements filed with the Auditor of State via the Hinkle System.

The notes to the financial statements should include all pertinent information relating to the audit and be in a format that contains accurate and current information.

For the fiscal year ending December 31, 2021, the following misstatements were noted:

- OWDA Loan Receipts totaling \$77,050 in the Capital Projects Fund were recorded as Special Assessment Receipts rather than Other Loan Proceeds in the Sewer Upgrade Debt Enterprise Fund. Additionally, the related Capital Outlay expenditure of \$77,050 should have also been recorded in the Sewer Upgrade Debt Enterprise Fund rather than the Capital Projects Governmental Fund.
- A reimbursement for an overpayment related to an OWDA project was recorded as a Special Assessment Receipt rather than a reduction of Capital Outlay Disbursement in the Capital Projects Fund in the amount of \$7,585. The original disbursement should have been recorded in the Sewer Upgrade Debt Enterprise Fund rather than the Capital Projects Governmental Fund.
- OWDA Loan Payments of \$5,619 were recorded as Interest rather than Principal Retirement in Water Upgrade and Debt Enterprise Fund.
- OWDA Loan Payments of \$200,614 were recorded as Interest rather than Principal Retirement in Sewer Upgrade and Debt Enterprise Fund.
- Income Tax Fund activity was not combined with the General Fund for financial reporting purposes, therefore all activity required adjustment from the Special Revenue Fund to the General Fund. This error also resulted in Transfers-In and Transfers-Out being overstated between the General Fund and Income Tax Fund.

For the fiscal year ending December 31, 2020, the following misstatements were noted:

- Prior period checks were void during the period requiring adjustments in order to correct beginning fund balances.
- OPWC loan payments of \$19,000 in the Street Construction Maintenance and Repair Special Revenue Fund were recorded as Transportation Disbursements rather than to Principal Retirement.
- OWDA Loan Receipts totaling \$40,950 in the Capital Projects Fund were recorded as Special Assessment Receipts rather than Other Loan Proceeds in the Sewer Upgrade Debt Enterprise Fund. Additionally, the related Capital Outlay expenditure of \$40,950 should have also been recorded in the Sewer Upgrade Debt Enterprise Fund rather than the Capital Projects Governmental Fund.

**VILLAGE OF GNADENHUTTEN  
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2021 AND 2020  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2021-001 (Continued)**

**Material Weakness (Continued)**

- OWDA Loan Payments of \$5,290 were recorded as Interest rather than Principal Retirement in Water Upgrade and Debt Enterprise Fund.
- OWDA Loan Payments of \$199,676 were recorded as Interest rather than Principal Retirement in Sewer Upgrade and Debt Enterprise Fund.
- A payment made from the Sewer Upgrade and Debt Enterprise Fund was recorded as Interest rather than Supplies and Materials totaling \$5,723.
- Income Tax Fund activity was not combined with the General Fund for financial reporting purposes, therefore all activity required adjustment from the Special Revenue Fund to the General Fund. This error also resulted in Transfers-In and Transfers-Out being overstated between the General Fund and Income Tax Fund.

Additionally, the Village's footnote disclosures included material errors and various wording and formatting errors as a result of not following the notes in accordance with the Auditor of State (AOS) regulatory filing basis. The following material misstatements were noted:

- Outstanding encumbrances of \$50,146 were excluded from the Budgetary Expenditures of the Special Revenue Fund in the Budgetary Activity Note for fiscal year end December 31, 2021.
- The Village failed to include the required fund balance note disclosures, and there were significant misstatements in the debt disclosures for both years of the audit period.
- The Village failed to disclose a jointly governed organization for both years of the audit period.
- The Village's cash and investments disclosure was not accurate.

Audit adjustments, with which management has agreed, are reflected in the accompanying financial statements. In addition to the adjustments listed above, we also identified immaterial differences ranging from \$7,824 to \$10,558 that we have brought to the Village's attention. Other insignificant revisions were made to the notes to the financial statements.

Incorrect financial statement account classifications and balances could result in inaccurate reporting of the Village's financial information.

The Fiscal Officer should refer to the Village Officer's Handbook for proper classification and take additional care in posting transactions to the Village's ledgers and annual financial report in order to ensure the Village's year-end financial statements reflect the appropriate sources and uses of the Village's receipts and disbursements. Additionally, the Fiscal Officer should utilize the Auditor of State website to access resources to assist in accurate completion of the notes to the financial statements.

VILLAGE OF GNADENHUTTEN  
TUSCARAWAS COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2021 AND 2020  
(Continued)

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

FINDING NUMBER 2021-002

**Noncompliance and Material Weakness**

**Ohio Rev. Code § 5705.41(D)(1)** provides that no orders or contracts involving the expenditure of money are to be made unless there is attached thereto a certificate of the fiscal officer certifying that the amount required meet the obligation or, the case of continuing contract to be performed in whole or in part in an ensuing fiscal year, the amount required to meet the obligation in the fiscal year in which the contract is made has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such a certificate shall be void and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that treasurer'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 Ohio Rev. Code §§ 5705.41(D)(1) and 5705.41(D)(3), respectively.

1. "Then and Now" certificate – If the chief fiscal officer can certify both at the time the contract or order was made ("then"), and at the time the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collections, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village Council can authorize the drawing of a warrant for the payment of the amount due. The Village Council has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts less than \$100 in counties and less than \$3,000 in all other subdivisions or taxing units 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 expenditures by the Village.

2. Blanket Certificate – The auditor or fiscal officer may prepare "blanket" certificates for a certain sum of money, not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority, against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket Certificate – The Village Council 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, gasoline, food items, roadway materials, utilities, and any other specific recurring and reasonably predictable operating expense. This certification may, but need not, be limited to a specific vendor. This certification is not to extend beyond the current fiscal year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Due to deficiencies in internal controls, five of five (or 100 percent) and four of five (or 80 percent) of the transactions tested at 2022 and 2021 year-end, respectively, were not certified by the Fiscal Officer at the time the commitment was incurred, and there was no evidence the Village followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

VILLAGE OF GNADENHUTTEN  
TUSCARAWAS COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2021 AND 2020  
(Continued)

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

FINDING NUMBER 2021-002 (Continued)

**Noncompliance and Material Weakness (Continued)**

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to help ensure purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, the Fiscal Officer should certify the funds are or will be available prior to obligation by the Village. When prior certification is not possible, "then and now" certification should be used.

**Officials Response:** We did not receive a response from officials to the findings noted above.



VILLAGE HALL - GNADENHUTTEN, OHIO

**HISTORIC VILLAGE OF GNADENHUTTEN**

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**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

**December 31, 2021 and 2020**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2019-001	Noncompliance - Ohio Rev. Code § 5705.41(D) Prior certification not made for all expenditures	Not Corrected	Repeated in current audit Schedule of Findings. The Fiscal Officer will attempt to ensure purchase orders are in place prior to obligation.
2019-002	Material Weakness – Financial Reporting Various reclassifications of receipts and disbursements	Not Corrected	Repeated in current audit Schedule of Findings. The Fiscal Officer will work on correcting misclassification for the future and utilize the Village and UAN handbooks as resources.
2019-003	Material Weakness/Noncompliance – Ohio Rev. Code § 5705.41(B) Expenditures exceeded appropriations	Partially Corrected; management letter for 2020-2021 audit.	Included in current audit Management Letter. The Fiscal Officer will more closely monitor expenditures and appropriations and make appropriations amendments when necessary.

# OHIO AUDITOR OF STATE KEITH FABER



**VILLAGE OF GNADENHUTTEN**

**TUSCARAWAS 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 5/14/2024**

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](http://www.ohioauditor.gov)