

OHIO AUDITOR OF STATE
KEITH FABER



**Village of Mount Sterling
Madison County, Ohio**

Fiscal Emergency Termination

Local Government Services

Village of Mount Sterling, Madison County

Fiscal Emergency Termination

Table of Contents

Certification 3

Report on the Termination of the Village of Mount Sterling
Financial Planning and Supervision Commission 5

Section 1 - Financial Accounting and Reporting System 6

Section 2 - Correction of Fiscal Emergency Conditions and Current Existence
of Fiscal Emergency Conditions 12

Section 3 - Financial Plan Objectives 16

Section 4 - Financial Forecast 17

Disclaimer 17

Appendix A
Village of Mount Sterling Financial Forecast
For the Years Ending December 31, 2022, through December 31, 2026

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OHIO AUDITOR OF STATE KEITH FABER



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CERTIFICATION

Pursuant to a request sent to the Auditor of State by the Financial Planning and Supervision Commission of the Village of Mount Sterling, the Auditor of State performed an analysis of the Village of Mount Sterling to determine whether the Commission and its functions under Chapter 118 of the Ohio Revised Code should be terminated. Based on the analysis, the Auditor of State certifies, as required by Section 118.27 of the Revised Code, that the Village of Mount Sterling no longer meets the fiscal emergency conditions set forth in Section 118.03 of the Revised Code, that the objectives of the financial recovery plan are being met, that an effective financial accounting and reporting system in accordance with Section 118.10 of the Revised Code has been implemented, and that Management has prepared a financial forecast for a five-year period in accordance with the standards issued by the Auditor of State and an opinion has been rendered by the Auditor of State that the financial forecast is considered to be nonadverse. Therefore, the existence of the Financial Planning and Supervision Commission of the Village of Mount Sterling and its role in the operation of the Village of Mount Sterling is terminated as of October 11, 2022.

Accordingly, on behalf of the Auditor of State, this report is hereby submitted to Marci Darlington, Mayor of the Village of Mount Sterling; Andrew Drake, President Pro Temp; Mike DeWine, Governor; Kimberly Murnieks, Director of the Office of Budget and Management; Robert Sprague, Treasurer of State; and Jennifer S. Hunter, Madison County Auditor.

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

October 11, 2022

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Village of Mount Sterling, Madison County
Report on the Termination of the Village of Mount Sterling
Financial Planning and Supervision Commission

Report on the Termination of the Village of Mount Sterling Financial Planning and Supervision Commission

At the request of the Financial Planning and Supervision Commission (the Commission) of the Village of Mount Sterling, Madison County, Ohio, as provided by Section 118.27(B) of the Ohio Revised Code, the Auditor of State has performed an analysis in order to determine whether the Commission and its functions under Chapter 118 of the Revised Code, should be terminated.

Guidelines for performing such an analysis are set forth in Section 118.27(A) of the Revised Code, which states that:

“A Financial Planning and Supervision Commission with respect to a municipality...and its functions under this chapter shall continue in existence until such time as a determination is made pursuant to division (B) of this section that the municipality...has done all of the following: (1) planned, and is in the process of good faith implementation of, an effective financial accounting and reporting system in accordance with Section 118.10 of the Revised Code, and it is reasonably expected that such implementation will be completed within two years; (2) corrected and eliminated or has planned and is in the process of good faith implementation of correcting and eliminating all the fiscal emergency conditions determined pursuant to Section 118.04 of the Revised Code, and no new fiscal emergency conditions have occurred...; (3) met the objectives of the financial plan described in Section 118.06 of the Revised Code; and (4) the municipal corporation...prepares a financial forecast for a five-year period in accordance with the standards issued by the Auditor of State...”

Results of our work under Section 118.27(A) of the Revised Code are as follows:

Pages six through twelve of the report indicate that the Village has effectively implemented a financial accounting and reporting system in accordance with Section 118.10(A) of the Revised Code.

All fiscal emergency conditions have been corrected and eliminated and no new fiscal emergency conditions exist under Section 118.04 of the Revised Code. This analysis can be found beginning on page twelve.

We have reviewed the objectives of the financial plan and determined that the Village has met the objectives in accordance with Section 118.06 of the Revised Code. Specific conclusions can be found beginning on page sixteen.

We examined and issued a non-adverse report on the five-year forecast prepared by the Village. The forecast and our report can be found in Appendix A.

Based on this analysis, the Auditor of State’s Office has determined that the Financial Planning and Supervision Commission and its functions may be terminated.

It is understood that this report’s determination is for the use of the Financial Planning and Supervision Commission of the Village of Mount Sterling, the Auditor of State of Ohio, the Governor of Ohio, the Mayor of the Village of Mount Sterling, and others as designated by the Auditor of State and is not to be used for any other purpose. Our procedures and findings follow.

Village of Mount Sterling, Madison County
Report on the Termination of the Village of Mount Sterling
Financial Planning and Supervision Commission

Section 1 - Financial Accounting and Reporting System

When a Village is placed in fiscal emergency, the Auditor of State is required to report on the effectiveness of the Village's financial accounting and reporting system. The Auditor of State, in accordance with Section 118.10(A) of the Revised Code assessed the methods, accuracy, and legality of the accounts, records, files, and reports of the Village of Mount Sterling (the Village) and issued a Report on Accounting Methods, dated November 20, 2018. The report identified areas where the Village's financial accounting and reporting system were not in compliance with Section 117.43 of the Revised Code and the requirements of the Auditor of State.

The criteria for termination of the Commission include a determination by the Auditor of State that an effective financial accounting and reporting system has been implemented, or is in the process of implementation, and is expected to be completed within two years. This determination is based on management providing a summary of the actions taken to address the issues identified in the Report on Accounting Methods. We confirmed whether the actions taken by management were sufficient to correct these issues identified in the Report on Accounting Methods. A summary of each area of noncompliance identified in the Report on Accounting Methods and the status of each corrective action is presented below:

Budgetary System

Auditor of State Comment from Report on Accounting Methods

Pursuant to Section 5705.10, Revised Code, money paid into any fund of the Village shall be used only for the purposes for which such fund is established. During 2017, the Village had deficit cash balances in the general fund and the moving ohio forward fund. During 2018, the Village had deficit cash balances in the street construction maintenance and repair and state highway funds. The Village should not use money from one fund to pay the obligations of another fund.

Implemented

The Village has positive cash balances in all funds. The Village is not using money from one fund to pay obligations of another fund.

Auditor of State Comment from Report on Accounting Methods

Section 5705.39 of the Revised Code requires that the total appropriations from each fund shall not exceed the total of the estimated resources and fund balance available for expenditure, as certified by the Budget Commission. The street construction and maintenance and repair, state highway and water operating funds were over appropriated for 2018.

Implemented

Total appropriations from each fund do not exceed estimated resources and the fund balance available for expenditure, as certified by the Budget Commission.

Chart of Fund and Account Codes

No Comments

Village of Mount Sterling, Madison County
Report on the Termination of the Village of Mount Sterling
Financial Planning and Supervision Commission

Accounting Ledgers

Auditor of State Comment from Report on Accounting Methods

The Village does not have a written disaster recovery plan for the restoration of operations in the event of a serious incident. A disaster recovery plan should be adopted by Village Council. The disaster recovery plan should include procedures to restore information technology and accounting functions of the Village.

Implemented

A Disaster Recovery Plan was approved by Council on October 28, 2019, with Ordinance number 2019-20. The plan includes procedures to restore information technology and accounting functions of the Village.

Receipt Transactions

Auditor of State Comment from Report on Accounting Methods

The Utility Clerk should provide all deposits and supporting documentation to the Fiscal Officer on the day the deposits are made.

Implemented

The Utility Clerk provides all deposits and supporting documentation to the Fiscal Officer on the day the deposits are made.

Purchasing Process

Auditor of State Comment from Report on Accounting Methods

The Village does not have an official purchasing policy and documented purchasing procedures. A purchasing policy for the Village should be developed, adopted by ordinance, and distributed to all departments. Some of the elements to be included in the purchasing policy are: purchase order approval process, new vendor policy, emergency purchases, contract bidding process, the use of then & now purchase orders, and the use of blanket and super blanket purchase orders.

Implemented

Village Council adopted a purchasing policy with Ordinance Number 2019-17 on August 26, 2019. The policy was distributed to all departments and includes purchase order approval process, new vendor policy, emergency purchases, contract bidding process, the use of then & now purchase orders, and the use of blanket and super blanket purchase orders.

Auditor of State Comment from Report on Accounting Methods

The Village has not established, by resolution, an amount for blanket purchase orders without prior approval by the Village Council.

Village of Mount Sterling, Madison County
Report on the Termination of the Village of Mount Sterling
Financial Planning and Supervision Commission

Implemented

Village Council passed a policy with Resolution Number 2018-68 on December 18, 2018, establishing a \$3,000 maximum for blanket purchase orders.

Auditor of State Comment from Report on Accounting Methods

The original purchase order is not sent to the vendor. The purchase order should be mailed or faxed to the vendor.

Implemented

The original purchase order is either faxed, e-mailed or hand delivered to the vendor.

Auditor of State Comment from Report on Accounting Methods

The Fiscal Officer should attach the purchase orders to the check stub, invoice and any other documentation that is maintained to support the purchase.

Implemented

The Fiscal Officer attaches the purchase orders to the check stub, invoice and any other documentation that is maintained to support the purchase.

Auditor of State Comment from Report on Accounting Methods

The Village does not use the Auditor of State Finding for Recovery Database when adding new vendors. Section 9.24 of the Revised Code prohibits any State agency or political subdivision from awarding a contract for goods, services, or construction, paid for in whole or in part with State Funds, to any person against whom a finding for recovery has been issued by the Auditor of State if that finding is unresolved.

Implemented

The Village now verifies vendors against the State's database for findings for recovery before entering into a contract and saves the documentation on file for the future reference.

Auditor of State Comment from Report on Accounting Methods

The Fiscal Officer should review the vendor list in the UAN system annually. Vendors should be deleted from the system if they have more than one vendor number or if the Village no longer uses the vendor.

Implemented

The Fiscal Officer reviews the vendor list in the UAN system annually. Vendors are deleted from the system if they have more than one vendor number or if the Village no longer uses the vendor.

Auditor of State Comment from Report on Accounting Methods

The Fiscal Officer should obtain a W-9 from all vendors and maintain vendor files for all active vendors. Vendor files should include all information required by law.

Village of Mount Sterling, Madison County
Report on the Termination of the Village of Mount Sterling
Financial Planning and Supervision Commission

Implemented

The Fiscal Officer obtains a W-9 from all vendors and maintains vendor files for all active vendors. Vendor files include all information required by law.

Auditor of State Comment from Report on Accounting Methods

Village Council, per section 5705.41(D)(1), Revised Code, should approve all “Then and Now” purchase orders in excess of \$3,000 within thirty days. The Fiscal Officer does not have the authority to issue “Then and Now” certifications in excess of \$3,000 without action by Council.

Implemented

The Fiscal Officer has not had any “Then and Now” purchase orders in excess of \$3,000 that have required the Village Council’s approval under section 5705.41(D)(1), Revised Code.

Cash Disbursements

Auditor of State Comment from Report on Accounting Methods

The Fiscal Officer should include the invoice or sales receipt for all purchases in the voucher packet. The voucher packets should be filed in numeric order or by vendor within each monthly folder.

Implemented

The Fiscal Officer includes the invoice or sales receipt for all purchases in the voucher packet. The voucher packets are filed in numeric order.

Payroll Processing

Auditor of State Comment from Report on Accounting Methods

The Village should have a formal written policy regarding the payroll process. The Village should update the employee handbook to include the payroll policy changes.

Implemented

Village Council adopted a formal written policy regarding the payroll process with Ordinance Number 2019-19 on August 26, 2019. The Village updated the employee handbook to include the payroll policy changes.

Auditor of State Comment from Report on Accounting Methods

The Fiscal Officer should review the personnel files and maintain the information that is required by law to be on file in each employee’s personnel file. The information that is in each employee’s personnel file should be consistent for all employees.

Implemented

The Fiscal Officer reviews the personnel files and maintains the information that is required by law to be on file in each employee’s personnel file. The information that is in each employee’s personnel file is consistent for all employees.

Village of Mount Sterling, Madison County
Report on the Termination of the Village of Mount Sterling
Financial Planning and Supervision Commission

Debt Administration

No Comments

Inventory of Capital Assets

Auditor of State Comment from Report on Accounting Methods

The Village does not have a capital asset policy. Without an inventory of capital assets, the Village is unable to determine if there is adequate insurance coverage, whether assets have been lost or stolen, whether idle assets exist that can be sold to generate additional revenue, and whether assets are used in the most efficient manner. The Village should develop an inventory of all capital assets and update it annually.

Implemented

The Village adopted a capital asset policy with Ordinance Number 2019-21 on October 28, 2019. The Village maintains an inventory listing and updates it annually.

Auditor of State Comment from Report on Accounting Methods

The Village Council should adopt policies and procedures to account for and track capital assets.

Implemented

A capital asset policy has been passed by Village Council with Ordinance Number 2019-21 on October 28, 2019, which addresses accounting for and tracking capital assets.

Auditor of State Comment from Report on Accounting Methods

The Village Council should implement written policies for the use of Village owned property (i.e. vehicles, equipment, cell phones) that address control and accountability and stipulates that the personal use of any Village owned property is prohibited.

Implemented

On August 26, 2019, Village Council passed a vehicle and equipment policy Resolution Number 2019-20. On October 28, 2019, Village Council passed a computer and internet use policy with Resolution Number 2019-22. The Village Equipment Policy addresses control and accountability and stipulates that all personal use of any Village owned property is prohibited.

Cash Management and Investing

Auditor of State Comment from Report on Accounting Methods

The Village should update their investment policy and file it with the Auditor of State.

Implemented

Council passed an updated investment policy via Resolution Number 2019-18 on August 26, 2019. It was signed by the Fiscal Officer and was filed with the Auditor of State.

Village of Mount Sterling, Madison County
Report on the Termination of the Village of Mount Sterling
Financial Planning and Supervision Commission

Financial Reporting

Auditor of State Comment from Report on Accounting Methods

The Fiscal Officer should provide a revenue status report as part of the financial packet reports provided to council. Without such a report, the Village Council is unable to compare revenue collection to date to the estimated revenues. The Fiscal Officer should provide Village Council with revenue status reports each month, identifying estimated revenues, actual revenue collection, and percent collected year to date when compared to the estimated revenues.

Implemented

The Fiscal Officer provides a revenue status report as part of the financial packet reports provided to Village Council. The revenue status report compares revenue collection to date to the estimated revenues and provides the percent collected to date when compared to the estimated revenues.

Auditor of State Comment from Report on Accounting Methods

The Fiscal Officer should provide financial reports at month-end to ensure book balances reconcile to bank balances. By not reviewing the financial reports for the month, Council members are unable to make complete and accurate comparisons of the information provided to the bank reconciliations.

Implemented

The Fiscal Officer provides financial reports at month-end to ensure book balances reconcile to bank balances.

Recording Official Proceedings

Auditor of State Comment from Report on Accounting Methods

The Village should schedule meetings of the records commission to meet once every six months.

Implemented

The Village schedules meetings of the records commission and meets once every six months.

Auditor of State Comment from Report on Accounting Methods

The Schedule of Records Retention and Disposition should be reviewed and updated.

Implemented

The Village Council reviewed and updated the Records Retention and Disposition policy with Resolution Number 2019-21 on August 28, 2019.

Village of Mount Sterling, Madison County
Report on the Termination of the Village of Mount Sterling
Financial Planning and Supervision Commission

Auditor of State Comment from Report on Accounting Methods

The CD backup of the recorded council meeting, minutes, ordinances, and resolutions should be stored in a fire proof location.

Implemented

The CD backup of the recorded council meeting, minutes, ordinances and resolutions is stored in a fire proof location.

Audit Report and Management Letters

The Village Council and Officials receive a compliance letter at the conclusion of each biannual audit. The findings and material weaknesses in the 2018/2019 audit relate to improper classification of revenue, misstated fund balance due to improper posting of audit adjustments and use of improper amounts in various sections of the notes to the financial statements. There was no management letter included for the 2018/2019 audit.

The Village has addressed and corrected these issues as part of their work to correct specific comments in the Report on Accounting Methods. These are not issues that would prevent termination of the Financial Planning and Supervision Commission.

Section 2 - Correction of Fiscal Emergency Conditions and Current Existence of Fiscal Emergency Conditions

Under Section 118.27(A)(2) of the Ohio Revised Code, the Village shall have corrected or eliminated or have planned and be in the process of good faith implementation of actions to correct and eliminate all of the fiscal emergency conditions that existed when declared in fiscal emergency and no new fiscal emergency conditions have occurred in order to be terminated from fiscal emergency. Our analysis of the six fiscal emergency conditions described in Section 118 of the Revised Code is presented below:

Condition One - Default on Any Debt Obligation

Section 118.03(A)(1) of the Revised Code defines a fiscal emergency condition as:

The existence, at the time of the determination by the Auditor of State under Section 118.04 of the Revised Code, of a default on any debt obligation for more than thirty days.

A summary of the Village's outstanding debt as of June 30, 2022, is as follows:

Village of Mount Sterling, Madison County
 Report on the Termination of the Village of Mount Sterling
 Financial Planning and Supervision Commission

Debt Issue	Year of Issuance	Year of Maturity	Interest Rate	Issue Amount
<u>Loans</u>				
OPWC Phase A U.S 62a Improvements	2008	2029	0.00%	\$135,575
OPWC Phase B U.S 62a Improvements	2009	2030	0.00%	413,258
OWDA Maim/Columbus St. Water main Replacement	2010	2034	2.00%	508,893
OWDA WWTP Improvements	2015	2034	0.00%	6,104,412
OWDA S/High St. Storm Sewer Phase 2	2016	2046	1.15%	260,173
OWDA Storage Tank Painting	2017	2046	1.09%	338,761
OWDA Water Tank Replacement	2017	2027	3.03%	78,533
OWDA Water Treatment and Wellfield Improvement Loan	2018	2047	0.96%	3,014,511
OWDA Water Treatment and Wellfield Improvement Loan	2018	2047	2.96%	6,647,372

We reviewed the outstanding indebtedness as of June 30, 2022. The Village has \$13,173,097 in outstanding debt and had made all debt payments due as of that date.

Conclusion: A fiscal emergency condition does not exist under Section 118.03(A)(1) of the Revised Code. The Village had not defaulted on any of its debt obligations for more than thirty days as of June 30, 2022.

Condition Two - Payment of All Payroll

Section 118.03(A)(2) of the Revised Code defines a fiscal emergency condition as:

The existence, at the time of the determination by the Auditor of State under Section 118.04 of the Revised Code, of a failure for lack of cash in the funds to make payment of all payroll to employees of the municipal corporation in the amounts and at the times required by laws, ordinances, resolutions, or agreements, which failure of payment has continued:

- a. For more than thirty days after such time for payment, or
- b. Beyond a period of extension, or beyond the expiration of ninety days from the original time for payment, whichever first occurs, if the time for payment has been extended for more than thirty days by the written consent of at least two-thirds of the employees affected by such failure to pay, acting individually or by their duly authorized representatives.

We reviewed the payroll records of the Village as of June 30, 2022. We reviewed the Village Council's minutes, ordinances and other personnel records to determine the employees of the Village, pay rates, frequency of payroll, and whether any extensions for the payment of payroll exist. We reviewed bank statements to determine whether Village employees were paid within the time specified by Sections 118.03(A)(2)(a) and (b) of the Revised Code. We determined that adequate cash was in the bank account and fund balances to cover payroll.

Conclusion: A fiscal emergency condition does not exist under Section 118.03(A)(2) of the Ohio Revised Code as of June 30, 2022. All employees have been paid in the amounts and at the times required by Village ordinance.

Village of Mount Sterling, Madison County
Report on the Termination of the Village of Mount Sterling
Financial Planning and Supervision Commission

Condition Three - Increase in Minimum Tax Levy

Section 118.03(A)(3) of the Revised Code defines a fiscal emergency condition as:

An increase, by action of the county budget commission pursuant to division (D) of Section 5705.31 of the Revised Code, in the minimum levy of the municipal corporation for the current or next fiscal year which results in a reduction in the minimum levies for one or more other subdivisions or taxing districts.

We confirmed with the Madison County Budget Commission whether there had been an increase, pursuant to division (D) of Section 5705.31 of the Revised Code, in the minimum levy of the Village for 2022 which resulted in a reduction in the minimum levies for one or more other subdivisions or taxing districts. The confirmation received from the Madison County Budget Commission indicated that the Commission had not taken any action for tax year 2022 to increase the inside millage of the Village.

Conclusion: A fiscal emergency condition does not exist under Section 118.03(A)(3) of the Revised Code as of June 30, 2022.

Condition Four - Past Due Accounts Payable from the General Fund and all Funds

Section 118.03(A)(4) of the Revised Code defines a fiscal emergency condition as:

The existence of a condition in which all accounts that, at the end of its preceding fiscal year, were due and payable from the general fund and that either had been due and payable at least thirty days at the end of the fiscal year or to which a penalty has been added for failure to pay by the end of the fiscal year, including, but not limited to, final judgments, fringe benefits payments due and payable, and amounts due and payable to persons and other governmental entities and including any interest and penalties thereon, less the year-end balance in the general fund, exceeded one-sixth of the general fund budget for the year, or in which all accounts that, at the end of its preceding fiscal year, were due and payable from all funds of the municipal corporation and that either had been due and payable for at least thirty days as of the end of the fiscal year or to which a penalty has been added for failure to pay by the end of the fiscal year, less the year-end balance in the general fund and in respective special funds lawfully available to pay such accounts, exceeded one-sixth of the available revenues during the preceding fiscal year, excluding nonrecurring receipts, of the general fund and of all special funds from which such accounts lawfully are payable.

We prepared a schedule of accounts payable (as defined above) as of December 31, 2021, for all funds that were due and payable for at least thirty days or to which a penalty had been added for failure to pay as of December 31, 2021, including, but not limited to, final judgments, fringe benefits payments due and payable, and amounts due and payable to persons and other governmental entities including any interest and penalties. From this amount, we subtracted the year-end fund balance available to pay such outstanding bills. We then determined if the accounts payable in excess of the available fund balance exceeded one-sixth of the available revenues during 2021, excluding non-recurring receipts of all special funds from which such accounts are lawfully payable. No funds of the Village had accounts payable over 30 days past due in excess of available fund balance at December 31, 2021. Upon review of the Village's records, there were no payables that were beyond 30 days past due at December 31, 2021.

Conclusion: A fiscal emergency condition does not exist under Section 118.03(A)(4) of the Ohio Revised Code as of December 31, 2021. There were no accounts payables in excess of available fund balance.

Village of Mount Sterling, Madison County
 Report on the Termination of the Village of Mount Sterling
 Financial Planning and Supervision Commission

Condition Five - Deficit Fund Balances

Section 118.03(A)(5) of the Revised Code defines a fiscal emergency condition as:

The existence of a condition in which the aggregate of deficit amounts of all deficit funds at the end of its preceding fiscal year, less the total of any year-end balance in the general fund and in any special fund that may be transferred as provided in Section 5705.14 of the Revised Code to meet such deficit, exceeded one-sixth of the total of the general fund budget for that year and the receipts to those deficit funds during that year other than from transfers from the general fund.

We computed the adjusted aggregate sum of all deficit funds at December 31, 2021, by subtracting all accounts payable and encumbrances from the year end cash fund balance of each fund. No further calculations were necessary because there were no deficit fund balances at December 31, 2021.

Conclusion: A fiscal emergency condition does not exist under Section 118.03(A)(5) of the Revised Code. There were no deficit fund balances at December 31, 2021.

Condition Six - Treasury Balances

Section 118.03(A)(6) of the Revised Code defines a fiscal emergency condition as:

The existence of a condition in which, at the end of the preceding fiscal year, moneys and marketable investments in or held for the unsegregated treasury of the municipal corporation minus outstanding checks and warrants were less in amount than the aggregate of the positive balances of the general fund and those special funds the purposes of which the unsegregated treasury is held to meet and such deficiency exceeded one-sixth of the total amount received into the unsegregated treasury during the preceding fiscal year.

We verified the Village’s reconciled bank balance to its statement of cash position by fund for all funds as of December 31, 2021, which included subtracting reconciling factors to arrive at the treasury balance. We then determined the aggregate sum of all positive fund cash balances, the purpose of which the unsegregated treasury is held to meet, to determine the treasury deficit. No further calculations were necessary because the treasury balance equaled the sum of all fund cash balances.

Schedule I

Treasury Balances
 Ohio Revised Code Section 118.03(A)(6)
 As of December 31, 2021

	Amounts at December 31, 2021
Bank Cash Balance	
JPMorgan Chase Bank - General Checking	\$2,397,676
Adjustments for:	
Deposits in Transit	50,043
Outstanding Checks	(16,832)
Total Adjustments	33,211
Total Treasury Balance	\$2,430,887
	(continued)

Village of Mount Sterling, Madison County
 Report on the Termination of the Village of Mount Sterling
 Financial Planning and Supervision Commission

Schedule I

Treasury Balances
 Ohio Revised Code Section 118.03(A)(6)
 As of December 31, 2021 (continued)

	<u>Amounts at December 31, 2021</u>
Less: Positive Cash Fund Balances	
General	\$963,589
Street Construction Maintenance and Repair	194,607
State Highway	19,644
Parks and Recreation	12,123
State Grant - CDBG	940
Permissive Motor Vehicle License Tax	83,456
Coronavirus Relief (CARES)	12,757
Coronavirus Relief (ARPA)	93,909
Water Operating	277,855
Water Reserve	75,506
Water Capital Improvement	15,554
Sewer Operating	537,514
Sewer Reserve	84,312
Sewer Capital Improvement	35,525
Utility Deposits	19,071
Unclaimed Monies	4,525
Total Positive Cash Fund Balances	2,430,887
Treasury Deficiency	\$0

Conclusion: A fiscal emergency condition does not exist under Section 118.03(A)(6) of the Revised Code as of December 31, 2021. The treasury balance less the positive fund cash balances as of December 31, 2021, did not exceed one-sixth of the treasury receipts for the year.

Section 3 - Financial Plan Objectives

We obtained a copy of the financial plan of the Village and determined whether the objectives of the plan have been met. Those objectives identified in the financial plan include the following:

- 1) Eliminate the fiscal emergency conditions which were determined by the Auditor of State, pursuant to Section 118.04 of the Revised Code;
- 2) The Village will conform to statutes with respect to tax budget and appropriations measures;
- 3) The Village will establish monthly levels of expenditures and encumbrances pursuant to division (B)(2) of Section 118-07 of the Ohio Revised Code;
- 4) The amount and purpose of any issue of debt obligations will not exceed debt limits supported by appropriate certification by the Fiscal Officer and County Auditor;

Village of Mount Sterling, Madison County
Report on the Termination of the Village of Mount Sterling
Financial Planning and Supervision Commission

- 5) Develop an effective financial accounting and reporting system; and
- 6) The Village will prepare a financial forecast for a five-year period in accordance with the standards issued by the Auditor of State.

All objectives of the financial plan have been met.

Section 4 - Financial Forecast

Financial forecasting is an important management tool to assist the Village in making sound financial decisions for avoiding a fiscal crisis in the future. A five-year forecast is required under Section 118.27(A)(3)(d) of the Revised Code. After examining the financial forecast, the Auditor of State rendered a non-adverse report. The financial forecast is contained in Appendix A.

DISCLAIMER

Because the preceding procedures were not sufficient to constitute an audit made in accordance with generally accepted auditing standards, we do not express an opinion on any of the specific accounts and fund balances referred to above. Had we performed additional procedures or had we made an audit of the financial statements in accordance with generally accepted auditing standards, other matters might have come to our attention that would have been reported herein.

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APPENDIX A

Village of Mount Sterling Madison County

Financial Forecast

For the Years Ending December 31, 2022, through December 31, 2026

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Village of Mount Sterling, Madison County

Financial Forecast

Table of Contents

Auditor's Report A-3

Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget Basis For The Years Ended December 31, 2019, Through
2021, Actual and Ending December 31, 2022, through 2026, Forecasted
General Fund..... A-4

Summary of Significant Accounting Policies and Forecast Assumptions..... A-8

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Village Council
Village of Mount Sterling
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Mount Sterling, Ohio 45143

Based upon the requirement set forth in section 118.27(A)(3)(d) of the Ohio Revised Code, the Local Government Services Section of the Auditor of State's Office has examined the accompanying forecasted statements of revenues, expenditures, and changes in fund balance of the general fund of the Village of Mount Sterling, for the five years ending December 31, 2026. These statements are presented on the budget basis of accounting used by the Village of Mount Sterling rather than on generally accepted accounting principles. The Village of Mount Sterling's management is responsible for the forecast. Our responsibility is to determine whether the Village has met the criteria that allows for the fiscal emergency to be terminated.

Based on our examination of the accompanying forecast, there is nothing in the forecast nor has anything come to our attention that indicates the fiscal emergency should not be terminated. However, some assumptions inevitably will not materialize and unanticipated events and circumstances may occur; therefore, the actual results of operations during the forecast period will vary from the forecast and the variations may be material.

This report is intended solely for the use of the Village of Mount Sterling and the Financial Planning and Supervision Commission of the Village of Mount Sterling and should not be used for any other purpose. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

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

Keith Faber
Auditor of State
Columbus, Ohio

August 30, 2022

Village of Mount Sterling - Madison County
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget Basis
For the Years Ended December 31, 2019, Through 2021, Actual
and Ending December 31, 2022, Through 2026, Forecasted
General Fund

	2019 <u>Actual</u>	2020 <u>Actual</u>	2021 <u>Actual</u>	2022 <u>Forecasted</u>
Revenues				
Property and Other Local Taxes	\$28,423	\$29,132	\$34,757	\$32,000
Municipal Income Taxes	832,638	740,213	755,142	750,500
Intergovernmental	70,912	69,107	82,861	77,050
Fines, Licenses, and Permits	29,020	30,003	35,062	33,000
Other	2,265	20,600	5,081	2,900
Total Revenues	<u>963,258</u>	<u>889,055</u>	<u>912,903</u>	<u>895,450</u>
Expenditures				
Current:				
General Government				
Council				
Personal Services	8,357	11,304	12,176	33,410
Other	0	1,500	1,208	1,200
Total Council	<u>8,357</u>	<u>12,804</u>	<u>13,384</u>	<u>34,610</u>
Mayor and Administrative Offices				
Personal Services	87,138	28,104	28,231	58,775
Other	1,300	7,675	22,700	36,400
Total Mayor and Administrative Offices	<u>88,438</u>	<u>35,779</u>	<u>50,931</u>	<u>95,175</u>
Clerk - Fiscal Officer				
Personal Services	82,812	84,961	99,133	87,665
Other	715	0	0	1,200
Total Clerk - Fiscal Officer	<u>83,527</u>	<u>84,961</u>	<u>99,133</u>	<u>88,865</u>
Property Tax Collection				
Other	690	648	0	1,000
Annual Audit Costs				
Other	17,150	16,250	0	25,000
Income Tax Administration				
Other	31,308	27,160	28,241	27,550
Other General Government				
Personal Services	715	657	2,266	715
Other	132,337	86,523	61,874	72,438
Total Other General Government	<u>133,052</u>	<u>87,180</u>	<u>64,140</u>	<u>73,153</u>
Total General Government	<u>\$362,522</u>	<u>\$264,782</u>	<u>\$255,829</u>	<u>\$345,353</u>

2023 Forecasted	2024 Forecasted	2025 Forecasted	2026 Forecasted
\$32,000	\$33,500	\$36,200	\$36,200
768,000	785,000	785,000	785,000
84,200	84,300	84,600	84,600
32,500	32,500	32,500	32,500
0	0	0	0
916,700	935,300	938,300	938,300
33,410	33,410	33,410	33,410
1,200	1,200	1,200	1,200
34,610	34,610	34,610	34,610
140,925	123,425	129,625	136,925
36,400	36,400	36,400	36,400
177,325	159,825	166,025	173,325
62,140	68,315	75,582	83,825
3,600	3,600	3,600	3,600
65,740	71,915	79,182	87,425
1,000	1,000	1,100	1,100
0	25,000	0	25,000
27,800	28,000	28,000	28,000
725	735	742	750
67,420	68,145	68,835	44,525
68,145	68,880	69,577	45,275
\$374,620	\$389,230	\$378,494	\$394,735

(continued)

Village of Mount Sterling - Madison County
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget Basis
For the Years Ended December 31, 2019, Through 2021, Actual
and Ending December 31, 2022, Through 2026, Forecasted
General Fund (continued)

	2019 <u>Actual</u>	2020 <u>Actual</u>	2021 <u>Actual</u>	2022 <u>Forecasted</u>
Security of Persons and Property				
Police Enforcement				
Other	<u>\$282,911</u>	<u>\$290,730</u>	<u>\$225,202</u>	<u>\$306,450</u>
Community Environment				
Lands and Buildings				
Other	<u>0</u>	<u>1,762</u>	<u>4,185</u>	<u>10,000</u>
Leisure Time Activities				
Parks Department				
Personal Services	715	657	773	715
Other	<u>18,511</u>	<u>17,156</u>	<u>16,649</u>	<u>60,880</u>
Total Leisure Time Activities	<u>19,226</u>	<u>17,813</u>	<u>17,422</u>	<u>61,595</u>
Transportation				
Street Department				
Personal Services	<u>0</u>	<u>0</u>	<u>0</u>	<u>73,800</u>
<i>Total Expenditures</i>	<u>664,659</u>	<u>575,087</u>	<u>502,638</u>	<u>797,198</u>
<i>Excess of Revenues Over Expenditures</i>	<u>298,599</u>	<u>313,968</u>	<u>410,265</u>	<u>98,252</u>
Other Financing Sources (Uses):				
Transfers Out	0	(200,000)	(100,000)	(100,000)
Special Item	<u>6,353</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Total Other Financing Sources (Uses)</i>	<u>6,353</u>	<u>(200,000)</u>	<u>(100,000)</u>	<u>(100,000)</u>
<i>Changes in Fund Balance</i>	304,952	113,968	310,265	(1,748)
<i>Fund Balance Beginning of Year</i>	234,533	539,485	653,324	963,589
<i>Fund Balance Adjustment</i>	<u>0</u>	<u>(129)</u>	<u>0</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$539,485</u>	<u>\$653,324</u>	<u>\$963,589</u>	<u>\$961,841</u>

<u>2023</u> <u>Forecasted</u>	<u>2024</u> <u>Forecasted</u>	<u>2025</u> <u>Forecasted</u>	<u>2026</u> <u>Forecasted</u>
<u>\$322,200</u>	<u>\$338,450</u>	<u>\$355,400</u>	<u>\$373,200</u>
<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>
<u>725</u>	<u>735</u>	<u>742</u>	<u>750</u>
<u>46,982</u>	<u>35,140</u>	<u>35,300</u>	<u>35,460</u>
<u>47,707</u>	<u>35,875</u>	<u>36,042</u>	<u>36,210</u>
<u>77,550</u>	<u>87,320</u>	<u>98,450</u>	<u>110,950</u>
<u>832,077</u>	<u>860,875</u>	<u>878,386</u>	<u>925,095</u>
<u>84,623</u>	<u>74,425</u>	<u>59,914</u>	<u>13,205</u>
<u>(50,000)</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>(50,000)</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>34,623</u>	<u>74,425</u>	<u>59,914</u>	<u>13,205</u>
<u>961,841</u>	<u>996,464</u>	<u>1,070,889</u>	<u>1,130,803</u>
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>\$996,464</u>	<u>\$1,070,889</u>	<u>\$1,130,803</u>	<u>\$1,144,008</u>

Village of Mount Sterling, Madison County
Summary of Significant Accounting Policies and Forecast Assumptions
For the Years Ending December 31, 2022, through 2026

Note 1 - The Village

The Village of Mount Sterling (the “Village”) is located in Madison County. The Village is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. Operating as a statutory village, Mount Sterling must comply with all State laws regulating Village government. The decision making process is directed by an elected Village Council (Council) and Mayor. Legislative authority is vested in a six-member Council. All members of council are elected at-large for four year terms. A Mayor presides at all meetings of the legislative authority, but has no vote except in case of a tie. The Mayor is the chief executive and administrative officer who is elected for a four-year term.

On June 22, 2017, the Auditor of State’s Office declared the Village of Mount Sterling to be in a state of fiscal emergency in accordance with Section 118.03 of the Ohio Revised Code. The declaration resulted in the establishment of a Financial Planning and Supervision Commission. The Commission is comprised of the Village’s Mayor and Council President, the Madison County Auditor, two individuals whose residency or principal place of business is within the Village, and a designee from both the State Treasurer’s Office and the Office of Budget and Management. The Village had 120 days after the first meeting of the Commission to approve a financial recovery plan. Once the plan was adopted, the Village’s discretion is limited in that all financial activity of the Village must be in accordance with the plan.

The Village of Mount Sterling provides general governmental services including police protection, road and park maintenance and water and sewer utility services. The operation of each of these activities is directly controlled by the Village Council through the budgetary process. The administration includes the Mayor, Fiscal Officer and Village Administrator.

Note 2 - Nature of Presentation

This financial forecast presents, to the best of the Village’s knowledge and belief, the expected revenues, expenditures, and changes in fund balances for the forecast period. Accordingly, the forecast reflects the Village’s judgment, as of August 30, 2022, the date of the forecast, the expected conditions and its expected course of action. The assumptions disclosed herein are those that management believes are significant to the forecast. There will usually be differences between the forecasted and actual results because events and circumstances frequently do not occur as expected, and those differences may be material.

The forecast presents the funds that are significant to the operations of the Village. For the Village, this consists of the general fund.

Note 3 - Summary of Significant Accounting Policies

A. Basis of Accounting

This financial forecast has been prepared on a basis of cash receipts, disbursements, and encumbrances which is consistent with the budget basis of accounting (non-GAAP) used to prepare the historical financial statements. Under this basis of accounting, certain revenue and related assets are recognized when received rather than when earned and certain expenditures are recognized when paid rather than when the obligation is incurred. However, by virtue of Ohio law, the Village is required to maintain the encumbrance method of accounting. This method requires purchase orders, contracts, and other commitments for the expenditure of monies to be recorded as the equivalent of an expenditure in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance.

Village of Mount Sterling, Madison County
Summary of Significant Accounting Policies and Forecast Assumptions
For the Years Ending December 31, 2022, through 2026

B. Fund Accounting

The Village maintains its accounting records in accordance with the principles of “fund” accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the segregation of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity that stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

Governmental Funds

General Fund - The General Fund is the operating fund of the Village and is used to account for and report all financial resources, except those required to be accounted for and reported in another fund. The General Fund balance is available to the Village for any purpose provided it is disbursed or transferred in accordance with Ohio law.

Special Revenue Funds - Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to disbursement for specified purposes, other than for debt service or capital projects.

Debt Service Funds - Debt service funds are used to account for and report resources that are restricted, committed, or assigned to disbursement for principal, interest, and related costs.

Capital Projects Funds - Capital projects funds are used to account for and report resources that are restricted, committed, or assigned for the acquisition or construction of major capital facilities and other capital assets (other than those financed by the enterprise funds).

Permanent Funds - Permanent funds account for and report financial resources that are legally restricted to the extent that only earnings, and not principal, may be used for the benefit of the Village or its residents.

Proprietary Funds

Enterprise Funds - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods and services.

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and custodial funds. Trust funds are used to account for assets held by the Village under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the Village’s own programs. Custodial funds are used to report fiduciary activities that are not required to be reported in a trust fund.

C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of the budgetary documents within an established timetable. The major documents prepared are the certificate of estimated resources and the appropriations resolution, both of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to

Village of Mount Sterling, Madison County
Summary of Significant Accounting Policies and Forecast Assumptions
For the Years Ending December 31, 2022, through 2026

amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than custodial funds, are legally required to be budgeted and appropriated.

Estimated Resources - On or about September 1, the County Budget Commission issues an official certificate of estimated resources to the Village, which states the projected receipts of each fund. On or about January 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year. Prior to December 31, the Village must revise its budget so that total contemplated expenditures from any funds during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure.

Appropriations - A temporary appropriation measure to control cash disbursements may be passed on or about January 1 of each year if the annual appropriations for the full year is not ready for approval by the Village Council. The temporary appropriation measure remains in place until the annual appropriation measure is adopted for the entire year. By March 31, an annual appropriation resolution must be legally enacted by the Village Council. The appropriation measure may be amended or supplemented during the year as new information becomes available.

Encumbrances - The Village uses the encumbrance method of accounting. Under this system, purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve a portion of the applicable appropriation.

D. Property, Plant and Equipment

Capital assets acquired or constructed for general governmental services are recorded as expenditures. Depreciation is not recorded for these capital assets as the purpose of the financial statements for the governmental services is to report the expenditure of resources, not costs.

Note 4 - General Revenue Assumptions - All Funds

A. Property Taxes

Property tax revenues consist of real property and public utility personal property. The Village may request advances from the Madison County Auditor as the taxes are collected. When final settlements are made, any amounts remaining to be distributed to the Village are paid. Deductions for auditor and treasurer fees, advertising delinquent taxes, election expenses, and other fees are made at these settlement times. The amounts shown in the revenue section of the forecast represent gross property tax revenues.

State law allows for certain reductions in the form of credits and deductions for residential real estate taxes. The State reimburses the Village for all revenue lost due to these exemptions. The amount of the reimbursement is presented in the account "intergovernmental revenue".

All property tax revenues are based on property valuations and levy rates. The County is required to reappraise property every six years and update the valuations every three years between the reappraisals. The last reappraisal was completed in 2020 for taxes collected in 2021. The County Auditor will only certify approximately 90 percent of estimated collections on the Certificate of Estimated Resources. The next triennial update is scheduled for 2023. The Village's assessed values upon which property tax receipts were based for the last four years are as follows:

Village of Mount Sterling, Madison County
 Summary of Significant Accounting Policies and Forecast Assumptions
 For the Years Ending December 31, 2022, through 2026

Class of Property	2019	2020	2021	2022
Real Property:				
Residential and Agriculture	\$21,327,260	\$21,823,510	\$26,050,880	\$26,421,370
Commercial and Industrial	7,660,520	7,900,180	7,755,590	7,777,720
Public Utility:				
Tangible Personal Property	1,126,230	1,209,130	1,302,430	1,380,830
Total Assessed Value	<u>\$30,114,010</u>	<u>\$30,932,820</u>	<u>\$35,108,900</u>	<u>\$35,579,920</u>

The property tax revenues are generated from inside millage and receipted into the general fund.

The Village does not have any levies. Inside millage being collected by fund and the full tax rate are as follows:

Fund	Tax Levies	Year Approved/ Renewed	First Calendar Year of Collection	Last Calendar Year of Collection	Full Tax Rate (Per \$1,000 of Assessed Valuation)
General Fund	Inside Ten Mill Limitation (Unvoted)	n/a	n/a	n/a	\$0.35

Public utility real property taxes are collected and settled by the County with real estate taxes and are recorded as general property taxes.

B. Municipal Income Taxes

The Village levied and collected an income tax of 1 percent on substantially all income earned within the Village as well as on incomes of residents earned outside the Village. Employers within the Village are required to withhold income tax on employee earnings and remit the tax to the Village monthly or quarterly, as required. Corporations and other individual taxpayers are also required to pay their estimated taxes at least quarterly and file a final return annually. Any income tax ordinance must be approved by a majority vote at a Village election prior to the ordinance becoming effective.

C. Intergovernmental Revenues

For certain qualifying levies, State law grants tax relief in the form of credits and/or deductions. Qualifying real property tax bills are reduced by 10 percent non-business credit, and in addition, a 2.5 percent owner occupancy credit. Tax relief is also granted to owner occupants who meet certain age and disability requirements in the form of an additional homestead exemption. The State reimburses the Village for the loss of real property taxes caused by these credits and/or deductions. These credits and deductions have been forecasted to be consistent with the forecasted property tax revenues.

Note 5 - Specific Fund Revenue Assumptions

General Fund

Real Property – Property values for 2022 thru 2026 are based on the 2022 estimate provided by the County Auditor. The Village has a new 47 home sub-division under construction. The Village is expecting 17 homes to be completed in 2022 and another 30 homes completed in 2023. With a new valuation expected to occur during 2023, tax revenues are anticipated to increase in 2024 and 2025 with the completion of the 47 new homes over the next two years.

Village of Mount Sterling, Madison County
Summary of Significant Accounting Policies and Forecast Assumptions
For the Years Ending December 31, 2022, through 2026

Municipal Income Taxes – Income taxes have been forecasted based on information provided by the Village Fiscal Officer in conjunction with the Regional Income Tax Agency (RITA). Income tax revenue is anticipated to increase in 2023 and 2024 due to increased residency in relation to the new subdivision. The Village is holding collections at the 2024 level for the remainder of the forecast.

Intergovernmental – Intergovernmental revenues include local government monies and property tax allocations for credits and deductions and tangible property tax loss reimbursements, cigarette tax and liquor and beer permit fees. The Village is forecasting an increase in local government funds based upon Ohio Department of Taxation’s Local Government Fund forecasted revenue, which is projecting a nine percent increase for 2023. The remainder of the forecast remains constant with the 2023 estimate. The property tax allocations for credits and deductions and tangible personal property are received from the State and are based on information provided by the County Auditor. Increases during the forecast period are in accordance with the corresponding increase in property tax revenues. Cigarette tax and liquor and beer permit fees are collected by the State and distributed to the Village. The Village is then holding that collection at a constant amount for the remainder of the forecast. No other changes are anticipated in these revenues throughout the forecast period.

Fines, Licenses, and Permits – Cable franchise fees are 3 percent of gross receipts collected by the cable provider. A three year average of the prior years’ actual receipts was used to forecast the 2022 cable franchise fees. This forecasted amount was also used throughout the forecast period. Other fines and permits increased in 2022 due to additional zoning permits. In the remaining years of the forecast, this will remain constant with the 2023 estimate.

Note 6 - Expenditure Assumptions - All Funds

A. Personal Services

Personal services include the salaries and fringe benefits paid to the employees and elected officials of the Village. Fringe benefits include employer contributions to the State pension system, Medicare, workers’ compensation, vacation, sick leave, personal days and medical coverage. The Village’s employees, Administrator, and Fiscal Officer are paid on a bi-weekly basis. The Village Council and Mayor are paid monthly. Village Council, by ordinance, sets the salary or hourly rates and other forms of compensation, such as paid leave.

The Village does not have collective bargaining agreements.

The Village Council consists of six members earning \$100 per meeting, except for President of Council who earns \$150 per meeting. Each council member earns an additional \$25 for each additional council or committee meeting they attend up to a maximum of \$200 per month. In total, each Council member may earn up to a maximum of \$4,800, except for the President of Council, can earn up to \$6,000 per year.

In August of 2022, the Village filled the vacant administrator position. The 2022 forecast accounted for this while the remainder of the forecast shows the full cost of salary and benefits.

In August of 2022, the Fiscal Officer went from a full time position to a part-time position. The Fiscal Officer’s hourly rate and hours worked per week were reduced; however, the Fiscal Officer will still receive medical benefits.

Starting in 2022, street department employee wages and fringe benefits will be paid from the general fund. Street department employees are estimated to receive a 3 percent cost of living increase for the forecasted period. Starting in 2024, an additional 10 percent increase was included to account for possible overtime related to emergency repairs and snow removal. Each one percent increase in salaries for employees would cost the Village approximately \$600 in salaries and \$100 in benefits for the general fund.

Village of Mount Sterling, Madison County
Summary of Significant Accounting Policies and Forecast Assumptions
For the Years Ending December 31, 2022, through 2026

Staffing is anticipated to remain the same throughout the forecast period. No Village employees are expected to retire within the forecast period.

All employees, the Mayor and one Council Member participate in the Ohio Public Employees Retirement System (OPERS). OPERS provides basic retirement, disability and death benefits to plan members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. Employees are required to contribute 10 percent (the maximum) of their annual salary and the Village is required to contribute 14 percent (the maximum) of their annual salary. The remaining Council Members pay into Social Security.

Workers' compensation coverage is provided by the State of Ohio. The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. Also affecting the premium classification are the specific job classifications and the Village's claim experience. The Village is estimating a 1 percent increase in workers' compensation during the forecast period.

All employees, except elected officials, are entitled to between one to three weeks of vacation leave depending on hire date and length of service. Employees earn sick leave at a rate of 4.6 hours for every eighty hours worked.

The Village provides hospital/medical benefits to its employees through Medical Mutual. Employees pay ten percent of the premium costs. The Village anticipates the premiums for benefits to increase approximately 18 percent each year. The Village charges premiums for benefits to the same fund and department as the individual's compensation. The Village Mayor received medical benefits through the Village until December 31, 2023. Beginning in 2024, this option will no longer be available.

B. Other

Other expenditures includes contractual services, materials and supplies, capital outlay and miscellaneous expenditures. Contractual services include the Madison County's Sheriff's office contract for police protection, park maintenance, zoning service, payroll service fees, property and liability insurance, utility charges (telephone, internet, natural gas, and garbage), postage, advertising, legal fees, auditor and treasurer fees, accounting and auditing services and RITA collection fees. RITA collects a 3 percent fee on all gross income taxes collected and distributed. Materials and supplies expenditures include office supplies, operating supplies (chemicals, salt, and gasoline), and repair and maintenance costs. Other general payments represents a payment to another political subdivision as part of an enterprise zone agreement. This agreement will expire at the end of calendar year 2024 with the final payment being made in 2025. The Village is required to make an annual payment to the local school district based upon a percentage of the income tax revenue received by the Village from the company and its employees. For 2022 and 2023, the Parks department is in the process of completing design and engineering work for future improvements as well as making other small land improvements and replacing equipment. Beginning in 2020, the Village's Legal Counsel went from being a paid salary position to a contracted position. The contracted position is for a maximum allowable amount of \$25,000 per year. The current Madison County Sheriff's office contract is from April 2020 through March 2023 and allows for a five percent increase each year. The Village has not yet started negotiations with the Madison County Sheriff's office, so a five percent increase per year will be used for the remainder of the forecast period.

Note 7 - Transfers – General Fund

The Village is planning to transfer from the general fund to the water fund and the street fund during 2022 and 2023. The transfer to the water fund in 2022 is to assist in the operation of the water fund due to additional work required from EPA mandates. The transfer to the street fund in 2023 is to assist with a drainage project. The Village does not expect any other transfers for the remainder of the forecast period.

Village of Mount Sterling, Madison County
Summary of Significant Accounting Policies and Forecast Assumptions
For the Years Ending December 31, 2022, through 2026

Note 8 - Other Funds

When declared in fiscal emergency, the moving ohio forward fund had a deficit fund balance. The Village no longer utilizes this fund. The Village has numerous other funds that account for resources that are restricted for specific purposes. These funds are anticipated to have sufficient resources to meet their obligations during the forecasted period.

Note 9 - Contingencies

A. Litigation

The Village is not party to any legal proceedings.

B. Grants

The Village received financial assistance from federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position during the forecast period.

Note 10 - COVID 19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June, 2021 while the national state of emergency continues. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Village. The actual impact of COVID-19 on operating costs, revenues (including property taxes and interest), and additional recovery from emergency funding, either federal or State, could be different from the forecasted amounts and those differences could be material.

OHIO AUDITOR OF STATE KEITH FABER



VILLAGE OF MOUNT STERLING FISCAL EMERGENCY ANALYSIS TERMINATION

MADISON 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 10/11/2022

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