



Dave Yost • Auditor of State

VILLAGE OF GLANDORF
PUTNAM COUNTY

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Dave Yost • Auditor of State

Village of Glandorf
Putnam County
PO Box 154
Glandorf, Ohio 45848-0154

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

July 7, 2011

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Glandorf
Putnam County
PO Box 154
Glandorf, Ohio 45848-0154

To the Village Council:

We have audited the accompanying financial statements of the Village of Glandorf, Putnam County, (the Village) as of and for the years ended December 31, 2010 and 2009. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2010 and 2009 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2010 and 2009, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Glandorf, Putnam County, as of December 31, 2010 and 2009, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 7, 2011, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Dave Yost
Auditor of State

July 7, 2011

**VILLAGE OF GLANDORF
PUTNAM COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property and Local Taxes	\$89,515			\$89,515
Municipal Income Tax	224,293			224,293
Intergovernmental	57,376	\$48,791	\$9,837	116,004
Charges for Services	14,565			14,565
Fines, Licenses and Permits	1,662			1,662
Earnings on Investments	7,110	428		7,538
Miscellaneous	80			80
Total Cash Receipts	394,601	49,219	9,837	453,657
Cash Disbursements:				
Current:				
Security of Persons and Property	52,036			52,036
Public Health Services	4,347			4,347
Leisure Time Activities	6,815		9,837	16,652
Community Environment	2,024			2,024
Basic Utility Service	76,623			76,623
Transportation	1,529	25,405		26,934
General Government	140,744			140,744
Capital Outlay		12,998		12,998
Total Cash Disbursements	284,118	38,403	9,837	332,358
Total Receipts Over/(Under) Disbursements	110,483	10,816	0	121,299
Other Financing Receipts / (Disbursements):				
Transfers-In		30,000		30,000
Transfers-Out	(60,000)			(60,000)
Total Other Financing Receipts / (Disbursements)	(60,000)	30,000		(30,000)
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	50,483	40,816		91,299
Fund Cash Balances, January 1	207,462	52,779	0	260,241
Fund Cash Balances, December 31	\$257,945	\$93,595	\$0	\$351,540
Reserve for Encumbrances, December 31	\$0	\$2,166	\$0	\$2,166

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

**VILLAGE OF GLANDORF
PUTNAM COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Proprietary Fund Types
	Enterprise
Operating Cash Receipts:	
Municipal Income Tax	\$149,036
Charges for Services	329,725
Miscellaneous	485
Total Operating Cash Receipts	479,246
Operating Cash Disbursements:	
Personal Services	41,349
Employee Fringe Benefits	165
Contractual Services	267,058
Supplies and Materials	17,216
Other	73,739
Total Operating Cash Disbursements	399,527
Operating Income/(Loss)	79,719
Non-Operating Cash Disbursements:	
Capital Outlay	60,018
Redemption of Principal	33,669
Interest and Other Fiscal Charges	22,637
Total Non-Operating Cash Disbursements	116,324
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	(36,605)
Transfers-In	30,000
Net Receipts Over/(Under) Disbursements	(6,605)
Fund Cash Balances, January 1	300,525
Fund Cash Balances, December 31	\$293,920
Reserve for Encumbrances, December 31	\$21,375

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

**VILLAGE OF GLANDORF
PUTNAM COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property and Local Taxes	\$56,723			\$56,723
Municipal Income Tax	210,291			210,291
Intergovernmental	51,860	\$49,293	\$25,931	127,084
Charges for Services	50,951			50,951
Fines, Licenses and Permits	80			80
Earnings on Investments	15,116	3,477		18,593
Miscellaneous	578			578
Total Cash Receipts	<u>385,599</u>	<u>52,770</u>	<u>25,931</u>	<u>464,300</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	207,989			207,989
Public Health Services	4,510			4,510
Leisure Time Activities	10,178			10,178
Community Environment	1,033			1,033
Basic Utility Service	26,036			26,036
Transportation	2,909	19,307		22,216
General Government	229,133			229,133
Capital Outlay		66,859	25,931	92,790
Total Cash Disbursements	<u>481,788</u>	<u>86,166</u>	<u>25,931</u>	<u>593,885</u>
Total Receipts Over/(Under) Disbursements	<u>(96,189)</u>	<u>(33,396)</u>	<u>0</u>	<u>(129,585)</u>
Other Financing Receipts / (Disbursements):				
Transfers-Out	<u>(55,000)</u>			<u>(55,000)</u>
Total Other Financing Receipts / (Disbursements)	<u>(55,000)</u>			<u>(55,000)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(151,189)	(33,396)	0	(184,585)
Fund Cash Balances, January 1	<u>\$358,651</u>	<u>\$86,175</u>	<u>\$0</u>	<u>\$444,826</u>
Fund Cash Balances, December 31	<u><u>\$207,462</u></u>	<u><u>\$52,779</u></u>	<u><u>\$0</u></u>	<u><u>\$260,241</u></u>

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

**VILLAGE OF GLANDORF
PUTNAM COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Proprietary Fund Types
	Enterprise
Operating Cash Receipts:	
Municipal Income Tax	\$146,057
Charges for Services	314,368
Miscellaneous	10
Total Operating Cash Receipts	460,435
Operating Cash Disbursements:	
Personal Services	40,533
Employee Fringe Benefits	195
Contractual Services	287,679
Supplies and Materials	17,580
Other	106,298
Total Operating Cash Disbursements	452,285
Operating Income/(Loss)	8,150
Non-Operating Cash Receipts:	
Sale of Notes	250,628
Total Non-Operating Cash Receipts	250,628
Non-Operating Cash Disbursements:	
Capital Outlay	33,508
Redemption of Principal	280,703
Interest and Other Fiscal Charges	25,362
Other Non-Operating Cash Disbursements	10
Total Non-Operating Cash Disbursements	339,583
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	(80,805)
Transfers-In	55,000
Net Receipts Over/(Under) Disbursements	(25,805)
Fund Cash Balances, January 1	326,330
Fund Cash Balances, December 31	\$300,525
Reserve for Encumbrances, December 31	\$19,770

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

**VILLAGE OF GLANDORF
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Glandorf, Putnam County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, park operations, fire protection and police services. The Village appropriates general fund money to support a volunteer fire department.

The Village's management believes these financial statements present all activities for which the Village is financially accountable.

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. 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 Auditor of State prescribes or permits.

C. 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 certificates of deposit at cost.

D. Fund Accounting

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than from private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Fund:

Street Construction, Maintenance and Repair Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing Village streets.

**VILLAGE OF GLANDORF
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Capital Projects Fund

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project fund:

Grant Construction Fund – This fund receives grant monies to establish Deters Park.

4. Enterprise Funds

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

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

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

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

1. 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. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. 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 also approve estimated resources.

3. 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. The Village did not encumber all commitments required by Ohio law. Management has included audit adjustments in the accompanying budgetary presentations for material items that should have been encumbered.

A summary of 2010 and 2009 budgetary activity appears in Note 3.

**VILLAGE OF GLANDORF
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Property, Plant, and Equipment

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

G. 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.

2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS

The Village maintains a deposit 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:

	2010	2009
Demand deposits	\$295,134	\$210,608
Certificates of deposit	350,326	350,158
Total deposits	\$645,460	\$560,766

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; collateralized by securities specifically pledged by the financial institution to the Village; or collateralized by the financial institution's public entity deposit pool.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2010 and 2009 follows:

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 551,240	\$394,601	(\$156,639)
Special Revenue	78,150	79,219	1,069
Capital Projects	9,837	9,837	
Enterprise	449,600	509,246	59,646
Total	\$1,088,827	\$992,903	(\$ 95,924)

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 722,500	\$344,118	\$378,382
Special Revenue	129,900	40,569	89,331
Capital Projects	9,837	9,837	
Enterprise	728,300	537,226	191,074
Total	\$1,590,537	\$931,750	\$658,787

**VILLAGE OF GLANDORF
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 500,040	\$ 385,599	(\$114,441)
Special Revenue	104,255	52,770	(51,485)
Capital Projects	25,931	25,931	
Enterprise	478,800	766,063	287,263
Total	\$1,109,026	\$1,230,363	\$121,337

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 833,600	\$ 536,788	\$296,812
Special Revenue	156,455	86,166	70,289
Capital Projects	25,931	25,931	
Enterprise	740,000	811,638	(71,638)
Total	\$1,755,986	\$1,460,523	\$295,463

4. PROPERTY TAX

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

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

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

5. LOCAL INCOME TAX

The Village levies a municipal income tax of 1.5 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 GLANDORF
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

6. DEBT

Debt outstanding at December 31, 2010 was as follows:

	Principal	Interest Rate
Utility System Improvement Notes	\$ 88,355	4.475%
Rural Economic Development Bonds	307,100	5.625%
Total	\$395,455	

Utility system Improvement Notes and Rural Economic Bonds were issued for construction and improvements of the Village's water and sewage treatment systems. Revenues of the water and sewer utilities will be used to pay these obligations.

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

Year ending December 31:	Rural Economic Development Bonds - Principal	Rural Economic Development Bonds - Interest	Utility System Improvement Notes - Principal	Utility System Improvement Notes - Interest
2011	\$ 6,900	\$ 17,274	\$28,157	\$4,009
2012	7,200	16,886	29,428	2,739
2013	7,600	16,481	30,770	1,396
2014	8,000	16,054		
2015	8,500	15,604		
2016-2020	50,400	70,268		
2021-2025	66,200	54,416		
2026-2030	87,300	33,548		
2031-2033	65,000	7,448		
Total	\$307,100	\$247,979	\$88,355	\$8,144

7. RETIREMENT SYSTEMS

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

The Ohio Revised Code also prescribes contribution rates. For 2010 and 2009, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2010.

8. RISK MANAGEMENT

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

The Village insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

**VILLAGE OF GLANDORF
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

8. RISK MANAGEMENT (Continued)

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2009, PEP retained \$350,000 for casualty claims and \$150,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2009 and 2008 (the latest information available).

	2009	2008
Assets	\$36,374,898	\$35,769,535
Liabilities	(15,256,862)	(15,310,206)
Net Assets	\$21,118,036	\$20,459,329

At December 31, 2009 and 2008, respectively, the liabilities above include approximately \$14.1 million and \$13.7 million of estimated incurred claims payable. The assets above also include approximately \$13.7 million and \$12.9 million of unpaid claims to be billed to approximately 447 member governments in the future, as of December 31, 2009 and 2008, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2009, the Government's share of these unpaid claims collectible in future years is approximately \$17,000.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

Contributions to PEP		
2010	2009	2008
\$18,090	\$19,912	\$18,873

VILLAGE OF GLANDORF
PUTNAM COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)

8. RISK MANAGEMENT (Continued)

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

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Dave Yost • Auditor of State

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

Village of Glandorf
Putnam County
PO Box 154
Glandorf, Ohio 45848-0154

To the Village Council:

We have audited the financial statements of the Village of Glandorf, Putnam County (the Village) as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated July 7, 2011 wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted the Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

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 combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

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, providing an opinion 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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2010-01 and 2010-02.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated July 7, 2011.

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

We intend this report solely for the information and use of the Finance Committee, management, and Village Council. We intend it for no one other than these specified parties.



Dave Yost
Auditor of State

July 7, 2011

**VILLAGE OF GLANDORF
PUTNAM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND 2009**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2010-01

Noncompliance Citation

Ohio Rev. Code Section 5705.41(D)(1) states that no subdivision shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. **"Then and Now" Certificate** – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the District can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.

2. **Blanket Certificate** – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. **Super Blanket Certificate** – The District may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The date of the invoice preceded the date of the purchase order in 36 percent of the invoices tested. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

**FINDING NUMBER 2010-01
(Continued)**

In 25 percent of invoices tested then & now purchase orders were issued by the fiscal officer exceeding the \$3,000 limit but no resolution or ordinance was passed by the taxing authority.

Also, the Village had \$21,375 and \$2,166 in outstanding purchase commitments for the Enterprise and Special Revenue Funds respectively at December 31, 2010, which were not certified at year end. 2009 had \$19,770 for the Enterprise Fund. The accompanying financial statements and budgetary presentation footnote has been adjusted to reflect these amounts as outstanding encumbrances at year end.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, the Village should certify that the funds are or will be available prior to the obligation and any then & now certificates exceeding the \$3,000 limit will be approved by resolution or ordinance by the taxing authority within thirty days of the certification.

Official's Response:

The Fiscal Officer has read the report from the Auditor for PO's/Then & Now Cert. and Blanket Cert. I am now trying to prepare these correctly and I am aware that any Then & Now Cert. exceeding \$3,000.00 will need a resolution or ordinance passed by Council.

FINDING NUMBER 2010-02

Finding for Recovery Repaid Under Audit

Ohio Rev. Code section 731.13 states that the legislative authority of a village shall fix the compensation of all officers, clerks, and employees of the village except as otherwise provided by law. The legislative authority shall, in the case of elective officers, fix their compensation for the ensuing term of office. The compensation so fixed shall not be increased or diminished during the term for which any officer is elected or appointed.

The Village passed **Ordinance No. 1432** on November 7, 2007 for elected officials beginning new terms effective January 1, 2008. The Ordinance provided that the salary for the position of President of the Board of Public Affairs is hereby increased to \$700 per year in addition to regular Board of Public Affairs salary.

The Board of Public Affairs President for the Village in 2010 was Gerald Hanneman who was elected for the four year term 2008 – 2011. In 2010, Mr. Hanneman was paid \$800 for his President salary in addition to his regular Board of Public Affairs salary. This resulted in an overpayment of \$100 in 2010 and therefore, was overpaid by \$100.

In accordance with the foregoing facts and pursuant to **Ohio Rev. Code Section 117.28**, a Finding for Recovery for public monies illegally expended is hereby issued against Gerald Hanneman, Village of Glandorf Board of Public Affairs President and in favor of the Village's General Fund in the amount of \$100. The finding for recovery was repaid while under audit as evidenced by Village receipt # 86-2011, dated April 5, 2011.

Official's Response:

The \$100.00 salary overpayment to the Board of Public Affairs President was corrected immediately when the Auditor informed the Village. It is noted in the April 5, 2011 minutes that the Board President did repay the Village his overpayment.

**VILLAGE OF GLANDORF
PUTNAM COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2010 AND 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2008-001	ORC 5705.41D lack of prior certification	No	Not corrected. This finding has been repeated in this report as item 2010-01
2008-002	ORC 731.14 lack of bidding for contract	Yes	

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Dave Yost • Auditor of State

VILLAGE OF GLANDORF

PUTNAM COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
AUGUST 18, 2011