

VILLAGE OF MOUNT STERLING

MADISON COUNTY, OHIO

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022





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Village Council
Village of Mount Sterling
1 South London Street
Mount Sterling, OH 43143-0222

We have reviewed the *Independent Auditor's Report* of the Village of Mount Sterling, Madison County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2022 through December 31, 2023. 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 Mount Sterling is responsible for compliance with these laws and regulations.

Keith Faber
Auditor of State
Columbus, Ohio

April 18, 2025

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**VILLAGE OF MOUNT STERLING
MADISON COUNTY**

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INDEPENDENT AUDITOR'S REPORT

Village of Mount Sterling
Madison County
1 South London Street
Mount Sterling, Ohio 43143

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 Mount Sterling, Madison County, Ohio (the Village), which comprise the cash balances, receipts and disbursements for each governmental and proprietary fund type as of and for the years ended December 31, 2023 and 2022 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, 2023 and 2022 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, 2023 and 2022, or the changes in financial position or 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 February 26, 2025, 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.



Charles E. Harris & Associates, Inc.
February 26, 2025

**VILLAGE OF MOUNT STERLING
MADISON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2023**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$ 36,718	\$ -	\$ 36,718
Municipal Income Tax	917,817	-	917,817
Intergovernmental	94,125	144,264	238,389
Fines, Licenses and Permits	32,500	-	32,500
Miscellaneous	37,671	31,480	69,151
<i>Total Cash Receipts</i>	<u>1,118,831</u>	<u>175,744</u>	<u>1,294,575</u>
Cash Disbursements			
Current:			
Security of Persons and Property	295,277	-	295,277
Leisure Time Activities	44,003	19,997	64,000
Community Environment	15,220	-	15,220
Transportation	68,788	36,215	105,003
General Government	259,172	-	259,172
Capital Outlay	-	121,626	121,626
<i>Total Cash Disbursements</i>	<u>682,460</u>	<u>177,838</u>	<u>860,298</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	436,371	(2,094)	434,277
Other Financing Receipts (Disbursements)			
Transfers In	-	80,000	80,000
Transfers Out	(191,000)	-	(191,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(191,000)</u>	<u>80,000</u>	<u>(111,000)</u>
<i>Net Change in Fund Cash Balances</i>	245,371	77,906	323,277
<i>Fund Cash Balances, January 1</i>	<u>1,600,056</u>	<u>273,987</u>	<u>1,874,043</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$ 1,845,427</u></u>	<u><u>\$ 351,893</u></u>	<u><u>\$ 2,197,320</u></u>

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

**VILLAGE OF MOUNT STERLING
MADISON COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2023**

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
Operating Cash Receipts	
Charges for Services	\$ 1,459,967
<i>Total Operating Cash Receipts</i>	<u>1,459,967</u>
Operating Cash Disbursements	
Personal Services	90,792
Fringe Benefits	25,136
Contractual Services	394,067
Supplies and Materials	153,727
Other	<u>284</u>
<i>Total Operating Cash Disbursements</i>	<u>664,006</u>
<i>Operating Income (Loss)</i>	<u>795,961</u>
Non-Operating Receipts (Disbursements)	
Loans Issued	50,160
Miscellaneous Receipts	8,731
Capital Outlay	(54,790)
Principal Retirement	(640,475)
Interest and Other Fiscal Charges	<u>(207,164)</u>
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(843,538)</u>
<i>Income (Loss) before Transfers</i>	(47,577)
Transfers In	<u>111,000</u>
<i>Net Change in Fund Cash Balances</i>	63,423
<i>Fund Cash Balances, January 1</i>	<u>1,058,135</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$ 1,121,558</u></u>

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

Village of Mount Sterling, Ohio
Madison County
Notes to the Financial Statements
For the Year Ended December 31, 2023

Note 1 – Reporting Entity

The Village of Mount Sterling, Madison 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, and park/recreational operations. The Village of Mt. Sterling contracts with the Madison County Sheriff's department to provide security of persons and property. The Village appropriates general fund money to support these duties.

Public Risk Pool

The Village participates in a public entity risk pool. Note 6 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, 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.

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 Fund:

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.

Village of Mount Sterling, Ohio
Madison County
Notes to the Financial Statements
For the Year Ended December 31, 2023

Note 2 – Summary of Significant Accounting Policies

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

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

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 be budgeted annually.

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

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

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 re-appropriated.

A summary of 2023 budgetary activity appears in Note 3.

Village of Mount Sterling, Ohio
Madison County
Notes to the Financial Statements
For the Year Ended December 31, 2023

Note 2 – Summary of Significant Accounting Policies - Continued

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 include a liability for unpaid leave.

SBITAs

The Village has entered into noncancelable Subscription-Based Information Technology Arrangements (SBITA) contracts (as defined by GASB 96) for several types of software including contracts related to financial systems and various other software. Subscription disbursements are recognized when they are paid.

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.

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 or ordinance). The Village must adhere to these commitments unless the Council amends the resolution or ordinance. 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 Mount Sterling, Ohio
Madison County
Notes to the Financial Statements
For the Year Ended December 31, 2023

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 10.

Note 3 – Budgetary Activity

Budgetary activity for the year ending 2023 follows:

2023 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 917,200	\$ 1,118,831	\$ 201,631
Special Revenue	393,806	255,744	(138,062)
Enterprise	1,793,785	1,629,858	163,927

2023 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$ 893,609	\$ 891,749	\$ 1,860
Special Revenue	409,336	280,454	128,882
Enterprise	1,789,437	1,593,967	195,470

Note 4 – 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:

	2023
Demand deposits	\$ 3,318,878

Village of Mount Sterling, Ohio
Madison County
Notes to the Financial Statements
For the Year Ended December 31, 2023

Note 4 – Deposits - Continued

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation; or 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.

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, 2023, the Village is holding \$0 in unremitted employee payroll withholdings.

Note 5 – Taxes

Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees 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.

Public utilities are also taxed on personal and real property located within the Village.

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. The Village utilizes the Regional Income Tax Agency (RITA) for the collection of income taxes on its behalf.

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 Mount Sterling, Ohio
Madison County
Notes to the Financial Statements
For the Year Ended December 31, 2023

Note 6 – Risk Management – Continued

Risk Pool Membership

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

Effective November 1, 2016, the OPRM elected to participate in a property loss corridor deductible. The property corridor includes losses paid between 70% and 75%. In 2018, the casualty loss corridor was eliminated and the property corridor was adjusted to losses paid between 65% and 70%. Effective November 1, 2019, the property loss corridor was adjusted to losses between 60% and 67.5% and remain unchanged. OPRM had 773 members as of December 31, 2023.

The Pool's audited financial statements conform with accounting principles generally accepted in the United States of America, with the exception of a qualified opinion related to recording premiums and membership fees earned in full as of December 31, 2023. Those premiums and fees should be earned pro-rata over the individual coverage and membership periods of each policy. The financial statements reported the following assets, liabilities and equity at December 31, 2023.

Assets	\$ 23,113,696
Liabilities	(<u>16,078,587</u>)
Members' Equity	<u>\$ 7,035,109</u>

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the Village contributed an amount equaling 14 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2023.

Village of Mount Sterling, Ohio
Madison County
Notes to the Financial Statements
For the Year Ended December 31, 2023

Note 7 – Defined Benefit Pension Plans - Continued

Social Security

Four Village employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2023.

Note 8– Postemployment Benefits

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan. OPERS offers a health reimbursement arrangement (HRA) allowance to benefit recipients meeting certain age and service credit requirements. The HRA is an account funded by OPERS that provides tax-free reimbursement for qualified medical expenses such as monthly post-tax insurance premiums, deductibles, co-insurance, and co-pays incurred by eligible benefit recipients and their dependents. For calendar year 2023, the portion of OPERS employer contributions allocated to health care was 0 percent for members in the traditional pension plan and 2 percent for members in the combined plan. For 2023, the portion of employer contributions OPERS allocated to health care for members in the member-directed plan was 4.0 percent; however, a portion of the health care rate was funded with reserves.

Note 9 – Debt

Debt outstanding at December 31, 2023, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Commission:		
Phase A US 62a Improvements	\$ 40,673	0.00%
Phase B US 62a Improvements	144,641	0.00%
Ohio Water Development Authority:		
High Street Storm Sewer Phase 2	199,308	1.15%
WWTP Improvements	3,204,815	0.00%
Main/Columbus Street Water Main replacment	244,825	2.00%
Water Tank Replacement	39,033	3.03%
Storage Tank Painting	264,131	1.09%
Water Treatment Plant	8,091,177	.96 to 2.96%
Elevated Storage Facility*	59,016	0.00%
Total	<u>\$ 12,287,619</u>	

* This project has not been completed as of December 31, 2023.

Village of Mount Sterling, Ohio
Madison County
Notes to the Financial Statements
For the Year Ended December 31, 2023

Note 9 – Debt – Continued

The Ohio Public Works Commission (OPWC) loans relate to water line improvements along US 62. OPWC approved two loans for \$135,575 and \$413,258, respectively to the Village. The loans will be repaid over 20 years at zero percent interest.

The Ohio Water Development Authority (OWDA) loans consist of money owed to the OWDA for the High St. Storm Sewer phase 2 and WWTP Improvements. The loans will be repaid from the sewer fund. The Main/Columbus St water main improvement, water tank replacement, storage tank painting, and water treatment plant loans will be repaid from the water fund. Capitalized interest of \$5,169 is included in the loan balance. During 2022, the Village was approved for a \$93,556 design loan for the new elevated Storage Facility. The Village has received \$59,016, from OWDA as of the end of 2023. This loan is not included in the amortization schedule below since the loan has not been closed.

Amortization

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

Year Ending December 31:	OPWC Loans	OWDA Loans
2024	\$ 27,442	\$ 820,197
2025	27,442	820,197
2026	27,442	818,490
2027	27,442	806,488
2028	27,442	806,488
2029-2033	48,104	4,032,440
2034-2038	-	2,542,096
2039-2043	-	2,369,870
2044-2048	-	246,435
Total	\$ 185,314	\$ 13,262,701

Note 10 – 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. 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
Nonspendable:		
Unclaimed Monies	\$ 4,525	\$ -
Outstanding Encumbrances	18,289	102,616

Village of Mount Sterling, Ohio
Madison County
Notes to the Financial Statements
For the Year Ended December 31, 2023

Note 10 – Fund Balances – (Continued)

The fund balance of special revenue funds is either restricted or committed. The restricted and committed amounts in the special revenue funds include the outstanding encumbrances. In the general fund, outstanding encumbrances are considered assigned.

Note 11 – 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 ended in April 2023. The Village will continue to spend available COVID-19 funding consistent with the applicable program guidelines.

**VILLAGE OF MOUNT STERLING
MADISON 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	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$ 35,279	\$ -	\$ 35,279
Municipal Income Tax	862,205	-	862,205
Intergovernmental	100,542	230,506	331,048
Charges for Services	-	300	300
Fines, Licenses and Permits	36,026	-	36,026
Miscellaneous	2,999	16,756	19,755
<i>Total Cash Receipts</i>	<u>1,037,051</u>	<u>247,562</u>	<u>1,284,613</u>
Cash Disbursements			
Current:			
Security of Persons and Property	293,528	-	293,528
Leisure Time Activities	24,443	10,269	34,712
Community Environment	1,830	-	1,830
Transportation	64,603	38,394	102,997
General Government	261,776	12,757	274,533
Capital Outlay	12,756	36,894	49,650
<i>Total Cash Disbursements</i>	<u>658,936</u>	<u>98,314</u>	<u>757,250</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	378,115	149,248	527,363
Other Financing Receipts (Disbursements)			
Transfers In	-	56,390	56,390
Transfers Out	(56,390)	-	(56,390)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(56,390)</u>	<u>56,390</u>	<u>-</u>
<i>Net Change in Fund Cash Balances</i>	321,725	205,638	527,363
<i>Fund Cash Balances, January 1 - restated</i>	<u>1,278,331</u>	<u>68,349</u>	<u>1,346,680</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 1,600,056</u>	<u>\$ 273,987</u>	<u>\$ 1,874,043</u>

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

**VILLAGE OF MOUNT STERLING
MADISON COUNTY**

**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	\$ 1,426,457
Miscellaneous	63
<i>Total Operating Cash Receipts</i>	<u>1,426,520</u>
Operating Cash Disbursements	
Personal Services	77,640
Employee Fringe Benefits	24,870
Contractual Services	289,117
Supplies and Materials	121,776
<i>Total Operating Cash Disbursements</i>	<u>513,403</u>
<i>Operating Income (Loss)</i>	913,117
Non-Operating Receipts (Disbursements)	
Intergovernmental	870
Loans Issued	8,856
Miscellaneous Receipts	17,422
Capital Outlay	(81,132)
Principal Retirement	(620,133)
Interest and Other Fiscal Charges	(215,028)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(889,145)</u>
<i>Net Change in Fund Cash Balances</i>	23,972
<i>Fund Cash Balances, January 1 - restated</i>	<u>1,034,163</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$ 1,058,135</u></u>

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

Village of Mount Sterling, Ohio
Madison County
Notes to the Financial Statements
For the Year Ended December 31, 2022

Note 1 – Reporting Entity

The Village of Mount Sterling, Madison 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, and park/recreational operations. The Village of Mt. Sterling contracts with the Madison County Sheriff's department to provide security of persons and property. The Village appropriates general fund money to support these duties.

The Village of Mount Sterling was placed under a fiscal emergency by the Auditor of State's office on June 22, 2017 for conditions as of December 31, 2016 and April 30, 2017 (the date of determination). The Auditor of State performed a fiscal analysis of the Village to section 118.03 of the ORC. The establishment of a financial planning and supervision commission had been put in place. As of October 11, 2022, the Village of Mount Sterling was removed from fiscal emergency.

Public Risk Pool

The Village participates in a public entity risk pool. Note 6 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, 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.

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 Fund:

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

Village of Mount Sterling, Ohio
Madison County
Notes to the Financial Statements
For the Year Ended December 31, 2022

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

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

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 be budgeted annually.

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

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

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 re-appropriated.

A summary of 2022 budgetary activity appears in Note 3.

Village of Mount Sterling, Ohio
Madison County
Notes to the Financial Statements
For the Year Ended December 31, 2022

Note 2 – Summary of Significant Accounting Policies - Continued

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 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:

Non-spendable The Village classifies assets as *non-spendable* 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.

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 or ordinance). The Village must adhere to these commitments unless the Council amends the resolution or ordinance. 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.

Village of Mount Sterling, Ohio
Madison County
Notes to the Financial Statements
For the Year Ended December 31, 2022

Note 2 – Summary of Significant Accounting Policies - Continued

Fund Balance - Continued

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 10.

Note 3 – Budgetary Activity

Budgetary activity for the year ending 2022 follows:

2022 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 895,450	\$ 1,037,051	\$ 141,601
Special Revenue	300,497	303,952	3,455
Enterprise	1,713,025	1,453,668	(259,357)

2022 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$ 879,097	\$ 776,359	\$ 102,738
Special Revenue	310,022	113,779	196,243
Enterprise	1,528,806	1,522,283	6,523

Note 4 – 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	\$ 2,932,178

Village of Mount Sterling, Ohio
Madison County
Notes to the Financial Statements
For the Year Ended December 31, 2022

Note 4 – Deposits – (Continued)

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized through the Ohio Polled 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.

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 \$0 in unremitted employee payroll withholdings.

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.

Public utilities are also taxed on personal and real property located within the Village.

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 1 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. The Village utilizes the Regional Income Tax Agency (RITA) for the collection of income taxes on its behalf.

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 Mount Sterling, Ohio
Madison County
Notes to the Financial Statements
For the Year Ended December 31, 2022

Note 6 – Risk Management – (Continued)

Risk Pool Membership

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

Effective November 1, 2016, the OPRM elected to participate in a property loss corridor deductible. The property corridor includes losses paid between 70% and 75%. In 2018, the casualty loss corridor was eliminated and the property corridor was adjusted to losses paid between 65% and 70%. Effective November 1, 2019, the property loss corridor was adjusted to losses between 60% and 67.5% and has remain unchanged. OPRM had 773 members as of December 31, 2022.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2022.

Assets	\$ 21,662,291
Liabilities	<u>(18,158,351)</u>
Members' Equity	<u>\$ 3,503,940</u>

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

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

Village of Mount Sterling, Ohio
Madison County
Notes to the Financial Statements
For the Year Ended December 31, 2022

Note 7 – Defined Benefit Pension Plans – (Continued)

Social Security

Two Village employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

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

Note 8– 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 9 – Debt

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

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Commission:		
Phase A US 62a Improvements	\$ 47,452	0.00%
Phase B US 62a Improvements	165,304	0.00%
Ohio Water Development Authority:		
High Street Storm Sewer Phase 2	207,227	1.15%
WWTP Improvements	3,510,038	0.00%
Main/Columbus Street Water Main replacment	265,583	2.00%
Water Tank Replacement	51,281	3.03%
Storage Tank Painting	274,436	1.09%
Water Treatment Plant	8,347,757	.96 to 2.96%
Elevated Storage Facility *	8,856	0.00%
Total	<u>\$ 12,877,934</u>	

* This project has not been completed as of December 31, 2022.

Village of Mount Sterling, Ohio
Madison County
Notes to the Financial Statements
For the Year Ended December 31, 2022

Note 9 – Debt - (Continued)

The Ohio Public Works Commission (OPWC) loans relate to water line improvements along US 62. OPWC approved two loans for \$135,575 and \$413,258, respectively to the Village. The loans will be repaid over 20 years at zero percent interest.

The Ohio Water Development Authority (OWDA) loans consist of money owed to the OWDA for the High St. Storm Sewer phase 2 and WWTP Improvements. The loans will be repaid from the sewer fund. The Main/Columbus St water main improvement, water tank replacement, storage tank painting, and water treatment plant loans will be repaid from the water fund. Capitalized interest of \$5,169 is included in the loan balance. During 2022, the Village was approved for a \$93,556 design loan for the new elevated Storage Facility. The Village received \$8,856, from OWDA for the year. This loan is not included in the amortization schedule below since the loan has not been closed.

Amortization

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

Year Ending December 31:	OPWC Loan	OWDA Loan
2023	\$ 27,442	\$ 820,197
2024	27,442	820,197
2025	27,442	820,197
2026	27,442	818,490
2027	27,442	806,488
2028-2032	75,546	4,032,440
2033-2037	-	2,873,283
2038-2042	-	2,376,504
2043-2047	-	715,101
Total	\$212,756	\$14,082,897

Note 10 – 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. 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
Nonspendable:		
Unclaimed Monies	\$ 4,525	\$ -
Outstanding Encumbrances	61,033	15,465

Village of Mount Sterling, Ohio
Madison County
Notes to the Financial Statements
For the Year Ended December 31, 2022

Note 10 – Fund Balances – (Continued)

The fund balance of special revenue funds is either restricted or committed. These restricted and committed amounts in the special revenue fund include the outstanding encumbrances. In the general fund, outstanding encumbrances are considered assigned.

Note 11 – 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 state of emergency ended in June 2021 while the national state of emergency ended in April 2023. 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 emergency funding, either federal or state, cannot be estimated.

Note 12 – Restated Fund Balance

The Village reversed receipts that were recorded twice in years prior to 2022. Therefore, the beginning fund balance for 2022 is restated as follows:

	General Fund	Enterprise Fund
Fund Balance as previously reported	\$1,317,201	\$1,036,193
Correction of the reversal of receipts recorded twice	(38,870)	(2,030)
Restated Fund Balance	<u>\$1,278,331</u>	<u>\$1,034,163</u>

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

Village of Mount Sterling
Madison County
1 South London Street
Mount Sterling, Ohio 43143

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, the financial statements of the cash balances, receipts, and disbursements for each governmental and proprietary fund type of the Village of Mount Sterling, Madison County, (the Village) as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, and have issued our report thereon dated February 26, 2025, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 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 did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings as item 2023-001 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.


We also noted certain other matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated February 26, 2025.

Village's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the Village's response to the finding identified in our audit and described in the accompanying Corrective Action Plan. The Village's response was not subjected to the other auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on the response.

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.



Charles E. Harris & Associates, Inc.
February 26, 2025

**VILLAGE OF MOUNT STERLING
MADISON COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

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

FINDING 2023-001 - Material Weakness

Financial Reporting - Posting Receipts, Disbursements and Fund Balance

The Village should have procedures and controls in place to prevent and detect errors in financial reporting. During 2023 and 2022, receipts and disbursements were not always posted or classified correctly. The following posting errors were noted:

For 2023

- A Loan receipt for \$22,630 was erroneously posted as a Miscellaneous receipt in the Water Operating Fund and a loan receipt for \$15,220 was erroneously posted to Intergovernmental receipts in the Sewer Operating Fund rather than Loans Issued;
- Disbursements totaling \$40,000 for capital outlay purchases were erroneously posted as Transportation in the State Highway Fund;
- Disbursements totaling \$77,426 for capital outlay purchases were erroneously posted as Leisure Time Activities in the Parks and Recreation Fund;
- Disbursements totaling \$9,970 for capital outlay purchases were erroneously posted as Other Contractual Services in the Sewer Operating Fund;
- Interest payments of \$1,280 were erroneously posted as Principal Retirement in the Water Operating Fund;
- A Capital Outlay disbursement of \$4,200 was erroneously posted to Other Financing Uses in the Coronavirus Relief Fund;
- The fund balance of \$4,525 for unclaimed monies was erroneously classified as a fiduciary fund rather than being included with the General Fund and
- Some of the audit adjustments from the 2017/2016 audit were not recorded. Therefore, the beginning fund balance of the General Fund was understated by \$292,697 and the Special Revenue fund balances were overstated by a like amount.

For 2022

- State grant receipts of \$94,659 were erroneously recorded as Special Items rather than Intergovernmental Receipts in the Coronavirus Relief Fund;
- Interest payments of \$1,735 were erroneously posted as principal payments in the Water Operating Fund;
- Loan fees and loan proceeds of \$1,246 were not posted to the Water Operating Fund;
- Disbursements totaling \$12,756 for capital outlay purchases were erroneously posted as General Government in the General Fund and disbursements totaling \$17,127 for capital outlay purchases were erroneously posted as Transportation disbursements in the Street Construction, Maintenance & Repair Fund;
- The fund balance of \$4,525 for unclaimed monies was erroneously classified as a fiduciary fund rather than being included with the General Fund and
- Some of the audit adjustments from the 2017/2016 audit were not recorded. Therefore, the beginning fund balance of the General Fund was understated by \$292,697 and the Special Revenue fund balances were overstated by a like amount.

Not posting receipts and disbursements correctly resulted in the financial statements requiring reclassification and adjusting entries. The financial statements and Village's records reflect all reclassifications and adjustments.

**VILLAGE OF MOUNT STERLING
MADISON COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING 2023-001 - Material Weakness (Continued)

Also, during 2023 and 2022 aspects of the notes to the financial statements were corrected from the Hinkle filing to agree to the financial statements in the audit report and to include all necessary note disclosures. We made corrections to the following note disclosures:

- Reporting Entity
- Budgetary Activity
- Deposits
- Post Employment Benefits
- Debt
- Fund Balance

We recommend the Fiscal Officer refer to the Village Officer's Handbook, Uniform Accounting Network (UAN) Manual and Auditor of State guidance to determine the proper establishment of receipt and disbursement accounts and proper posting. Also, to help ensure accuracy and reliability in the financial reporting process, we recommend management perform a detailed review of its draft financial statements and notes to the financial statements. Such review should include procedures to ensure that all receipts and disbursements are properly identified and classified on the financial statements. We recommend the Village use the most current available templates for financial statements and notes to the financial statements on the Auditor of State's website <http://www.ohioauditor.gov/references/shells/regulatory.html> to prepare an accurate annual financial report.

Management's Response – See Corrective Action Plan on page 31.

**VILLAGE OF MOUNT STERLING
MADISON COUNTY**

**SUMMARY SCHEDULE OF PRIOR FINDINGS –
PREPARED BY MANAGEMENT
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

Finding Number	Finding Summary	Status	Additional Information
2021-001	Audit adjustments, Reclassifications and Notes to the Financial Statements	Not Corrected	N/A

**VILLAGE OF MOUNT STERLING
MADISON COUNTY**

**CORRECTIVE ACTION PLAN - PREPARED BY MANAGEMENT
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2023-001	Fiscal Officer will follow the guidance obtained during the current audit, Village Officer's Handbook and Uniform Accounting Network to post Village accounting activity.	Immediately	Courtney Bricker – Fiscal Officer

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OHIO AUDITOR OF STATE KEITH FABER



VILLAGE OF MOUNT STERLING

MADISON COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 5/8/2025

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