



PERRY

& Associates CPAs

PASSION *Beyond the Numbers*

**VILLAGE OF GRATIS
PREBLE COUNTY**

**REGULAR AUDIT
FOR THE YEARS ENDED DECEMBER 31, 2022 - 2021**



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Columbus, Ohio 43215
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Village Council
Village of Gratis
404 Harrison St.
Gratis, OH 45330

We have reviewed the *Independent Auditor's Report* of the Village of Gratis, Preble County, prepared by Perry & Associates, Certified Public Accountants, A.C., 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 Gratis is responsible for compliance with these laws and regulations.

Keith Faber
Auditor of State
Columbus, Ohio

May 14, 2024

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VILLAGE OF GRATIS
PREBLE COUNTY

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INDEPENDENT AUDITOR'S REPORT

Village of Gratis
Preble County
404 Harrison Street
Gratis, Ohio 45330

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 Gratis, Preble County, Ohio (the Village), which comprises the cash balances, receipts and disbursements for each governmental and proprietary fund type and the fiduciary fund type combined total as of and for the years ended December 31, 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 and the fiduciary fund type combined total 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.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2024, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Perry & Associates CPAs A.C." in a cursive script.

Perry & Associates
Certified Public Accountants, A.C.
Marietta, Ohio

March 30, 2024

**VILLAGE OF GRATIS
PREBLE 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**

	General	Special Revenue	Capital Projects	Combined Total
Cash Receipts				
Property and Other Local Taxes	\$ 26,204	\$ 58,892	\$ -	\$ 85,096
Municipal Income Tax	113,172	-	-	113,172
Intergovernmental	32,839	407,405	-	440,244
Charges for Services	4,923	291,523	-	296,446
Fines, Licenses and Permits	12,582	-	-	12,582
Earnings on Investments	508	118	-	626
Miscellaneous	1,807	17,865	-	19,672
<i>Total Cash Receipts</i>	<u>192,035</u>	<u>775,803</u>	<u>-</u>	<u>967,838</u>
Cash Disbursements				
Current:				
Security of Persons and Property	61,287	269,736	-	331,023
Public Health Services	-	283,646	-	283,646
Leisure Time Activities	-	98,395	-	98,395
Basic Utility Services	-	46,420	-	46,420
Transportation	-	60,784	-	60,784
General Government	148,015	532	-	148,547
Capital Outlay	-	38,048	-	38,048
Debt Service:				
Principal Retirement	-	20,287	-	20,287
Interest and Fiscal Charges	-	2,723	-	2,723
<i>Total Cash Disbursements</i>	<u>209,302</u>	<u>820,571</u>	<u>-</u>	<u>1,029,873</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(17,267)</u>	<u>(44,768)</u>	<u>-</u>	<u>(62,035)</u>
Other Financing Receipts (Disbursements)				
Sale of Capital Assets	2,030	3,000	-	5,030
Advances In	55,500	65,500	-	121,000
Advances Out	(65,500)	(55,500)	-	(121,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(7,970)</u>	<u>13,000</u>	<u>-</u>	<u>5,030</u>
<i>Net Change in Fund Cash Balances</i>	<u>(25,237)</u>	<u>(31,768)</u>	<u>-</u>	<u>(57,005)</u>
<i>Fund Cash Balances, January 1</i>	<u>106,516</u>	<u>309,717</u>	<u>58</u>	<u>416,291</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 81,279</u>	<u>\$ 277,949</u>	<u>\$ 58</u>	<u>\$ 359,286</u>

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

**VILLAGE OF GRATIS
PREBLE COUNTY**

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

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts	
Charges for Services	\$ 410,427
<i>Total Operating Cash Receipts</i>	410,427
Operating Cash Disbursements	
Personal Services	59,602
Employee Fringe Benefits	9,273
Contractual Services	165,667
Supplies and Materials	42,527
Other	130,297
<i>Total Operating Cash Disbursements</i>	407,366
<i>Operating Income (Loss)</i>	3,061
Non-Operating Receipts (Disbursements)	
Other Debt Proceeds	30,678
Sale of Capital Assets	1,735
Miscellaneous Receipts	6,114
Capital Outlay	(34,170)
Principal Retirement	(46,691)
Interest and Other Fiscal Charges	(18,118)
<i>Total Non-Operating Receipts (Disbursements)</i>	(60,452)
<i>Net Change in Fund Cash Balances</i>	(57,391)
<i>Fund Cash Balances, January 1</i>	645,226
<i>Fund Cash Balances, December 31</i>	\$ 587,835

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

VILLAGE OF GRATIS
PREBLE COUNTY

COMBINED STATEMENT OF ADDITIONS, DEDUCTIONS
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>Other Custodial</u>
Additions	
Fines, Licenses and Permits for Distribution	<u>\$ 5,775</u>
<i>Total Additions</i>	<u>5,775</u>
Deductions	
Distributions to Other Governments	1,466
Distributions to Other Funds (Primary Gov't)	<u>5,194</u>
<i>Total Deductions</i>	<u>6,660</u>
Net Change in Fund Balances	(885)
<i>Fund Cash Balances, January 1</i>	<u>2,014</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$ 1,129</u></u>

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

VILLAGE OF GRATIS
PREBLE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

Note 1 – Reporting Entity

The Village of Gratis (the Village), Preble 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 water and sewer utilities, emergency medical services, fire services, and police services.

Public Entity Risk Pool

The Village participates in a public entity risk pool. Note 7 to the financial statements provides additional information for this entity.

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 and a combined statement of additions, deductions and changes in fund balances (regulatory cash basis) all fiduciary fund types which are all organized on a fund type basis.

Fund Accounting

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

General Fund - The General Fund accounts for and reports all financial resources not accounted for and reported in another fund. The General Fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds - These funds account for and report the proceeds of specific sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village has the following significant Special Revenue Funds:

Fire Fund - This fund receives real estate and personal property taxes and contracts with Gratis Township to provide for the protection of area citizens.

EMS Fund - This fund receives real estate and personal property taxes and contracts with Gratis Township and the Village of West Elkton to provide for the protection of area citizens.

Capital Project Funds - These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had a Capital Project Fund used to construct a capital improvement.

VILLAGE OF GRATIS
PREBLE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

Fund Accounting (Continued)

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

Water Fund - This fund receives charges for services from residents to cover water service costs.

Sewer Fund - This fund receives charges for services from residents to cover sewer service costs.

Water Debt Fund - This fund accounts for the payments of water loans the Village has applied for.

Sewer Debt Fund - This fund accounts for the payments of sewer loans the Village has applied for.

Fiduciary Funds - Fiduciary funds include private purpose trust funds and custodial funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs.

Custodial funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's custodial fund accounts for the collection and distribution of Mayor's Court fines and fees.

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.

Budgetary Process

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

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

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

VILLAGE OF GRATIS
PREBLE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

Budgetary Process (Continued)

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 4.

Deposits and Investments

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

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 report these items as assets.

Fund Balance

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

Nonspendable – The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact. For regulatory purposes nonspendable fund balance includes unclaimed monies that are required to be held for five years before they may be utilized by the Village and the nonexpendable portion of the corpus in permanent funds.

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

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

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

VILLAGE OF GRATIS
PREBLE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

Fund Balance (Continued)

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 14.

Note 3 – Compliance

Contrary to Ohio law, appropriation authority exceeded estimated resources for the General Fund for the year ended December 31, 2022.

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Parks and Recreation, Fire, EMS, Trash, and Sewer Debt Funds for the year ended December 31, 2022.

Note 4 – 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	\$ 176,550	\$ 194,065	\$ 17,515
Special Revenue	731,832	778,803	46,971
Enterprise	410,200	448,954	38,754
Total	\$ 1,318,582	\$ 1,421,822	\$ 103,240

2022 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 300,487	\$ 210,310	\$ 90,177
Special Revenue	641,443	834,860	(193,417)
Enterprise	697,437	508,368	189,069
Total	\$ 1,639,367	\$ 1,553,538	\$ 85,829

VILLAGE OF GRATIS
PREBLE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022
(Continued)

Note 5 – Deposits

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. A summary of the Village’s deposit accounts are as follows:

	2022
Demand deposits	\$ 897,265
Certificate of deposit	50,985
Total deposits	\$ 948,250

The Village does not use a separate payroll clearing account. The expenditures included in the accompanying financial statement reflect net payroll plus all remitted payroll withholdings. At December 31, 2022, the Village is holding \$6,597 in unremitted employee payroll withholdings.

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; and collateralized by securities specifically pledged by the financial institution to the Village and collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Note 6 – Taxes

Property Taxes

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

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

Income Taxes

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

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

VILLAGE OF GRATIS
PREBLE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022
(Continued)

Note 7 – Risk Management

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

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

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 Village'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:

	2022
Cash and Investments	<u>\$ 42,310,794</u>
Actuarial Liabilities	<u>\$ 15,724,479</u>

Note 8 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2022.

Social Security

Several of the Village's employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2022.

VILLAGE OF GRATIS
PREBLE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022
(Continued)

Note 9 – Postemployment Benefits

OPERS offers 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 10 – Debt

Debt outstanding at December 31, 2022 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OPWC CK06U	\$ 160,650	0.00%
OPWC CK19I	33,457	0.00%
OWDA 4497	392,348	4.42%
OWDA 8310	57,141	3.14%
OWDA 8799	272,363	0.00%
Ambulance Lease - TV Bank	30,180	4.00%
Total	<u>\$ 946,139</u>	

Ohio Public Works Commission (OPWC) loan CK06U was obtained in 2020 in the amount of \$189,000 for street improvements. Starting in July 2020, the loan will be repaid in semi-annual installments of \$3,150 over 30 years.

Ohio Public Works Commission (OPWC) loan CK19I was obtained in 2005 in the amount of \$102,947 for water treatment storage and distribution improvements. Starting in July 2009, the loan will be repaid in semi-annual installments of \$2,574 over 20 years.

The Ohio Water Development Authority (OWDA) loan 4497 was obtained in 2004 in the amount of \$768,390 for water system improvements. The loan had a negative disbursement of \$138,008 in February 2008, which brought the disbursed funds capitalized interest at December 31, 2009 to \$610,552, and was a reduction of the principal balance. The loan will be repaid over 30 years. The loan is collateralized by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover loan repayment requirements.

The Ohio Water Development Authority (OWDA) loan 8310 was obtained for a WWTP Influent Pump Replacement project. The total amount of the loan is \$64,442. The loan will be repaid in semi-annual installments of \$2,181.74 over 20 years at an interest rate of 3.14%.

VILLAGE OF GRATIS
PREBLE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022
(Continued)

Note 10 – Debt (Continued)

The Ohio Water Development Authority (OWDA) loan 8799 was obtained for a Back-Up Power and Lift Station Replacement project. Disbursements are not complete. No amortization schedule is currently available.

Leases

The Village leases equipment under noncancelable leases. The Village disbursed \$16,710 to pay costs related to the equipment leases for the year ended December 31, 2022.

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

Year ending December 31:	OPWC CK06U	OPWC CK19I	OWDA Loans	Ambulance Lease
2023	\$ 6,300	\$ 5,147	\$ 39,673	\$ 15,764
2024	6,300	5,147	39,758	15,764
2025	6,300	5,147	39,845	-
2026	6,300	5,147	39,937	-
2027	6,300	5,147	40,033	-
2028-2032	31,500	7,722	201,762	-
2033-2037	31,500	-	186,422	-
2038-2042	31,500	-	8,727	-
2043-2047	31,500	-	-	-
2048-2052	3,150	-	-	-
Total	<u>\$ 160,650</u>	<u>\$ 33,457</u>	<u>\$ 596,157</u>	<u>\$ 31,528</u>

Note 11 – Contingent Liabilities

The Village is defendant in several lawsuits. Management cannot presently determine the outcome of these lawsuits.

Note 12 – 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.

Note 13 – Construction and Contractual Commitments

The Village is currently working with engineering firm Mote and Associates on wastewater upgrades with the influent pump and the influent pump and the Geeding Street Bridge replacement.

VILLAGE OF GRATIS
PREBLE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022
(Continued)

Note 14 – Fund Balances

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

Fund Balances	General	Special Revenue	Total
Outstanding Encumbrances	\$ 1,008	\$ 14,289	\$ 15,297
<i>Total</i>	<u>\$ 1,008</u>	<u>\$ 14,289</u>	<u>\$ 15,297</u>

The fund balance of special revenue funds is either restricted or committed. The fund balance of debt service funds and capital projects fund are restricted committed or assigned. The fund balance of permanent funds that is not part of the nonspendable corpus is either restricted or committed. These restricted, committed and assigned amounts in the special revenue, debt service, capital projects and permanent funds would include the outstanding encumbrances. In the general fund, outstanding encumbrances are considered assigned.

Note 15 – Interfund Balances

Outstanding advances at December 31, 2022, consisted of \$10,000 advanced to the Parks and Recreation Fund to provide working capital for operations or projects.

**VILLAGE OF GRATIS
PREBLE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2021**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$ 27,471	\$ 61,733	\$ -	\$ 89,204
Municipal Income Tax	109,232	-	-	109,232
Intergovernmental	31,963	183,038	-	215,001
Charges for Services	844	313,276	-	314,120
Fines, Licenses and Permits	17,631	-	-	17,631
Earnings on Investments	528	79	-	607
Miscellaneous	45,896	1,425	-	47,321
<i>Total Cash Receipts</i>	<u>233,565</u>	<u>559,551</u>	<u>-</u>	<u>793,116</u>
Cash Disbursements				
Current:				
Security of Persons and Property	65,091	51,878	-	116,969
Public Health Services	-	292,584	-	292,584
Transportation	-	45,898	-	45,898
General Government	108,835	551	-	109,386
Capital Outlay	-	44,240	-	44,240
Debt Service:				
Principal Retirement	-	26,428	-	26,428
Interest and Fiscal Charges	-	2,965	-	2,965
<i>Total Cash Disbursements</i>	<u>173,926</u>	<u>464,544</u>	<u>-</u>	<u>638,470</u>
<i>Net Change in Fund Cash Balances</i>	59,639	95,007	-	154,646
<i>Fund Cash Balances, January 1</i>	<u>46,877</u>	<u>214,710</u>	<u>58</u>	<u>261,645</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 106,516</u>	<u>\$ 309,717</u>	<u>\$ 58</u>	<u>\$ 416,291</u>

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

**VILLAGE OF GRATIS
PREBLE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts	
Charges for Services	\$ 403,064
<i>Total Operating Cash Receipts</i>	<i>403,064</i>
Operating Cash Disbursements	
Personal Services	57,500
Employee Fringe Benefits	15,025
Contractual Services	159,449
Supplies and Materials	16,857
Other	35,569
<i>Total Operating Cash Disbursements</i>	<i>284,400</i>
<i>Operating Income (Loss)</i>	<i>118,664</i>
Non-Operating Receipts (Disbursements)	
Other Debt Proceeds	35,837
Capital Outlay	(31,385)
Principal Retirement	(23,010)
Interest and Other Fiscal Charges	(9,366)
<i>Total Non-Operating Receipts (Disbursements)</i>	<i>(27,924)</i>
<i>Net Change in Fund Cash Balances</i>	<i>90,740</i>
<i>Fund Cash Balances, January 1</i>	<i>554,486</i>
<i>Fund Cash Balances, December 31</i>	<i>\$ 645,226</i>

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

VILLAGE OF GRATIS
PREBLE COUNTY

COMBINED STATEMENT OF ADDITIONS, DEDUCTIONS
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2021

	Other Custodial
Additions	
Fines, Licenses and Permits for Distribution	15,868
<i>Total Additions</i>	<u>15,868</u>
Deductions	
Distributions to Other Governments	3,646
Distributions to Other Funds (Primary Gov't)	15,112
Other Distributions	218
<i>Total Deductions</i>	<u>18,976</u>
Net Change in Fund Balances	(3,108)
<i>Fund Cash Balances, January 1</i>	<u>5,122</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$ 2,014</u></u>

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

VILLAGE OF GRATIS
PREBLE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

Note 1 – Reporting Entity

The Village of Gratis (the Village), Preble 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 water and sewer utilities, emergency medical services, fire services, and police services.

Public Entity Risk Pool

The Village participates in a public entity risk pool. Note 7 to the financial statements provides additional information for this entity.

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 and a combined statement of additions, deductions and changes in fund balances (regulatory cash basis) all fiduciary fund types which are all organized on a fund type basis.

Fund Accounting

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

General Fund - The General Fund accounts for and reports all financial resources not accounted for and reported in another fund. The General Fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds - These funds account for and report the proceeds of specific sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village has the following significant Special Revenue Funds:

Fire Fund - This fund receives real estate and personal property taxes and contracts with Gratis Township to provide for the protection of area citizens.

EMS Fund - This fund receives real estate and personal property taxes and contracts with Gratis Township and the Village of West Elkton to provide for the protection of area citizens.

Capital Project Funds - These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had a Capital Project Fund used to construct a capital improvement.

VILLAGE OF GRATIS
PREBLE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

Fund Accounting (Continued)

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

Water Fund - This fund receives charges for services from residents to cover water service costs.

Sewer Fund - This fund receives charges for services from residents to cover sewer service costs.

Trash Fund - This fund receives charges for services from residents to cover trash service costs.

Water Debt Fund - This fund accounts for the payments of water loans the Village has applied for.

Sewer Debt Fund - This fund accounts for the payments of sewer loans the Village has applied for.

Fiduciary Funds - Fiduciary funds include private purpose trust funds and custodial funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs.

Custodial funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's custodial fund accounts for the collection and distribution of Mayor's Court fines and fees.

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.

Budgetary Process

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

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

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

VILLAGE OF GRATIS
PREBLE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

Budgetary Process (Continued)

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

A summary of 2021 budgetary activity appears in Note 4.

Deposits and Investments

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

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 report these items as assets.

Fund Balance

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

Nonspendable – The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact. For regulatory purposes nonspendable fund balance includes unclaimed monies that are required to be held for five years before they may be utilized by the Village and the nonexpendable portion of the corpus in permanent funds.

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

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

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

VILLAGE OF GRATIS
PREBLE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

Fund Balance (Continued)

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 14.

Note 3 – Compliance

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the EMS Fund for the year ended December 31, 2021.

Note 4 – Budgetary Activity

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

2021 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 162,050	\$ 233,565	\$ 71,515
Special Revenue	501,320	559,551	58,231
Enterprise	378,500	438,901	60,401
Total	<u>\$ 1,041,870</u>	<u>\$ 1,232,017</u>	<u>\$ 190,147</u>

2021 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 203,300	\$ 174,713	\$ 28,587
Special Revenue	527,026	468,223	58,803
Capital Projects	58	-	58
Enterprise	595,049	348,949	246,100
Total	<u>\$ 1,325,433</u>	<u>\$ 991,885</u>	<u>\$ 333,548</u>

VILLAGE OF GRATIS
PREBLE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(Continued)

Note 5 – Deposits

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. A summary of the Village's deposit accounts are as follows:

	2021
Demand deposits	\$ 1,012,546
Certificate of deposit	50,985
Total deposits	<u>\$ 1,063,531</u>

The Village does not use a separate payroll clearing account. The expenditures included in the accompanying financial statement reflect net payroll plus all remitted payroll withholdings. At December 31, 2021, the Village is holding \$6,096 in unremitted employee payroll withholdings.

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; and collateralized by securities specifically pledged by the financial institution to the Village and collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Note 6 – Taxes

Property Taxes

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

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

Income Taxes

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

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

VILLAGE OF GRATIS
PREBLE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(Continued)

Note 7 – Risk Management

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

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

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 Village'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	<u>\$ 41,996,850</u>
Actuarial Liabilities	<u>\$ 14,974,099</u>

Note 8 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

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

Social Security

Several of the Village's employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2021.

VILLAGE OF GRATIS
PREBLE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(Continued)

Note 9 – Postemployment Benefits

OPERS offers 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 10 – Debt

Debt outstanding at December 31, 2021 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OPWC CK06U	\$ 166,950	0.00%
OPWC CK19I	38,605	0.00%
OWDA 4497	411,312	4.42%
OWDA 8310	59,651	3.14%
OWDA 8799	261,754	0.00%
Ambulance Lease - TV Bank	44,167	4.00%
Total	<u>\$ 982,439</u>	

Ohio Public Works Commission (OPWC) loan CK06U was obtained in 2020 in the amount of \$189,000 for street improvements. Starting in July 2020, the loan will be repaid in semi-annual installments of \$3,150 over 30 years.

Ohio Public Works Commission (OPWC) loan CK19I was obtained in 2005 in the amount of \$102,947 for water treatment storage and distribution improvements. Starting in July 2009, the loan will be repaid in semi-annual installments of \$2,574 over 20 years.

The Ohio Water Development Authority (OWDA) loan 4497 was obtained in 2004 in the amount of \$768,390 for water system improvements. The loan had a negative disbursement of \$138,008 in February 2008, which brought the disbursed funds capitalized interest at December 31, 2009 to \$610,552, and was a reduction of the principal balance. The loan will be repaid over 30 years. The loan is collateralized by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover loan repayment requirements.

The Ohio Water Development Authority (OWDA) loan 8310 was obtained for a WWTP Influent Pump Replacement project. The total amount of the loan is \$64,442. The loan will be repaid in semi-annual installments of \$2,181.74 over 20 years at an interest rate of 3.14%.

The Ohio Water Development Authority (OWDA) loan 8799 was obtained for a Back-Up Power and Lift Station Replacement project. Disbursements are not complete. No amortization schedule is currently available.

VILLAGE OF GRATIS
PREBLE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(Continued)

Note 10 – Debt (Continued)

Leases

The Village leases equipment under noncancelable leases. The Village disbursed \$26,243 to pay costs related to the equipment leases for the year ended December 31, 2021. The prior audit balance of the fire equipment lease was incorrectly stated as \$12,621. The correct outstanding balance as of December 31, 2020 was \$9,703.

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

Year ending December 31:	OPWC CK06U	OPWC CK19I	OWDA Loans	Ambulance Lease
2022	\$ 6,300	\$ 5,147	\$ 39,593	\$ 15,764
2023	6,300	5,147	39,673	15,764
2024	6,300	5,147	39,758	15,764
2025	6,300	5,147	39,845	-
2026	6,300	5,147	39,937	-
2027-2031	31,500	12,870	201,214	-
2032-2036	31,500	-	204,209	-
2037-2041	31,500	-	31,521	-
2042-2046	31,500	-	-	-
2047-2051	9,450	-	-	-
Total	<u>\$ 166,950</u>	<u>\$ 38,605</u>	<u>\$ 635,750</u>	<u>\$ 47,292</u>

Note 11 – Contingent Liabilities

The Village is a defendant in a lawsuit regarding the 1% Village Income Tax. Although management cannot presently determine the outcome of this lawsuit, management believes that the resolution of these matters will not materially adversely affect the Village's financial condition.

Note 12 – 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.

Note 13 – Construction and Contractual Commitments

The Village is currently working with engineering firm Mote and Associates on a bridge replacement on Geeding Street.

VILLAGE OF GRATIS
PREBLE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(Continued)

Note 14 – Fund Balances

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

Fund Balances	General	Special Revenue	Total
Outstanding Encumbrances	\$ 787	\$ 3,679	\$ 4,466
<i>Total</i>	\$ 787	\$ 3,679	\$ 4,466

The fund balance of special revenue funds is either restricted or committed. The fund balance of debt service funds and capital projects fund are restricted committed or assigned. The fund balance of permanent funds that is not part of the nonspendable corpus is either restricted or committed. These restricted, committed and assigned amounts in the special revenue, debt service, capital projects and permanent funds would include the outstanding encumbrances. In the general fund, outstanding encumbrances are considered assigned.

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

Village of Gratis
Preble County
404 Harrison Street
Gratis, Ohio 45330

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the cash balances, receipts, and disbursements for each governmental and proprietary fund type and the fiduciary fund type combined total as of and for the years ended December 31, 2022 and 2021 and the related notes to the financial statements of the Village of Gratis, Preble County, (the Village) and have issued our report thereon dated March 30, 2024, wherein we noted the Village followed financial reporting provisions Ohio Rev. Code § 117.38 and Ohio Admin. Code 117-2-03(C) permit.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of audit findings as items 2022-001 through 2022-004 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of audit findings as item 2022-004.

Village's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Village's responses to the findings identified in our audit and described in the accompanying schedule of findings. The Village's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

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.



Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

March 30, 2024

VILLAGE OF GRATIS
PREBLE COUNTY

SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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

FINDING NUMBER 2022-001

Material Weakness

Financial Reporting

The Village should have procedures and controls in place to prevent and detect errors in financial reporting.

During 2022 and 2021, receipts and disbursements were not always posted or classified correctly. The following errors were noted:

- Receipts for local government, gasoline tax, auto license tax, and permissive tax were misclassified and not allocated to the correct funds in 2022 and 2021;
- Property tax and rollback receipts were not allocated to the correct funds in 2022;
- Income tax receipts were misclassified as Intergovernmental instead of Municipal Income Tax in the General Fund in 2022;
- Various receipts were misclassified as Charges for Services instead of Miscellaneous in the General Fund in 2021;
- Receipts for permissive motor vehicle tax were misclassified as Intergovernmental instead of Property and Other Local Taxes in 2021;
- Receipts for EMS were incorrectly recorded in the General Fund instead of the EMS Fund in 2021;
- OPWC debt payments for the Ada Doty Street Improvement were recorded to the Sewer Debt Fund instead of the Street Fund in 2022;
- OPWC DKX07 grant activity was not recorded as Intergovernmental receipts and Capital Outlay disbursements in 2022 and 2021;
- OWDA disbursements were not recorded as Debt Proceeds and Capital Outlay disbursements in 2022 and 2021; and
- Mayor's Court activity was not properly recorded in a Custodial Fund in 2021.

Not posting receipts and disbursements accurately resulted in the financial statements requiring several adjustments and reclassifications. The Village has made the adjustments to their accounting system. The financial statements reflect all adjustments and reclassifications.

To help ensure accuracy and reliability in the financial reporting process, we recommend that management perform a detailed review of its draft financial statements. Such review should include procedures to ensure that all receipts and disbursements are properly identified and classified on the financial statements.

We also recommend the Fiscal Officer refer to the Ohio Village Officer's Handbook for guidance to determine the proper establishment of receipts and disbursement accounts and posting receipts and disbursements.

Officials' Response: Issues cited were under the previous fiscal officer who resigned effective May 25, 2022.

VILLAGE OF GRATIS
PREB COUNTY

SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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

FINDING NUMBER 2022-002

Material Weakness

Bank Reconciliations

The Village Fiscal Officer did not prepare accurate monthly reconciliations of bank balances to book balances throughout the audit period.

The bank reconciliations contained erroneous and unnecessary other adjusting factors which created fund balance variances. The lack of proper reconciliations among the bank statements and ledgers resulted in numerous errors which remained undetected and/or uncorrected until the audit.

We recommend the Village Fiscal Officer prepare detailed bank reconciliations that include all bank account balances being reconciled to total fund balances, with support for all reconciling items or other adjusting factors. Bank reconciliations should be presented to Council for review and use in managing the Village.

Officials' Response: Issues cited were under the previous fiscal officer who resigned effective May 25, 2022.

FINDING NUMBER 2022-003

Material Weakness

Timely Posting of Financial Transactions

Throughout 2022 and 2021, we noted that a large number of receipts and disbursements were not entered into the UAN accounting system in a timely manner. Some transactions were not input into UAN until many months later. This resulted in inaccurate financial information being maintained in the accounting system. Bank reconciliations were not complete nor were they an accurate reflection of the Village's financial situation. Financial information that was presented for review was not reliable.

Failure to timely post transactions to the accounting system could result in difficulties with accurately completing monthly bank reconciliations and maintaining accurate financial reports.

The Village should timely post transactions to the accounting system.

Officials' Response: Issues cited were under the previous fiscal officer who resigned effective May 25, 2022.

VILLAGE OF GRATIS
PREB COUNTY

SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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

FINDING NUMBER 2022-004

Material Weakness/Noncompliance

Budgetary Controls

The budget is an instrument of public policy: A governing board expresses its desires for using a government's limited resources through its appropriations. Ohio Revised Code Section 5705 deals with a variety of budgetary requirements that all subdivisions must comply with in order to ensure fiscal responsibility.

In performing the audit, we noted several violations of budgetary law which, although they do not in and of themselves, result in errors in financial reporting, may lead to the Village making financial decisions based on incorrect or incomplete information. We noted the following:

- **Violations of 5705.39** – An instance of appropriation authority exceeding the allowable amount;
- **Violations of 5705.41(B)** – Instances of budgetary expenditures exceeding total appropriation authority; and
- **Violations of 5705.41(D)** – Instances of disbursements not being properly encumbered.

Although Council approves budgets for revenue and expenses and receives monthly reports of budget and actual information, it does not ensure budgetary forms are properly completed, submitted to the County Budget Commission timely or that transfers are done in compliance with laws and regulations.

The Village did not have a control procedure in place to ensure that appropriations and estimated receipts, as authorized by the Village Council and approved by the County Budget Commission, were reconciled to the appropriations and estimated receipts posted to the accounting system.

Council should review the requirements of ORC section 5705 to be familiar with these laws and to make sure the Village is complying with applicable sections. If the Council does not consider these necessary steps should be taken to make sure amounts are encumbered (purchase orders are used and assigned to each purchase prior to ordering), certifications of available funds are done by the Village Fiscal Officer prior to purchasing and unencumbered balances are tracked for each line item.

Officials' Response: Issues cited were under the previous fiscal officer who resigned effective May 25, 2022.

**VILLAGE OF GRATIS
PREBLE COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

Finding Number	Finding Summary	Status	Additional Information
2020-001	Financial Reporting	Not Corrected	Repeated as Finding 2022-001
2020-002	Bank Reconciliations	Not Corrected	Repeated as Finding 2022-002
2020-003	Timely Posting of Financial Transactions	Not Corrected	Repeated as Finding 2022-003
2020-004	Budgetary Controls	Not Corrected	Repeated as Finding 2022-004

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OHIO AUDITOR OF STATE KEITH FABER



VILLAGE OF GRATIS

PREBLE COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 5/28/2024

65 East State 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