



bhm cpa group, inc.
CERTIFIED PUBLIC ACCOUNTANTS

VILLAGE OF PROSPECT
MARION COUNTY

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

OHIO AUDITOR OF STATE
KEITH FABER



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Village Council
Village of Prospect
200 N EAST ST
PROSPECT, OH 43342

We have reviewed the *Independent Auditor's Report* of the Village of Prospect, Marion County, prepared by BHM CPA Group, Inc., for the audit period January 1, 2021 through December 31, 2022. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Keith Faber
Auditor of State
Columbus, Ohio

July 14, 2023

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Village of Prospect
Marion County, Ohio
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INDEPENDENT AUDITOR'S REPORT

Village of Prospect
Marion County
200 North East Street
Prospect, Ohio 43342

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 Prospect, Marion 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, 2022 and 2021, 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, 2022 and 2021, 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, 2022 and 2021, or the changes in financial position or, where applicable, cash flows thereof for the years then ended.

Basis for Opinions

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

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

As described in Note 2 of the financial statements, the financial statements are prepared by the Village on the basis of the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 2 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Emphasis of Matter

As discussed in Note 13 to the financial statements, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Village. We did not modify our opinion regarding this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, no such opinion is expressed.

- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village's ability to continue as a going concern for a reasonable period of time.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 23, 2023, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



BHM CPA Group, Inc.
Piketon, Ohio
June 23, 2023

**VILLAGE OF PROSPECT
MARION COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2022**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Taxes	\$ 126,106	\$ 23,540	\$ 149,646
Intergovernmental	43,996	1,055,782	1,099,778
Fines, Licenses, and Permits	2,727	-	2,727
Earnings on Investments	17,148	-	17,148
Miscellaneous	124	2,329	2,453
	<u>190,101</u>	<u>1,081,651</u>	<u>1,271,752</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
Security of Persons and Property	97,751	102,327	200,078
Leisure Time Activities	20,301	-	20,301
Transportation	-	153,245	153,245
General Government	87,625	-	87,625
Capital Outlay	-	905,000	905,000
	<u>205,677</u>	<u>1,160,572</u>	<u>1,366,249</u>
Total Cash Disbursements			
Excess of Receipts Over/(Under) Disbursements	<u>(15,576)</u>	<u>(78,921)</u>	<u>(94,497)</u>
Other Financing Receipts (Disbursements):			
Sale of Capital Assets	54,161	-	54,161
Transfers-Out	(33,413)	(3,413)	(36,826)
Other Financing Uses	(2,471)	-	(2,471)
	<u>18,277</u>	<u>(3,413)</u>	<u>14,864</u>
Total Other Financing Receipts (Disbursements)			
Net Change in Fund Cash Balances	2,701	(82,334)	(79,633)
Fund Cash Balances, January 1	<u>231,940</u>	<u>234,936</u>	<u>466,876</u>
Fund Cash Balances, December 31	<u>\$ 234,641</u>	<u>\$ 152,602</u>	<u>\$ 387,243</u>

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

VILLAGE OF PROSPECT
MARION COUNTY

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2022**

	Proprietary Fund Types
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$ 1,528,940
Total Operating Cash Receipts	1,528,940
Operating Cash Disbursements:	
Personal Services	250,002
Employee Fringe Benefits	186,778
Contractual Services	658,510
Supplies and Materials	147,672
Other	611
Total Operating Cash Disbursements	1,243,573
Operating Income (Loss)	285,367
Non-Operating Receipts (Disbursements)	
Property and Other Local Taxes	29,527
Intergovernmental	3,106
Miscellaneous Receipts	29,999
Capital Outlay	(84,247)
Principal Retirement	(172,660)
Interest and Other Fiscal Charges	(10,353)
Total Non-Operating Cash Receipts (Disbursements)	(204,628)
Income (Loss) before Transfers	80,739
Transfers In	43,652
Transfers Out	(6,826)
Net Change in Fund Cash Balances	117,565
Fund Cash Balances, January 1	1,190,444
Fund Cash Balances, December 31	\$ 1,308,009

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

**VILLAGE OF PROSPECT
MARION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022**

Note 1 – Reporting Entity

The Village of Prospect (the Village), Marion County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides sewer, solid waste, electric utilities, park operations (leisure time activities), and pool services. The Village contracts with the Marion County Sheriff's department to provide security of persons and property.

Joint Ventures, Jointly Governed Organizations, Public Entity Risk Pools and Related Organizations

The Village participates in the Public Entity Pool of Ohio public entity risk pool and two joint ventures. Notes 10 and 12 to the financial statements provide additional information for these entities. These organizations are:

Ohio Municipal Electric Generation Agency Joint Venture 1 (OMEGA JV1) – The Village is a participant with twenty other subdivisions within the State of Ohio in a joint venture for the purpose of providing electric power and energy to its participants on a cooperative basis.

Ohio Municipal Electric Generation Agency Joint Venture 5 (OMEGA JV5) - The Village is a financing participant with an ownership percentage of 0.27%, and shares participation with forty-one other subdivisions within the State of Ohio. Financing participants own undivided interests, as tenants in common, without right of partition in the project.

Public Entities Pool of Ohio (PEP) - The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local Villages. PEP provides property and casualty coverage for its members.

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 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.

**VILLAGE OF PROSPECT
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**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022**

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.

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

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:

Electric Operating Fund This fund receives charges for services from residents to cover the cost of providing electric services.

Solid Waste Operating Fund This fund receives charges for services from residents to cover the cost of providing this service.

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

Pool Fund This fund receives charges for services from residents to cover the cost of providing pool services.

Utility Deposit Fund This fund receives and disburses funds received from Electric service customers.

Basis of Accounting

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

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

**VILLAGE OF PROSPECT
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**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022**

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 cash as of January 1. The County Budget Commission must approve estimated resources.

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

A summary of 2022 budgetary activity appears in Note 3.

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.

Money market mutual funds are recorded at share values the mutual funds report. Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

Capital Assets

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

Accumulated Leave

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

Fund Balance

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

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

**VILLAGE OF PROSPECT
MARION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022**

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.

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 11.

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2022 follows:

2022 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$156,138	\$244,262	\$88,124
Special Revenue	111,346	1,081,651	970,305
Enterprise	1,513,263	1,635,224	121,961
Total	\$1,780,747	\$2,961,137	\$1,180,390

2022 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$402,879	\$241,561	\$161,318
Special Revenue	338,327	1,163,985	(825,658)
Enterprise	2,687,154	1,517,659	1,169,495
Total	\$3,428,360	\$2,923,205	\$505,155

**VILLAGE OF PROSPECT
MARION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022**

Note 4 – Deposits and Investments

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

	<u>2022</u>
<i>Cash Management Pool:</i>	
Demand deposits	\$147,547
Certificates of deposit	933,846
Total deposits	<u>1,081,393</u>
STAR Ohio	613,859
Total investments	<u>613,859</u>
Total carrying amount of deposits and investments held in the Pool	<u><u>1,695,252</u></u>

Deposits

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

Investments

Investments in STAR Ohio and mutual funds are not evidenced by securities that exist in physical or book-entry form.

Note 5 – Taxes

Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable 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 6 – Risk Management

Workers’ Compensation

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

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MARION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022**

Risk Pool Membership

The Village is a member of the Public Entities Pool of Ohio (The Pool). The Pool assumes the risk of loss up to the limits of the (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 (latest information available)

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

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Village employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. Council members are given the option to join OPERS or have Social Security deductions taken. 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, 2022.

Social Security

The Council members 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, 2022.

**VILLAGE OF PROSPECT
MARION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022**

Note 8 – Postemployment Benefits

OPERS offer a 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 2022. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2022.

Effective January 1, 2022, OPERS discontinued the group plans currently offered to non-Medicare retirees and re-employed retirees. Instead, eligible non-Medicare retirees will select an individual medical plan. OPERS will provide a subsidy or allowance via an HRA allowance to those retirees who meet health care eligibility requirements. Retirees will be able to seek reimbursement for plan premiums and other qualified medical expenses.

Note 9 – Debt

Debt outstanding at December 31, 2022, was as follows:

	Principal	Interest Rate
OPWC Loan	\$72,595	0.00%
OWDA Loan	\$561,160	0.00%
ALTEC Loan	\$87,082	6.07%
TFC Lease	\$91,943	4.70%
Total	\$812,780	

The Village entered into an agreement in 2004 with the Ohio Public Works Commission (OPWC) to loan \$322,646 for water system improvements. The loan will be repaid in semi-annual installments of \$8,066, over 20 years. The loan is scheduled to be paid off in January of 2027.

The Ohio Water Development Authority (OWDA) loan relates to a sewer plant project the Ohio Environmental Protection Agency mandated. The OWDA approved \$2,244,642 in loans to the Village for this project. The Village will repay the loan in semi-annual installments of \$56,116 over 20 years. Sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements. The loan is scheduled to be paid off in July of 2027.

The Village entered into an Equipment Lease/Purchase Agreement in December 2019 (dated January 01, 2020) with Altec Capital Services, L.L.C for 2019 Dodge 5500 (Bucket Truck). The loan is scheduled to be paid off in December of 2025.

The Village of Prospect entered into a governmental lease-purchase agreement with TFC National Bank in February 2020 for a 2020 rear loading garbage truck with all attachments and accessories. The lease agreement is scheduled to be paid in full in 2026.

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MARION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022**

Amortization

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

Year Ending December 31:	OWPC Loan	OWDA Loan	ALTEC Loan	TFC
2023	\$16,132	\$112,232	\$34,476	\$25,479
2024	16,132	112,232	31,824	25,479
2025	16,132	112,232	29,172	25,479
2026	16,132	112,232	-	25,479
2027	8,067	112,232	-	-
Total	<u>\$72,595</u>	<u>\$561,160</u>	<u>\$95,472</u>	<u>\$101,916</u>

Note 10 – Joint Ventures

Ohio Municipal Electric Generation Agency Joint Venture 5 (JV5)

The Village of Prospect is a Financing Participant with an ownership percentage of .27 %, and shares participation with forty-one other subdivisions within the State of Ohio in the Ohio Municipal Electric Generation Agency Joint Venture 5 (OMEGA JV5). Financing Participants own undivided interests, as tenants in common, without right of partition in the OMEGA JV5 Project.

Pursuant to the OMEGA Joint Venture JV5 Agreement (Agreement), the participants jointly undertook as Financing Participants, the acquisition, construction, and equipping of OMEGA JV5, including such portions of OMEGA JV5 as have been acquired, constructed or equipped by AMP.

OMEGA JV5 was created to construct a 42 Megawatt (MW) run-of-the-river hydroelectric plant (including 40MW of backup generation) and associated transmission facilities (on the Ohio River near the Bellville, West Virginia Locks and Dam) and sells electricity from its operations to OMEGA JV5 Participants.

Also pursuant to the Agreement, each participant has an obligation to pay its share of debt service on the Beneficial Interest Certificates (Certificates) from the revenues of its electric system, subject only to the prior payment of Operating & Maintenance Expenses (O&M) of each participant’s System, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes or other indebtedness payable from any revenues of the System. On dissolution of OMEGA JV5, the net assets will be shared by the financing participants on a percentage of ownership basis. Under the terms of the Agreement each participant is to fix, charge and collect rates, fees and charges at least sufficient in order to maintain a debt coverage ratio equal to 110% of the sum of OMEGA JV5 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2022, Prospect has not met its debt coverage obligation.

The Agreement provides that the failure of any JV5 participant to make any payment due by the due date thereof constitutes a default. In the event of a default, OMEGA JV5 may take certain actions including the termination of a defaulting JV5 Participant’s entitlement to Project Power. Each Participant may purchase a pro rata share of the defaulting JV5 Participant’s entitlement to Project Power, which together with the share of the other non-defaulting JV5 Participants, is equal to the defaulting JV5 Participant’s ownership share of the Project, in kilowatts (“Step Up Power”) provided that the sum of any such increases shall not exceed, without consent of the non-defaulting JV5 Participant, an accumulated

**VILLAGE OF PROSPECT
MARION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022**

maximum kilowatts equal to 25% of such non-defaulting JV5 Participant's ownership share of the project prior to any such increases.

OMEGA JV5 is managed by AMP, which acts as the joint venture's agent. During 1993 and 2001 AMP issued \$153,415,000 and \$13,899,981 respectively of 30-year fixed rate Beneficial Interest Certificates (Certificates) on behalf of the Financing Participants of OMEGA JV5. The 2001 Certificates accrete to a value of \$56,125,000 on February 15, 2030. The net proceeds of the bond issues were used to construct the OMEGA JV5 Project. On February 17, 2004 the 1993 Certificates were refunded by issuing 2004 Beneficial Interest Refunding Certificates in the amount of \$116,910,000, which resulted in a savings to the membership of \$34,951,833 from the periods 2005 through 2024. On February 15, 2014, all of the 2004 BIRCs were redeemed from funds held under the trust agreement securing the 2004 BIRCs and the proceeds of a promissory note issued to AMP by OMEGA JV5. This was accomplished with a draw on AMP's revolving credit facility. The resulting balance was \$65,891,509 at February 28, 2014. On January 29, 2016, OMEGA JV5 issued the 2016 Beneficial Interest Certificates ("2016 Certificates") in the amount of \$49,745,000 for the purpose of refunding the promissory note to AMP in full. The outstanding amount on the promissory note had been reduced to \$49,243,377 at the time of refunding as compared to its value at December 31, 2015 of \$49,803,187. The promissory note represented the February 2014 redemption of the 2004 Certificates from funds held under the trust agreement securing the 2004 BIRCs. The Village's net investment to date in OMEGA JV5 was \$8,067 at December 31, 2022. Complete financial statements for OMEGA JV5 may be obtained from AMP or from the State Auditor's website at www.ohioauditor.gov.

Note 11 – Fund Balances

The fund balance of special revenue funds is either restricted or committed.

Note 12 – American Municipal Power Generating Station Project

The Village is a member of the American Municipal Power (AMP) and has participated in the AMP Generating Station (AMPGS) Project. This project was intended to develop a pulverized coal power plant in Meigs County, Ohio. The Village's share was 1,088 kilowatts of a total of 771,281 kilowatts, giving the Village an 0.14 percent share. The AMPGS Project required participants to sign "take or pay" contracts with AMP. As such, the participants are obligated to pay any costs incurred for the project. In November 2009, the participants voted to terminate the AMPGS Project due to projected escalating costs. These costs were therefore deemed impaired and participants were obligated to pay costs already incurred. In prior years, the payment of these costs was not considered probable due to AMP'S pursuit of legal action to void them. As a result of a March 31, 2014, legal ruling the AMP Board of Trustees on April 15, 2014, and the AMPGS participants on April 16, 2014, approved the collection of the impaired costs and provided the participants with an estimate of their liability. The Village's estimated share at March 31, 2014, of the impaired costs is \$188,603. The Village received a credit of \$58,030 related to their participation in the AMP Freemont Energy Center (AFEC) Project, and another credit of \$49,205 related to the AMPGS costs deemed to have future benefit for the project participants, classified as Plant Held for Future use (PHFU), leaving estimated net impaired cost balance of \$81,368. AMP financed these costs on its revolving line of credit. Any additional costs (including line-of-credit interest and legal fees) or amounts received related to the project will impact the Village's payments. These amounts will be recorded as they become estimable.

Since March 31, 2014, the Village has made payments of \$88,628 to AMP toward its net impaired cost estimate. Also since March 31, 2014, the Village's allocation of additional costs incurred by the project is \$2,281 and interest expense incurred on AMP's line-of-credit of \$25,343, resulting in a net impaired cost

**VILLAGE OF PROSPECT
MARION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022**

estimate at December 31, 2019 of \$2,445. The Village does have potential PHFU Liability of \$42,316 resulting in a net total potential liability of \$39,871, assuming the assets making up the PHFU (principally the land comprising the Meigs County site) have no value and also assuming the Village's credit balance would earn zero interest. Stranded costs as well as PHFU costs are subject to change, including future borrowing costs on the AMP line-of-credit. Activities include items such as negative items as property taxes as well as positive items revenue from leases or sale of all or a portion of the Meigs County site property.

	2022
Condensed Operating Information:	
Operating Receipts	
Charges for Services	\$1,059,471
Total Operating Receipts	1,059,471
Operating Expenses	
Personal Services	117,689
Employee Fringe Benefits	115,393
Contractual Services	554,243
Supplies and Materials	67,610
Total Operating Expenses	854,935
Operating Income (Loss)	204,536
Nonoperating Receipts (Disbursements)	
Property and Other Local Taxes	8,915
Miscellaneous Receipts	19,826
Capital Outlay	(105,348)
Transfers	13,652
Change in Fund Cash Balance	141,581
Beginning Fund Cash Balance	650,519
Ending Fund Cash Balance	\$792,100

Note 13 – 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 2022, the Village received COVID-19 funding. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Village. The impact on the Village's future operating costs, revenues, and additional recovery from funding, either federal or state, cannot be estimated.

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**VILLAGE OF PROSPECT
MARION 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**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Taxes	\$ 125,977	\$ 22,776	\$ 148,753
Intergovernmental	41,144	219,332	260,476
Fines, Licenses, and Permits	1,398	-	1,398
Earnings on Investments	993	-	993
Miscellaneous	1,000	1,566	2,566
	<u>170,512</u>	<u>243,674</u>	<u>414,186</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
Security of Persons and Property	42,395	-	42,395
Leisure Time Activities	22,075	-	22,075
Community Environment	-	500	500
Basic Utility Services	-	8,000	8,000
Transportation	-	53,239	53,239
General Government	160,210	-	160,210
Capital Outlay	-	82,500	82,500
	<u>224,680</u>	<u>144,239</u>	<u>368,919</u>
Total Cash Disbursements			
Excess of Receipts Over/(Under) Disbursements	(54,168)	99,435	45,267
Other Financing Receipts (Disbursements):			
Transfers-Out	(3,419)	(3,413)	(6,832)
Other Financing Uses	(2,306)	-	(2,306)
	<u>(5,725)</u>	<u>(3,413)</u>	<u>(9,138)</u>
Total Other Financing Receipts (Disbursements)			
Net Change in Fund Cash Balances	(59,893)	96,022	36,129
Fund Cash Balances, January 1 <i>as Restated, Note 14</i>	291,833	138,914	430,747
Fund Cash Balances, December 31	<u>\$ 231,940</u>	<u>\$ 234,936</u>	<u>\$ 466,876</u>

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

**VILLAGE OF PROSPECT
MARION 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**

	Proprietary Fund Types
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$ 1,582,805
Total Operating Cash Receipts	1,582,805
Operating Cash Disbursements:	
Personal Services	243,282
Employee Fringe Benefits	156,215
Contractual Services	783,078
Supplies and Materials	223,030
Other	1,288
Total Operating Cash Disbursements	1,406,893
Operating Income (Loss)	175,912
Non-Operating Receipts (Disbursements)	
Property and Other Local Taxes	28,812
Intergovernmental	3,058
Miscellaneous Receipts	24,491
Capital Outlay	(16,747)
Principal Retirement	(172,512)
Interest and Other Fiscal Charges	(13,156)
Total Non-Operating Cash Receipts (Disbursements)	(146,054)
Income (Loss) before Transfers	29,858
Transfers Out	(6,826)
Transfers In	13,658
Net Change in Fund Cash Balances	36,690
Fund Cash Balances, January 1	1,153,754
Fund Cash Balances, December 31	\$ 1,190,444

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

**VILLAGE OF PROSPECT
MARION COUNTY**

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

Note 1 – Reporting Entity

The Village of Prospect (the Village), Marion County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides sewer, solid waste, electric utilities, park operations (leisure time activities), and pool services. The Village contracts with the Marion County Sheriff's department to provide security of persons and property.

Joint Ventures, Jointly Governed Organizations, Public Entity Risk Pools and Related Organizations

The Village participates in the Public Entity Pool of Ohio public entity risk pool and two joint ventures. Notes 10 and 12 to the financial statements provide additional information for these entities. These organizations are:

Ohio Municipal Electric Generation Agency Joint Venture 1 (OMEGA JV1) – The Village is a participant with twenty other subdivisions within the State of Ohio in a joint venture for the purpose of providing electric power and energy to its participants on a cooperative basis.

Ohio Municipal Electric Generation Agency Joint Venture 5 (OMEGA JV5) - The Village is a financing participant with an ownership percentage of 0.27%, and shares participation with forty-one other subdivisions within the State of Ohio. Financing participants own undivided interests, as tenants in common, without right of partition in the project.

Public Entities Pool of Ohio (PEP) - The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local Villages. PEP provides property and casualty coverage for its members.

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 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.

**VILLAGE OF PROSPECT
MARION COUNTY**

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

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.

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

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:

Electric Operating Fund This fund receives charges for services from residents to cover the cost of providing electric services.

Solid Waste Operating Fund This fund receives charges for services from residents to cover the cost of providing this service.

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

Pool Fund This fund receives charges for services from residents to cover the cost of providing pool services.

Utility Deposit Fund This fund receives and disburses funds received from Electric service customers.

Basis of Accounting

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

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

**VILLAGE OF PROSPECT
MARION COUNTY**

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

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 cash as of January 1. The County Budget Commission must approve estimated resources.

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

A summary of 2021 budgetary activity appears in Note 3.

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.

Money market mutual funds are recorded at share values the mutual funds report. Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

Capital Assets

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

Accumulated Leave

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

Fund Balance

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

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

**VILLAGE OF PROSPECT
MARION COUNTY**

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

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.

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 11.

Note 3 – 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	\$156,138	\$170,512	\$14,374
Special Revenue	55,933	243,674	187,741
Enterprise	1,513,263	1,652,824	139,561
Total	\$1,725,334	\$2,067,010	\$341,676

2021 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$456,499	\$230,405	\$226,094
Special Revenue	246,805	147,652	99,153
Enterprise	2,662,017	1,616,134	1,045,883
Total	\$3,365,321	\$1,994,191	\$1,371,130

**VILLAGE OF PROSPECT
MARION COUNTY**

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

Note 4 – Deposits and Investments

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

	<u>2021</u>
<i>Cash Management Pool:</i>	
Demand deposits	\$169,159
Certificates of deposit	884,627
Total deposits	<u>1,053,786</u>
STAR Ohio	<u>603,534</u>
Total investments	<u>603,534</u>
Total carrying amount of deposits and investments held in the Pool	<u><u>1,657,320</u></u>

Deposits

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

Investments

Investments in STAR Ohio and mutual funds are not evidenced by securities that exist in physical or book-entry form.

Note 5 – Taxes

Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable 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 6 – Risk Management

Workers’ Compensation

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

**VILLAGE OF PROSPECT
MARION COUNTY**

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

Risk Pool Membership

The Village is a member of the Public Entities Pool of Ohio (The Pool). The Pool assumes the risk of loss up to the limits of the (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:

	<u>2021</u>
Cash and investments	\$ 41,996,850
Actuarial liabilities	\$14,974,099

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Village employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. Council members are given the option to join OPERS or have Social Security deductions taken. 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.

Social Security

The Council members 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.

**VILLAGE OF PROSPECT
MARION COUNTY**

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

Note 8 – Postemployment Benefits

OPERS offer a 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.

Note 9 – Debt

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

	<u>Principal</u>	<u>Interest Rate</u>
OPWC Loan	\$88,728	0.00%
OWDA Loan	\$673,393	0.00%
ALTEC Loan	\$110,684	6.07%
TFC Lease	<u>\$112,635</u>	4.70%
Total	<u><u>\$985,440</u></u>	

The Village entered into an agreement in 2004 with the Ohio Public Works Commission (OPWC) to loan \$322,646 for water system improvements. The loan will be repaid in semi-annual installments of \$8,066, over 20 years. The loan is scheduled to be paid off in January of 2027.

The Ohio Water Development Authority (OWDA) loan relates to a sewer plant project the Ohio Environmental Protection Agency mandated. The OWDA approved \$2,244,642 in loans to the Village for this project. The Village will repay the loan in semi-annual installments of \$56,116 over 20 years. Sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements. The loan is scheduled to be paid off in July of 2027.

The Village entered into an Equipment Lease/Purchase Agreement in December 2019 (dated January 01, 2020) with Altec Capital Services, L.L.C for 2019 Dodge 5500 (Bucket Truck). The loan is scheduled to be paid off in December of 2025.

The Village of Prospect entered into a governmental lease-purchase agreement with TFC National Bank in February 2020 for a 2020 rear loading garbage truck with all attachments and accessories. The lease agreement is scheduled to be paid in full in 2026.

**VILLAGE OF PROSPECT
MARION COUNTY**

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

Amortization

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

Year Ending December 31:	OWPC Loan	OWDA Loan	ALTEC Loan	TFC
2022	\$16,132	\$112,232	\$31,824	\$25,479
2023	16,132	112,232	31,824	25,479
2024	16,132	112,232	31,824	25,479
2025	16,132	112,232	29,172	25,479
2026	16,132	112,232	-	25,479
2027	8,066	112,233	-	-
Total	<u>\$88,726</u>	<u>\$673,393</u>	<u>\$124,644</u>	<u>\$127,395</u>

Note 10 – Joint Ventures

Ohio Municipal Electric Generation Agency Joint Venture 5 (JV5)

The Village of Prospect is a Financing Participant with an ownership percentage of .27 %, and shares participation with forty-one other subdivisions within the State of Ohio in the Ohio Municipal Electric Generation Agency Joint Venture 5 (OMEGA JV5). Financing Participants own undivided interests, as tenants in common, without right of partition in the OMEGA JV5 Project.

Pursuant to the OMEGA Joint Venture JV5 Agreement (Agreement), the participants jointly undertook as Financing Participants, the acquisition, construction, and equipping of OMEGA JV5, including such portions of OMEGA JV5 as have been acquired, constructed or equipped by AMP.

OMEGA JV5 was created to construct a 42 Megawatt (MW) run-of-the-river hydroelectric plant (including 40MW of backup generation) and associated transmission facilities (on the Ohio River near the Bellville, West Virginia Locks and Dam) and sells electricity from its operations to OMEGA JV5 Participants.

Also pursuant to the Agreement, each participant has an obligation to pay its share of debt service on the Beneficial Interest Certificates (Certificates) from the revenues of its electric system, subject only to the prior payment of Operating & Maintenance Expenses (O&M) of each participant’s System, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes or other indebtedness payable from any revenues of the System. On dissolution of OMEGA JV5, the net assets will be shared by the financing participants on a percentage of ownership basis. Under the terms of the Agreement each participant is to fix, charge and collect rates, fees and charges at least sufficient in order to maintain a debt coverage ratio equal to 110% of the sum of OMEGA JV5 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2021, Prospect has not met its debt coverage obligation.

The Agreement provides that the failure of any JV5 participant to make any payment due by the due date thereof constitutes a default. In the event of a default, OMEGA JV5 may take certain actions including the termination of a defaulting JV5 Participant’s entitlement to Project Power. Each Participant may purchase a pro rata share of the defaulting JV5 Participant’s entitlement to Project Power, which together with the share of the other non-defaulting JV5 Participants, is equal to the defaulting JV5 Participant’s ownership share of the Project, in kilowatts (“Step Up Power”) provided that the sum of any such increases shall not exceed, without consent of the non-defaulting JV5 Participant, an accumulated

**VILLAGE OF PROSPECT
MARION COUNTY**

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

maximum kilowatts equal to 25% of such non-defaulting JV5 Participant's ownership share of the project prior to any such increases.

OMEGA JV5 is managed by AMP, which acts as the joint venture's agent. During 1993 and 2001 AMP issued \$153,415,000 and \$13,899,981 respectively of 30-year fixed rate Beneficial Interest Certificates (Certificates) on behalf of the Financing Participants of OMEGA JV5. The 2001 Certificates accrete to a value of \$56,125,000 on February 15, 2030. The net proceeds of the bond issues were used to construct the OMEGA JV5 Project. On February 17, 2004 the 1993 Certificates were refunded by issuing 2004 Beneficial Interest Refunding Certificates in the amount of \$116,910,000, which resulted in a savings to the membership of \$34,951,833 from the periods 2005 through 2024. On February 15, 2014, all of the 2004 BIRCs were redeemed from funds held under the trust agreement securing the 2004 BIRCs and the proceeds of a promissory note issued to AMP by OMEGA JV5. This was accomplished with a draw on AMP's revolving credit facility. The resulting balance was \$65,891,509 at February 28, 2014. On January 29, 2016, OMEGA JV5 issued the 2016 Beneficial Interest Certificates ("2016 Certificates") in the amount of \$49,745,000 for the purpose of refunding the promissory note to AMP in full. The outstanding amount on the promissory note had been reduced to \$49,243,377 at the time of refunding as compared to its value at December 31, 2015 of \$49,803,187. The promissory note represented the February 2014 redemption of the 2004 Certificates from funds held under the trust agreement securing the 2004 BIRCs. The Village's net investment to date in OMEGA JV5 was \$8,067 at December 31, 2021. Complete financial statements for OMEGA JV5 may be obtained from AMP or from the State Auditor's website at www.ohioauditor.gov.

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Note 12 – American Municipal Power Generating Station Project

The Village is a member of the American Municipal Power (AMP) and has participated in the AMP Generating Station (AMPGS) Project. This project was intended to develop a pulverized coal power plant in Meigs County, Ohio. The Village's share was 1,088 kilowatts of a total of 771,281 kilowatts, giving the Village an 0.14 percent share. The AMPGS Project required participants to sign "take or pay" contracts with AMP. As such, the participants are obligated to pay any costs incurred for the project. In November 2009, the participants voted to terminate the AMPGS Project due to projected escalating costs. These costs were therefore deemed impaired and participants were obligated to pay costs already incurred. In prior years, the payment of these costs was not considered probable due to AMP'S pursuit of legal action to void them. As a result of a March 31, 2014, legal ruling the AMP Board of Trustees on April 15, 2014, and the AMPGS participants on April 16, 2014, approved the collection of the impaired costs and provided the participants with an estimate of their liability. The Village's estimated share at March 31, 2014, of the impaired costs is \$188,603. The Village received a credit of \$58,030 related to their participation in the AMP Freemont Energy Center (AFEC) Project, and another credit of \$49,205 related to the AMPGS costs deemed to have future benefit for the project participants, classified as Plant Held for Future use (PHFU), leaving estimated net impaired cost balance of \$81,368. AMP financed these costs on its revolving line of credit. Any additional costs (including line-of-credit interest and legal fees) or amounts received related to the project will impact the Village's payments. These amounts will be recorded as they become estimable.

Since March 31, 2014, the Village has made payments of \$88,628 to AMP toward its net impaired cost estimate. Also since March 31, 2014, the Village's allocation of additional costs incurred by the project is \$2,281 and interest expense incurred on AMP's line-of-credit of \$25,343, resulting in a net impaired cost

**VILLAGE OF PROSPECT
MARION COUNTY**

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

estimate at December 31, 2019 of \$2,445. The Village does have potential PHFU Liability of \$42,316 resulting in a net total potential liability of \$39,871, assuming the assets making up the PHFU (principally the land comprising the Meigs County site) have no value and also assuming the Village's credit balance would earn zero interest. Stranded costs as well as PHFU costs are subject to change, including future borrowing costs on the AMP line-of-credit. Activities include items such as negative items as property taxes as well as positive items revenue from leases or sale of all or a portion of the Meigs County site property.

	2021
Condensed Operating Information:	
Operating Receipts	
Charges for Services	\$1,107,527
Total Operating Receipts	1,107,527
Operating Expenses	
Personal Services	109,933
Employee Fringe Benefits	102,852
Contractual Services	667,080
Supplies and Materials	47,266
Total Operating Expenses	927,131
Operating Income (Loss)	180,396
Nonoperating Receipts (Disbursements)	
Property and Other Local Taxes	8,863
Miscellaneous Receipts	9,851
Capital Outlay	(41,885)
Transfers	13,658
Change in Fund Cash Balance	170,883
Beginning Fund Cash Balance	479,636
Ending Fund Cash Balance	\$650,519

Note 13 – 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 COVID-19 funding. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Village. The impact on the Village's future operating costs, revenues, and additional recovery from funding, either federal or state, cannot be estimated.

VILLAGE OF PROSPECT
MARION COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

Note 14 – Restatement of Beginning Balance

During 2021, the Village corrected an error from prior periods which had the following resulting effect on the General Fund balance:

	<u>General Fund</u>
2021 Beginning Fund Balance	\$ 291,906
Transaction Posting Error	<u>(73)</u>
2021 Restated Beginning Fund Balance	<u><u>\$ 291,833</u></u>



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

Village of Prospect
Marion County
200 North East Street
Prospect, Ohio 43342

To the Village Council:

We have audited, in accordance the with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the cash balances, receipts, and disbursements for each governmental and proprietary fund type as of and for the years ended December 31, 2022 and 2021 and the related notes to the financial statements of the Village of Prospect, Marion County, (the Village) and have issued our report thereon dated June 23, 2023, wherein we noted the Village followed financial reporting provisions Ohio Rev. Code § 117.38 and Ohio Admin. Code 117-2-03(C) permit. We also noted the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Village.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Village's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the 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 a certain deficiency in internal control, described in the accompanying schedule of findings as item 2022-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed 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 2022-002.

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.

BHM CPA Group

BHM CPA Group, Inc.
Piketon, Ohio
June 23, 2023

**Village of Prospect
Marion County
Schedule of Findings
December 31, 2022 and 2021**

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

Finding 2022-001

Material Weakness

Sound financial reporting is the responsibility of the fiscal officer and Village Council and is essential to ensure information provided to the readers of the financial statements is complete and accurate.

Material and immaterial misstatements were identified during the course of the audit which have not been prevented or detected by the Village's internal controls over financial reporting. Misstatements were identified in the following areas:

- Principal Payments expense;
- Interest and Fiscal Charges expense;
- Capital Outlay;
- Other Financing Uses;
- Property Taxes
- Intergovernmental Revenues;
- Fund balances

All of the above noted adjustments have been posted to the financial statements and to the Village's UAN accounting system.

To ensure the Village's financial statements and notes to the financial statements are complete and accurate, we recommend the Fiscal Officer review the Ohio Village Officer's Handbook for guidance on the correct line item to post various receipts and expenditures of the Village.

Client Response: We did not receive a response from the client concerning the above finding.

Finding 2022-002

Material Non-compliance

GASB Cod. 1800.102 classifies "interfund loans" as exchange transactions, because they require repayment in an equal amount. Any advance must be clearly labeled as such, and must be distinguished from a transfer. In order to advance the cash from one fund to another;

- There must be statutory authority to use the money in the fund advancing the cash for the same purpose for which the fund receiving the cash was established.
- The debtor fund may repay advances from the creditor fund. That is, the AOS would not deem repaying advances to violate restrictions on use of the debtor's fund resources.
- When a fund ends the year with negative cash, it is not appropriate to present an advance on the budgetary statement to eliminate the negative cash fund balance.
- An allowable advance should not violate restrictions on resource use.

**Village of Prospect
Marion County
Schedule of Findings
December 31, 2022 and 2021**

**Finding 2022-002
(Continued)**

Material Non-compliance

During 2015 and 2016 the Village constructed a new multipurpose building that would be used for housing various Village equipment. Instead of obtaining a bank loan for this project they elected to use the Electric Operating Fund's cash balance to finance the project. Ohio Revised Code (ORC) sections 731.56, 731.57 and 731.58 provide guidelines for the rules for issuance of manuscript or treasury debt investments. The Village did not comply with the requirements of these sections of the Ohio Revised Code in their financing of the construction of their new multipurpose building. The Village was using a ten-year period to repay the loan when if the debt was legal it would have only been issued for a five-year period. The Village also failed to obtain a legal opinion determining if this type of financing was legal under the Ohio Revised Code. Further, the Village failed to properly record these transactions within the UAN system nor were they able to provide us with any documentation that the Council authorized the Village to enter into such an agreement. The Village was not paying interest to the Electric Operating Fund contrary to the ORC.

The Village Administrator and Fiscal Officer should contact legal counsel to obtain an opinion concerning the legality of the financing agreement. Furthermore, Village should have a promissory note drafted and each fund receiving the advance should be charged the interest that these funds could have received while being invested on the open market. The Village also needs to take appropriate steps to produce documentation regarding each fund's use of the multipurpose building and ensure that repayments are made using the proper amounts.

Client Response: We did not receive a response from the client concerning the above finding.

**Village of Prospect
Marion County
Schedule of Prior Audit Findings
December 31, 2022 and 2021**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected; Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2020-001	Material Weakness – Financial Reporting	No	Reissued as 2022-001
2020-002	Material Noncompliance	No	Reissued as 2022-002

OHIO AUDITOR OF STATE KEITH FABER



VILLAGE OF PROSPECT

MARION 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 7/27/2023

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov