



Certified Public Accountants, A.C.

**VILLAGE OF SUGAR GROVE
FAIRFIELD COUNTY
Regular Audit
For the Years Ended December 31, 2019 and 2018**

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Village Council
Village of Sugar Grove
101 Bridge Street
Sugar Grove, Ohio 43155

We have reviewed the *Independent Auditor's Report* of the Village of Sugar Grove, Fairfield County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2018 through December 31, 2019. 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 Sugar Grove is responsible for compliance with these laws and regulations.

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

Keith Faber
Auditor of State
Columbus, Ohio

November 24, 2020

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VILLAGE OF SUGAR GROVE
FAIRFIELD COUNTY

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INDEPENDENT AUDITOR'S REPORT

September 4, 2020

Village of Sugar Grove
Fairfield County
101 Bridge Street
Sugar Grove, Ohio 43155

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of **Village of Sugar Grove**, Fairfield County, (the Village) as of and for the years ended December 31, 2019 and 2018.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

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

As described in Note 2 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

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* paragraph, the financial statements referred to above 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, 2019 and 2018, and the respective changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Village of Sugar Grove, Fairfield County as of December 31, 2019 and 2018, and for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Emphasis of Matter

As discussed in Note 13 in 2019 and Note 14 in 2018 to the financial statements, during 2019 and 2018, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Village. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 4, 2020, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on 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.



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

**VILLAGE OF SUGAR GROVE
FAIRFIELD COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2019**

	General	Special Revenue	Permanent	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$ 32,588	\$ -	\$ -	\$ 32,588
Municipal Income Tax	140,419	-	-	140,419
Intergovernmental	25,376	32,290	-	57,666
Charges for Services	44,857	-	-	44,857
Fines, Licenses and Permits	18,786	-	-	18,786
Earnings on Investments	3,168	325	1	3,494
Miscellaneous	1,859	-	-	1,859
<i>Total Cash Receipts</i>	<u>267,053</u>	<u>32,615</u>	<u>1</u>	<u>299,669</u>
Cash Disbursements				
Current:				
Security of Persons and Property	109,834	-	-	109,834
Public Health Services	1,388	-	-	1,388
Leisure Time Activities	5,000	-	-	5,000
Community Environment	216	-	-	216
Transportation	-	19,196	-	19,196
General Government	98,268	-	-	98,268
Capital Outlay	15,380	3,353	-	18,733
<i>Total Cash Disbursements</i>	<u>230,086</u>	<u>22,549</u>	<u>-</u>	<u>252,635</u>
<i>Excess of Receipts Over Disbursements</i>	<u>36,967</u>	<u>10,066</u>	<u>1</u>	<u>47,034</u>
Other Financing Receipts				
Sale of Capital Assets	-	400	-	400
<i>Total Other Financing Receipts</i>	<u>-</u>	<u>400</u>	<u>-</u>	<u>400</u>
<i>Net Change in Fund Cash Balances</i>	36,967	10,466	1	47,434
<i>Fund Cash Balances, January 1</i>	<u>304,383</u>	<u>74,705</u>	<u>5,215</u>	<u>384,303</u>
Fund Cash Balances, December 31				
Nonspendable	-	-	5,000	5,000
Restricted	-	84,126	216	84,342
Committed	-	1,045	-	1,045
Assigned	139,082	-	-	139,082
Unassigned	202,268	-	-	202,268
<i>Fund Cash Balances, December 31</i>	<u>\$ 341,350</u>	<u>\$ 85,171</u>	<u>\$ 5,216</u>	<u>\$ 431,737</u>

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

**VILLAGE OF SUGAR GROVE
FAIRFIELD COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$ 236,106	\$ -	\$ 236,106
<i>Total Operating Cash Receipts</i>	<u>236,106</u>	<u>-</u>	<u>236,106</u>
Operating Cash Disbursements			
Personal Services	31,069	-	31,069
Employee Fringe Benefits	3,515	-	3,515
Contractual Services	103,873	-	103,873
Supplies and Materials	4,723	-	4,723
Other	-	-	-
<i>Total Operating Cash Disbursements</i>	<u>143,180</u>	<u>-</u>	<u>143,180</u>
<i>Operating Income</i>	<u>92,926</u>	<u>-</u>	<u>92,926</u>
Non-Operating Receipts (Disbursements)			
Intergovernmental	36,029	-	36,029
Loans Issued	72,129	-	72,129
Miscellaneous Receipts	64	-	64
Capital Outlay	(103,030)	-	(103,030)
Principal Retirement	(55,196)	-	(55,196)
Interest and Other Fiscal Charges	(21,044)	-	(21,044)
Other Financing Uses	-	(2,724)	(2,724)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(71,048)</u>	<u>(2,724)</u>	<u>(73,772)</u>
<i>Net Change in Fund Cash Balances</i>	21,878	(2,724)	19,154
<i>Fund Cash Balances, January 1</i>	<u>398,903</u>	<u>2,724</u>	<u>401,627</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 420,781</u>	<u>\$ -</u>	<u>\$ 420,781</u>

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

Village of Sugar Grove, Ohio
Fairfield County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 1 – Reporting Entity

The Village of Sugar Grove (the Village), Fairfield 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 general government services, including water and sewer utilities, maintenance of Village roads and bridges, park operations, and police services.

Jointly Governed Organizations and Public Entity Risk Pools

The Village participates in jointly governed organizations and a public entity risk pool. Notes 6 and 12 to the financial statements provide additional information for these entities. The Village's management believes these financial statements present all activities for which the Village is financially accountable.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

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

Street Construction Maintenance and Repair The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

Permissive Motor Vehicle License Fund This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing Village streets.

Permanent Funds These funds account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs (for the benefit of the government or its citizenry). The Village had the following significant permanent fund:

Cemetery Bequest Fund This fund receives interest earned on the nonexpendable corpus from a trust agreement. These earnings are used for general maintenance and upkeep of the Village's cemetery.

Village of Sugar Grove, Ohio
Fairfield County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 2 – Summary of Significant Accounting Policies (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 Operating Fund The water fund receives charges for services to cover the costs of providing the citizens of the Village with water services.

Water Operating Replacement & Improvement Fund The water fund receives charges for services to cover the costs of providing the citizens of the Village with water system replacement and improvement services and debt services.

Sewer Operating Fund The fund receives charges for services from residents to cover the cost of providing the citizens of the Village with sewer services, including debt service.

Sanitation Fund The fund receives charges for services from residents for the garbage and trash services provided to the citizens of the Village and commercial users.

Fiduciary Funds Fiduciary funds include private purpose trust funds and agency 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.

Agency 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 agency fund accounts for Mayor's Court. The Village Mayor's court restarted operations in 2015, but suspended operations in 2017. As of the year ended December 31, 2019, the Village settled the funds due to the State of Ohio on recommendation of the Village Solicitor and remitted the remaining balance to the General Fund.

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 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency/custodial funds) 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.

Village of Sugar Grove, Ohio
Fairfield County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 2 – Summary of Significant Accounting Policies (Continued)

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 reappropriated.

A summary of 2019 budgetary activity appears in Note 3.

Deposits and Investments

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

The Village values U.S. Treasury Bonds at cost.

Capital Assets

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

Accumulated Leave

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

Fund Balance

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

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

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*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

Village of Sugar Grove, Ohio
Fairfield County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 2 – Summary of Significant Accounting Policies (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.

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2019 follows:

2019 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 168,890	\$ 267,053	\$ 98,163
Special Revenue	23,085	33,015	9,930
Enterprise	293,843	344,328	50,485
Permanent	-	1	1
Total	\$ 485,818	\$ 644,397	\$ 158,579

2019 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 320,878	\$ 266,422	\$ 54,456
Special Revenue	67,783	63,959	3,824
Enterprise	355,450	346,668	8,782
Total	\$ 744,111	\$ 679,773	\$ 64,338

Note 4 – Deposits and Investments

The Village maintains a deposits and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at December 31 was as follows:

Demand deposits	2019 \$ 847,518
Total deposits	847,518
U.S. Treasury Notes	5,000
Total investments	5,000
Total deposits and investments	\$ 852,518

Village of Sugar Grove, Ohio
Fairfield County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 4 – Deposits and Investments (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.

Investments

The Federal Reserve holds the Village's U.S. Treasury Bond in book-entry form, in the name of the Village's financial institution. The financial institution maintains records identifying the Village as owner of these securities.

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 .75 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 Sugar Grove, Ohio
Fairfield County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 6 – Risk Management

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>2019</u>
Cash and investments	\$ 38,432,610
Actuarial liabilities	\$14,705,917

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.

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, 2019.

Social Security

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, 2019.

Village of Sugar Grove, Ohio
Fairfield County
Notes to the Financial Statements
For the Year Ended December 31, 2019

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 2019. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2019.

Note 9 – Debt

Debt outstanding at December 31, 2019, was as follows:

	Principal	Interest Rate
OWDA - Waterline Replacement (4859)	\$190,835	4.45%
OWDA - Fresh Water Fund (7803)	369,243	2.78%
OPWC - Sanitary Sewer Improvements (CQ07N)	26,225	0.00%
OPWC - WWTP Repair (CQ15Q)	13,285	0.00%
OPWC - Waterline Replacement Phase 1 (CQ16K)	105,558	0.00%
OPWC - Waterline Replacement, Ph. II (CQ22L)	36,632	0.00%
OPWC - Sanitary Sewer Rehabilitation Ph II (CT38P)	79,836	0.00%
OPWC - Water Treatment Plant Improvements (CT26U)	234,925	0.00%
Total	<u><u>\$1,056,539</u></u>	

The Ohio Water Development Authority (OWDA) and Ohio Public Works Commission (OPWC) loans relate to water and sewer plant improvement projects as mandated by the Ohio Environmental Protection Agency. Since 2008, the OWDA has approved up to \$725,023 and the OPWC has approved up to \$844,927 in financing for the Village in a series of loans for ongoing improvement and rehabilitation projects. The Village repays the loans in semiannual installments, including interest, over 20 to 30 years. The balance includes capitalized interest and capitalized interest credit posted for the loans.

For the year ending December 31, 2019, the Village repaid \$16,666 of principal and \$21,044 of interest on OWDA loans. Additionally, the Village repaid \$38,530 of principal on OPWC loans. The OWDA and OPWC will adjust scheduled payments to reflect any revisions in the amounts the Village actually borrows. Water and sewer receipts collateralize the loans. The Village has agreed to set utility rates sufficient to cover OWDA and OPWC debt service requirements.

The Ohio Water Development Authority (OWDA) Fresh Water Fund #7803 loan is not yet finalized, thus, no amortization exists. The OWDA Waterline Replacement #4859 and the Ohio Public Works Commission (OPWC) loans are for water and sewer line replacement and repairs.

Village of Sugar Grove, Ohio
Fairfield County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 9 – Debt (Continued)

Amortization

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

Year ending December 31:	OWDA #4859	OPWC CQ16K	OPWC CQ07N	OPWC CQ22L	OPWC CT38P	OPWC CQ15Q	OPWC CT26U
2020	\$ 14,134	\$ 5,560	\$ 610	\$ 1,831	\$ 1,699	\$ 443	\$ 4,051
2021	14,165	11,121	1,220	3,663	3,397	886	8,101
2022	14,196	11,121	1,220	3,663	3,397	886	8,101
2023	14,228	11,121	1,220	3,663	3,397	886	8,101
2024	14,262	11,121	1,220	3,663	3,397	886	8,101
2025-2029	70,786	55,514	6,100	18,315	16,987	4,428	40,505
2030-2034	72,753	-	6,100	1,834	16,987	4,428	40,505
2035-2039	59,381	-	6,100	-	16,987	442	40,505
2040-2044	-	-	2,435	-	13,588	-	40,505
2045-2049	-	-	-	-	-	-	36,450
Total	<u>\$ 273,905</u>	<u>\$ 105,558</u>	<u>\$ 26,225</u>	<u>\$ 36,632</u>	<u>\$ 79,836</u>	<u>\$ 13,285</u>	<u>\$ 234,925</u>

Note 10 – Construction and Contractual Commitments

For the year ending December 31, 2019, the Council approved expenditures for the Wastewater Treatment Plant Improvements totaling \$27,481 with Stantec (Logan, OH) engineering firm. As of December 31, 2019, the project had not reached substantial completion. Funding for this project consisted of grant and loan with Fairfield County Critical Infrastructure and Ohio Public Works Commission.

Note 11 – Contingent Liabilities

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

Note 12 – Jointly Governed Organizations

Fairfield County Regional Planning Commission

The Village is associated with the Fairfield County Regional Planning Commission as a jointly governed organization. The Commission is a statutorily created political subdivision of the State. The Commission is jointly governed by Fairfield County municipalities and townships. Each member's control over the operation of the Commission is limited to its representation on the board. The Commission makes studies, maps, plans, recommendations, and reports concerning the physical, environmental, social, economic, and governmental characteristics, functions, and services of the County.

Village of Sugar Grove, Ohio
Fairfield County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 12 – Jointly Governed Organizations (Continued)

District Advisory Council (DAC)

The Village is associated with the District Advisory Council as a jointly governed organization. The District Advisory Council is a requirement according to the State ORC 3709.03. The DAC consists of the President of the County Commissioners, the Mayors of each Village and one township representative from each township. The purpose of the DAC is to review the health department fees, approve the health department budget, and appoint Board of Health members.

Note 13 – Subsequent Events

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Village. The impact on the Village's future operating costs, revenues, any recovery from emergency funding, either federal or state, cannot be estimated.

**VILLAGE OF SUGAR GROVE
FAIRFIELD COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	General	Special Revenue	Capital Projects	Permanent	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$ 31,610	\$ -	\$ -	\$ -	\$ 31,610
Municipal Income Tax	121,188	-	-	-	121,188
Intergovernmental	20,788	26,337	375,000	-	422,125
Charges for Services	38,535	-	-	-	38,535
Fines, Licenses and Permits	19,488	-	-	-	19,488
Earnings on Investments	1,858	204	-	-	2,062
Miscellaneous	1,204	-	-	-	1,204
<i>Total Cash Receipts</i>	<u>234,671</u>	<u>26,541</u>	<u>375,000</u>	<u>-</u>	<u>636,212</u>
Cash Disbursements					
Current:					
Security of Persons and Property	87,798	-	-	-	87,798
Public Health Services	2,917	-	-	-	2,917
Leisure Time Activities	-	474	-	-	474
Community Environment	54	-	-	-	54
Basic Utility Services	-	-	375,000	-	375,000
Transportation	-	29,760	-	-	29,760
General Government	103,168	70	-	-	103,238
Capital Outlay	-	550	-	-	550
Debt Service:					
Principal Retirement	26,597	-	-	-	26,597
<i>Total Cash Disbursements</i>	<u>220,534</u>	<u>30,854</u>	<u>375,000</u>	<u>-</u>	<u>626,388</u>
<i>Net Change in Fund Cash Balances</i>	14,137	(4,313)	-	-	9,824
<i>Fund Cash Balances, January 1 (Restated, See Note 15)</i>	<u>290,246</u>	<u>79,018</u>	<u>-</u>	<u>5,215</u>	<u>374,479</u>
Fund Cash Balances, December 31					
Nonspendable	-	-	-	5,000	5,000
Restricted	-	74,160	-	215	74,375
Committed	-	545	-	-	545
Assigned	160,263	-	-	-	160,263
Unassigned	144,120	-	-	-	144,120
<i>Fund Cash Balances, December 31</i>	<u>\$ 304,383</u>	<u>\$ 74,705</u>	<u>\$ -</u>	<u>\$ 5,215</u>	<u>\$ 384,303</u>

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

**VILLAGE OF SUGAR GROVE
FAIRFIELD COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$ 247,383	\$ -	\$ 247,383
<i>Total Operating Cash Receipts</i>	<u>247,383</u>	<u>-</u>	<u>247,383</u>
Operating Cash Disbursements			
Personal Services	30,875	-	30,875
Employee Fringe Benefits	2,699	-	2,699
Contractual Services	85,048	-	85,048
Supplies and Materials	8,175	-	8,175
<i>Total Operating Cash Disbursements</i>	<u>126,797</u>	<u>-</u>	<u>126,797</u>
<i>Operating Income</i>	<u>120,586</u>	<u>-</u>	<u>120,586</u>
Non-Operating Receipts (Disbursements)			
Intergovernmental	175,754	-	175,754
Loans Issued	436,551	-	436,551
Capital Outlay	(624,514)	-	(624,514)
Principal Retirement	(27,520)	-	(27,520)
Interest and Other Fiscal Charges	(8,066)	-	(8,066)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(47,795)</u>	<u>-</u>	<u>(47,795)</u>
<i>Net Change in Fund Cash Balances</i>	72,791	-	72,791
<i>Fund Cash Balances, January 1</i>	<u>326,112</u>	<u>2,724</u>	<u>328,836</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 398,903</u>	<u>\$ 2,724</u>	<u>\$ 401,627</u>

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

Village of Sugar Grove, Ohio
Fairfield County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 1 – Reporting Entity

The Village of Sugar Grove (the Village), Fairfield 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 general government services, including water and sewer utilities, maintenance of Village roads and bridges, park operations, and police services.

Jointly Governed Organizations and Public Entity Risk Pools

The Village participates in jointly governed organizations and a public entity risk pool. Notes 7 and 13 to the financial statements provide additional information for these entities. The Village's management believes these financial statements present all activities for which the Village is financially accountable.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

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

Street Construction Maintenance and Repair The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

Permissive Motor Vehicle License Fund This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing Village streets.

Capital Project Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant capital project funds:

Municipal Building Construction Fund The municipal building construction fund accounts for and reports proceeds of general obligation bonds. The proceeds are restricted for construction of a new municipal building.

Village of Sugar Grove, Ohio
Fairfield County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 2 – Summary of Significant Accounting Policies (Continued)

Permanent Funds These funds account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs (for the benefit of the government or its citizenry). The Village had the following significant permanent fund:

Cemetery Bequest Fund This fund receives interest earned on the nonexpendable corpus from a trust agreement. These earnings are used for general maintenance and upkeep of the Village's cemetery.

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

Water Operating Fund The water fund receives charges for services to cover the costs of providing the citizens of the Village with water services.

Water Replacement & Improvement Fund The water fund receives charges for services to cover the costs of providing the citizens of the Village with water system replacement and improvement services and debt services.

Sewer Operating Fund The fund receives charges for services from residents to cover the cost of providing the citizens of the Village with sewer services, including debt service.

Sanitation Fund The fund receives charges for services from residents for the garbage and trash services provided to the citizens of the Village and commercial users.

Fiduciary Funds Fiduciary funds include private purpose trust funds and agency 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.

Agency 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 agency fund accounts for Mayor's Court. The Village Mayor's court restarted operations in 2015, but suspended operations in 2017. As of the year ending December 31, 2018, the Village had not settled the funds due for the State of Ohio as per previous audit finding.

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 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

Budgetary Process

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

Village of Sugar Grove, Ohio
Fairfield County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 2 – Summary of Significant Accounting Policies (Continued)

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 reappropriated.

A summary of 2018 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.

The Village values U.S. Treasury Bonds at cost.

Capital Assets

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

Accumulated Leave

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

Fund Balance

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

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

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.

Village of Sugar Grove, Ohio
Fairfield County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 2 – Summary of Significant Accounting Policies (Continued)

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

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.

Note 3 – Compliance

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Water Operating Replacement and Improvement fund by \$16,013 for the year ended December 31, 2018.

Note 4 – Budgetary Activity

Budgetary activity for the year ending December 31, 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 149,181	\$ 234,671	\$ 85,490
Special Revenue	22,075	26,541	4,466
Capital Projects	375,000	375,000	-
Enterprise	769,722	859,688	89,966
Total	\$ 1,315,978	\$ 1,495,900	\$ 179,922

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 278,722	\$ 228,809	\$ 49,913
Special Revenue	37,614	32,631	4,983
Capital Projects	375,000	375,000	-
Enterprise	796,834	801,226	(4,392)
Total	\$ 1,490,894	\$ 1,437,666	\$ 53,228

Village of Sugar Grove, Ohio
Fairfield County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 5 – Deposits and Investments

The Village maintains a deposits and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at December 31 was as follows:

	2018
Demand deposits	\$ 780,930
Total deposits	<u>780,930</u>
U.S. Treasury Notes	5,000
Total investments	<u>5,000</u>
Total deposits and investments	<u><u>\$ 785,930</u></u>

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.

Investments

The Federal Reserve holds the Village's U.S. Treasury Bond in book-entry form, in the name of the Village's financial institution. The financial institution maintains records identifying the Village as owner of these securities.

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 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 .75 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.

Village of Sugar Grove, Ohio
Fairfield County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 6 – Taxes

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.

Note 7 – Risk Management

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 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>2018</u>
Cash and investments	\$ 35,381,789
Actuarial liabilities	\$12,965,015

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.

Note 8 – 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, 2018.

Village of Sugar Grove, Ohio
Fairfield County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 8 – Defined Benefit Pension Plans (Continued)

Social Security

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, 2018.

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 2018. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2018.

Note 10 – Debt

Debt outstanding at December 31, 2018, was as follows:

	Principal	Interest Rate
OWDA - Waterline Replacement (4859)	\$197,119	4.45%
OWDA - Fresh Water Fund (7803)	307,496	2.78%
OPWC - Sanitary Sewer Improvements (CQ07N)	28,055	0.00%
OPWC - WWTP Repair (CQ15Q)	14,614	0.00%
OPWC - Waterline Replacement Phase 1 (CQ16K)	122,239	0.00%
OPWC - Waterline Replacement, Ph. II (CQ22L)	42,126	0.00%
OPWC - Sanitary Sewer Rehabilitation Ph II (CT38P)	84,932	0.00%
OPWC - Water Treatment Plant Improvements (CT26U)	243,025	0.00%
Total	<u><u>\$1,039,606</u></u>	

The Ohio Water Development Authority (OWDA) and Ohio Public Works Commission (OPWC) loans relate to water and sewer plant improvement projects as mandated by the Ohio Environmental Protection Agency. Since 2008, the OWDA has approved up to \$725,023 and the OPWC has approved up to \$844,927 in financing for the Village in a series of loans for ongoing improvement and rehabilitation projects. The Village repays the loans in semiannual installments, including interest, over 20 to 30 years. The balance includes capitalized interest and capitalized interest credit posted for the loans. In the previous audit OPWC loan CT25U was recorded as outstanding debt, however, it was determined to be a grant during the 2018 audit.

For the year ending December 31, 2018, the Village repaid \$33,829 of principal and \$8,066 of interest on OWDA loans. Additionally, the Village repaid \$20,288 of principal on OPWC loans. The OWDA and OPWC will adjust scheduled payments to reflect any revisions in the amounts the Village actually borrows. Water and sewer receipts collateralize the loans. The Village has agreed to set utility rates sufficient to cover OWDA and OPWC debt service requirements.

Village of Sugar Grove, Ohio
Fairfield County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 10 – Debt (Continued)

The Ohio Water Development Authority (OWDA) Fresh Water Fund #7803 loan is not yet finalized, thus, no amortization exists. The OWDA Waterline Replacement #4859 and the Ohio Public Works Commission (OPWC) loans are for water and sewer line replacement and repairs.

Amortization

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

Year ending December 31:	OWDA #4859	OPWC CQ16K	OPWC CQ07N	OPWC CQ22L	OPWC CT38P	OPWC CQ15Q	OPWC CT26U
2019	\$ 14,106	\$ 11,121	\$ 1,220	\$ 3,663	\$ 3,397	\$ 886	\$ 8,101
2020	14,134	11,121	1,220	3,663	3,397	886	8,101
2021	14,165	11,121	1,220	3,663	3,397	886	8,101
2022	14,196	11,121	1,220	3,663	3,397	886	8,101
2023	14,228	11,121	1,220	3,663	3,397	886	8,101
2024-2028	70,786	55,605	6,100	18,315	16,987	4,428	40,505
2029-2033	72,753	11,029	6,100	5,496	16,987	4,428	40,505
2034-2038	74,082	-	6,100	-	16,987	1,328	40,505
2039-2043	-	-	3,655	-	16,986	-	40,505
2044-2048	-	-	-	-	-	-	40,500
Total	<u>\$ 288,450</u>	<u>\$ 122,239</u>	<u>\$ 28,055</u>	<u>\$ 42,126</u>	<u>\$ 84,932</u>	<u>\$ 14,614</u>	<u>\$ 243,025</u>

Note 11 – Construction and Contractual Commitments

For the year ending December 31, 2018, the Council approved expenditures for the Water Treatment Plant design and construction amounting to \$957,222. The Village's public water system completed substantial construction and improvements to its Water Treatment Plant in 2018. The final contract price as approved by Council amounted to \$1,045,452. The Village accepted \$1,037,000 bid from Mechanical Construction (Portsmouth, OH) during the project bid opening on August 9, 2017 for the Water Treatment Plant improvements.

Note 12 – Contingent Liabilities

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

Note 13 – Jointly Governed Organizations

Fairfield County Regional Planning Commission

The Village is associated with the Fairfield County Regional Planning Commission as a jointly governed organization. The Commission is a statutorily created political subdivision of the State. The Commission is jointly governed by Fairfield County municipalities and townships. Each member's control over the operation of the Commission is limited to its representation on the board. The Commission makes studies, maps, plans, recommendations, and reports concerning the physical, environmental, social, economic, and governmental characteristics, functions, and services of the County.

Village of Sugar Grove, Ohio
Fairfield County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 13 – Jointly Governed Organizations

District Advisory Council (DAC)

The Village is associated with the District Advisory Council as a jointly governed organization. The District Advisory Council is a requirement according to the State ORC 3709.03. The DAC consists of the President of the County Commissioners, the Mayors of each Village and one township representative from each township. The purpose of the DAC is to review the health department fees, approve the health department budget, and appoint Board of Health members.

Note 14 – Subsequent Events

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Village. The impact on the Village's future operating costs, revenues, any recovery from emergency funding, either federal or state, cannot be estimated.

Note 15 – Prior Period Restatement

The following adjustment is reflected in the January 1, 2018 fund balances:

	<u>General Fund</u>
December 31, 2017 audited balances	\$ 290,173
Adjustment to account for canceled checks	73
January 1, 2018 balances	<u>\$ 290,246</u>

The Village canceled checks that were outstanding and reissued new checks.



313 Second St.
Marietta, OH 45750
740.373.0056

1907 Grand Central Ave.
Vienna, WV 26105
304.422.2203

150 West Main St.
St. Clairsville, OH 43950
740.695.1569

1310 Market Street, Suite 300
Wheeling, WV 26003
304.232.1358

749 Wheeling Ave., Suite 300
Cambridge, OH 43725
740.435.3417

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

September 4, 2020

Village of Sugar Grove
Fairfield County
101 Bridge Street
Sugar Grove, Ohio 43155

To the Village Council:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts and disbursements by fund type of the **Village of Sugar Grove**, Fairfield County, (the Village) as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements and have issued our report thereon dated September 4, 2020, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit and we noted the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Village.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. 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 internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2019-001 to be a material weakness.

Tax - Accounting - Audit - Review - Compilation - Agreed Upon Procedure - Consultation - Bookkeeping - Payroll - Litigation Support - Financial Investigations
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Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of audit findings as item 2019-002.

Village's Response to Findings

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not subject the Village's responses to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *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

**VILLAGE OF SUGAR GROVE
FAIRFIELD COUNTY**

**SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2019-001

Material Weakness

Financial Reporting

Accurate financial reporting is the responsibility of the Clerk-Treasurer and is essential to ensure information provided to the readers of the financial statements is accurate. The following errors with the Village's annual financial report were noted:

- Principal and Interest payments were not always classified properly in 2018 and 2019;
- Debt proceeds were recorded as intergovernmental instead of Debt proceeds in 2018 and 2019;
- Capital outlay was not always recorded in 2018 and 2019.
- Mayor's Court Fund disbursements were recorded as Operating - Other instead of Non-Operating Disbursements - Other Financing Uses in 2019.

Not posting receipts and disbursements accurately resulted in the financial statements requiring several reclassifications. The financial statements reflect all 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 sources of revenues and expenses are properly identified and classified on the financial statements.

We also recommend the Clerk-Treasurer refer to the Ohio Village Handbook and other Auditor of State resources for guidance to determine the proper establishment of receipt and disbursement accounts and posting of receipts and disbursements.

Management's Response – The Chief Fiscal Officer reviewed the finding and work papers with the Perry & Associates Staff Auditor on September 10, 2020. Upon review of the finding and work papers, the Chief Fiscal Officer has a better understanding of the reclassifications that were required as follows: 1) reclassifying debt payments under Principal line-item as opposed to the Interest line-item in 2018 General Fund, 2) reclassifying debt proceeds under Loans Issued line-item as opposed to capital outlay and intergovernmental in the 2018 Water R&I Fund, 3) reclassifying Intergovernmental receipts under Intergovernmental line-item as opposed to debt proceeds in the 2019 Sewer Fund, and 4) reclassifying Mayor's Court disbursements from Operating-Other line-item to Non-Operating Disbursements in 2019 in the Mayor's Court Fund. The Village recognizes that these issues are largely presentational. The Chief Fiscal Officer will continue to consult the Chart of Accounts to ensure that the line-items continue to accurately reflect the appropriate revenues and expenditures accounts. Additionally, the Chief Fiscal Officer will continue to review the Ohio Water Development Authority and Ohio Public Works Commission grants and loan disbursement activities made on the Village's behalf at Year-End to ensure accurate recording of the financial activity.

VILLAGE OF SUGAR GROVE
FAIRFIELD COUNTY

SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

FINDING NUMBER 2019-002

Noncompliance

Expenditures Exceed Appropriations

Ohio Revised Code, § 5705.41(B), provides no subdivision shall make any expenditure of money unless it has been lawfully appropriated. In 2018, we noted expenditures exceeded appropriations in the Water Operating Replacement & Improvement Fund.

At December 31, 2018, expenditures (\$650,235) exceeded appropriations (\$634,222) by \$16,013 in the Water Operating Replacement and Improvement Fund.

The budgeting process is an essential monitoring control that, when properly used, reduces the possibility of the Village encountering deficit spending.

The Clerk / Treasurer should not certify the availability of funds and should deny payment requests exceeding appropriations. The Clerk / Treasurer may request the Village Council to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

Management's Response – The Chief Fiscal Officer reviewed the finding and work papers with Perry & Associates Staff Auditor on September 10, 2020. Upon review of the finding and work papers, the Chief Fiscal Officer was unclear how this violation could have occurred due to the UAN system trigger for compliance violations. The Staff Auditor reported that this had occurred due to pass through funds. The Staff Auditor did not share specific information for the Village to enact or design procedurally aside from what was already stated in the finding. The Chief Fiscal Officer will continue to update the county auditor's office on revenues and expenditures made on behalf of the Village by entities such as the Ohio Water Development Authority and Ohio Public Works Commission, so that the Certificate of Estimated Resources Available covers appropriations made (or reflected as activity on the accounting system) for such projects.

**VILLAGE OF SUGAR GROVE
FAIRFIELD COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

Finding Number	Finding Summary	Status	Additional Information
2017-001	Utility Billing	Fully Corrected	
2017-002	Posting Receipts, Disbursements and Fund Balance Classification	Not Corrected	Repeated as Finding 2019-001
2017-003	Budgetary Controls	Not Corrected	Repeated as Finding 2019-002
2017-004	Ohio Rev. Code Sec. 2743.70, 2949.091, and 733.40	Fully Corrected	

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OHIO AUDITOR OF STATE KEITH FABER



VILLAGE OF SUGAR GROVE

FAIRFIELD 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 12/8/2020

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

This report is a matter of public record and is available online at
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