

**VILLAGE OF MOUNT GILEAD
MORROW COUNTY, OHIO**

*Financial Statements
(Audited)*

For The Years Ended
December 31, 2009 and 2008

SUE MERMANN, CLERK-TREASURER



Mary Taylor, CPA

Auditor of State

Members of Council
Village of Mount Gilead
72 West High Street
Mount Gilead, Ohio 43338

We have reviewed the *Independent Auditor's Report* of the Village of Mount Gilead, Morrow County, prepared by Julian & Grube, Inc., for the audit period January 1, 2008 through December 31, 2009. 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.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditor's Report* on your financial statements. While the Auditor of State 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. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditor's Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

June 22, 2010

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**VILLAGE OF MOUNT GILEAD
MORROW COUNTY, OHIO**

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Julian & Grube, Inc.
Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Independent Auditor's Report

Members of Council and Mayor
Morrow County
Village of Mount Gilead
72 West High Street
Mount Gilead, Ohio 43338

To the Members of Council and Mayor:

We have audited the accompanying financial statements of the Village of Mount Gilead, Morrow County, Ohio, as of and for the years ended December 31, 2009 and 2008. These financial statements are the responsibility of the Village of Mount Gilead'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. We believe our audit provides a reasonable basis for our opinion.

As described in Note 2, the Village of Mount Gilead 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 requires presenting entity wide statements and also presenting the Village of Mount Gilead's larger (i.e. major) funds separately. While the Village of Mount Gilead 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 governments to reformat their statements. The Village of Mount Gilead 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.

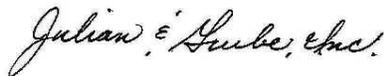
In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2009 and 2008 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village of Mount Gilead as of December 31, 2009 and 2008, or its changes in financial position or cash flows, where applicable for the years then ended.

Independent Auditor's Report
Village of Mount Gilead
Page 2

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Mount Gilead, Morrow County, Ohio, as of December 31, 2009 and 2008, and its combined cash receipts and disbursements, combined budgeted and actual cash receipts and budgeted and actual cash disbursements and encumbrances for the years then ended on the accounting basis described in Note 2.

The Village of Mount Gilead has not presented Management's Discussion and Analysis, which accounting principals 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 April 23, 2010 on our consideration of the Village of Mount Gilead'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* and should be considered in assessing the results of our audit.



Julian & Grube, Inc.
April 23, 2010

**VILLAGE OF MOUNT GILEAD
MORROW COUNTY, OHIO**

COMBINED STATEMENT OF CASH FUND BALANCES
ALL FUND TYPES
DECEMBER 31, 2009 AND 2008

<u>Cash and Cash Equivalents</u>	2009	2008
Cash and Cash Equivalents	\$ 6,122,594	\$ 6,266,489
Total Cash and Cash Equivalents	\$ 6,122,594	\$ 6,266,489
 <u>Cash Fund Balances</u>		
<u>Governmental Fund Types:</u>		
General	\$ 2,527,984	\$ 2,518,826
Special Revenue	353,959	326,365
Debt Service	368	368
Capital Projects	322,015	363,801
Total Governmental Fund Types:	3,204,326	3,209,360
 <u>Proprietary Fund Type:</u>		
Enterprise	2,918,098	3,056,674
Total Proprietary Fund Type:	2,918,098	3,056,674
 <u>Fiduciary Fund Type:</u>		
Agency	170	455
Total Fiduciary Fund Type	170	455
Total Fund Balances	\$ 6,122,594	\$ 6,266,489

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF MOUNT GILEAD
MORROW COUNTY, OHIO**

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

	Governmental Fund Types				Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash receipts:					
Local taxes	\$ 972,262	\$ 100,901	\$ -	\$ 46,170	\$ 1,119,333
Intergovernmental	80,610	239,910	-	-	320,520
Charges for services	-	168,943	-	-	168,943
Fines, licenses, and permits	40,098	2,516	-	-	42,614
Interest	19,223	1,189	-	3,747	24,159
Miscellaneous	59,773	9,378	-	-	69,151
Total cash receipts	1,171,966	522,837	-	49,917	1,744,720
Cash disbursements:					
Current:					
Security of persons and property	482,111	326,900	-	-	809,011
Public health services	1,092	-	-	-	1,092
Transportation	794	312,338	-	-	313,132
General government	303,434	65,103	-	-	368,537
Capital outlay	12,990	126,476	-	111,703	251,169
Total cash disbursements	800,421	830,817	-	111,703	1,742,941
Total cash receipts over/(under) cash disbursements	371,545	(307,980)	-	(61,786)	1,779
Other financing receipts/(disbursements):					
Operating transfers in	592	400,833	-	20,000	421,425
Operating transfers out	(362,979)	(65,259)	-	-	(428,238)
Total other financing receipts/(disbursements)	(362,387)	335,574	-	20,000	(6,813)
Excess of cash receipts and other financing receipts over/(under) cash disbursements and other financing disbursements	9,158	27,594	-	(41,786)	(5,034)
Cash fund balances, January 1, 2009	2,518,826	326,365	368	363,801	3,209,360
Cash fund balances, December 31, 2009	\$ 2,527,984	\$ 353,959	\$ 368	\$ 322,015	\$ 3,204,326

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF MOUNT GILEAD
MORROW COUNTY, OHIO**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH
FUND BALANCES - PROPRIETARY FUND TYPE
AND SIMILAR FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2009

	Proprietary Fund Type	Fiduciary Fund Type	Total
	Enterprise	Agency	(Memorandum Only)
Operating cash receipts:			
Charges for services	\$ 1,714,378	\$ -	\$ 1,714,378
Other miscellaneous	435	-	435
Total operating cash receipts	1,714,813	-	1,714,813
Operating cash disbursements:			
Personal services	532,281	-	532,281
Contractual services	363,290	-	363,290
Supplies and material	145,366	-	145,366
Total operating cash disbursements	1,040,937	-	1,040,937
Operating income	673,876	-	673,876
Nonoperating cash receipts/(disbursements):			
Local taxes	42,563	-	42,563
Intergovernmental receipts	172,964	-	172,964
Interest receipts	15,100	-	15,100
Fines collected	-	45,488	45,488
Fines disbursed	-	(45,773)	(45,773)
Capital outlay	(348,184)	-	(348,184)
Debt service:			
Principal	(540,153)	-	(540,153)
Interest	(161,555)	-	(161,555)
Total nonoperating cash receipts/(disbursements)	(819,265)	(285)	(819,550)
Income/(loss) before operating transfers	(145,389)	(285)	(145,674)
Transfers in	497,019	-	497,019
Transfers out	(490,206)	-	(490,206)
Net cash receipts over/(under) cash disbursements	(138,576)	(285)	(138,861)
Cash fund balances, January 1, 2009	3,056,674	455	3,057,129
Cash fund balances, December 31, 2009	\$ 2,918,098	\$ 170	\$ 2,918,268

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF MOUNT GILEAD
MORROW COUNTY, OHIO**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
AND ENCUMBRANCES COMPARED WITH EXPENDITURE
AUTHORITY - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2009**

Fund Types	Receipts				Disbursements				Variance Favorable (Unfavorable)			
	County Certified Unencumbered Cash	Budget	Total Estimated Resources	Actual 2009 Receipts	Variance Favorable (Unfavorable)	Prior Year Carryover Appropriations	2009 Appropriations	Total		Actual 2009 Disbursements	Encumbrances Outstanding at 12/31/09	Total
Governmental:												
General	\$ 2,508,187	\$ 1,124,950	\$ 3,633,137	\$ 1,172,558	\$ 47,608	\$ 10,639	\$ 1,348,403	\$ 1,359,042	\$ 1,163,400	\$ 18,318	\$ 1,181,718	\$ 177,324
Special Revenue	305,049	875,339	1,180,388	923,670	48,331	21,316	1,017,098	1,038,414	896,076	13,160	909,236	129,178
Debt Service	368	-	368	-	-	-	-	-	-	-	-	-
Capital Projects	363,801	189,000	552,801	69,917	(119,083)	-	117,000	117,000	111,703	-	111,703	5,297
Proprietary:												
Enterprise	3,026,379	2,393,868	5,420,247	2,442,459	48,591	30,295	2,820,423	2,850,718	2,581,035	18,522	2,599,557	251,161
Total	6,203,784	4,583,157	10,786,941	4,608,604	25,447	62,250	5,302,924	5,365,174	4,752,214	50,000	4,802,214	562,960

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF MOUNT GILEAD
MORROW COUNTY, OHIO**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN CASH FUND BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008

	Governmental Fund Types				Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash receipts:					
Local taxes	\$ 975,739	\$ 94,014	\$ -	\$ 46,831	\$ 1,116,584
Intergovernmental	151,942	241,279	-	-	393,221
Charges for services	-	156,757	-	-	156,757
Fines, licenses, and permits	45,154	3,281	-	-	48,435
Interest	80,245	1,823	-	5,851	87,919
Miscellaneous	52,130	7,919	-	-	60,049
Total cash receipts	1,305,210	505,073	-	52,682	1,862,965
Cash disbursements:					
Current:					
Security of persons and property	459,656	385,547	-	-	845,203
Public health services	2,317	-	-	-	2,317
Basic utility services	1,218	-	-	-	1,218
Transportation	-	302,370	-	-	302,370
General government	333,430	62,596	-	-	396,026
Capital outlay	7,520	123,830	-	277,761	409,111
Total cash disbursements	804,141	874,343	-	277,761	1,956,245
Total cash receipts over/(under) cash disbursements	501,069	(369,270)	-	(225,079)	(93,280)
Other financing receipts/(disbursements):					
Operating transfers in	-	442,389	-	243,000	685,389
Operating transfers out	(653,000)	(32,389)	-	-	(685,389)
Other sources	-	-	-	17,489	17,489
Total other financing receipts/(disbursements)	(653,000)	410,000	-	260,489	17,489
Excess of cash receipts and other financing receipts over/(under) cash disbursements and other financing disbursements	(151,931)	40,730	-	35,410	(75,791)
Cash fund balances, January 1, 2008	2,670,757	285,635	368	328,391	3,285,151
Cash fund balances, December 31, 2008	\$ 2,518,826	\$ 326,365	\$ 368	\$ 363,801	\$ 3,209,360

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF MOUNT GILEAD
MORROW COUNTY, OHIO**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH
FUND BALANCES - PROPRIETARY FUND TYPE
AND SIMILAR FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2008

	Proprietary Fund Type	Fiduciary Fund Type	Total
	Enterprise	Agency	(Memorandum Only)
Operating cash receipts:			
Charges for services	\$ 1,742,453	\$ -	\$ 1,742,453
Other miscellaneous	1,363	-	1,363
Total operating cash receipts	1,743,816	-	1,743,816
Operating cash disbursements:			
Personal services	521,970	-	521,970
Contractual services	312,628	-	312,628
Supplies and material	131,483	-	131,483
Total operating cash disbursements	966,081	-	966,081
Operating income	777,735	-	777,735
Nonoperating cash receipts/(disbursements):			
Local taxes	39,228	-	39,228
Interest receipts	59,042	-	59,042
Proceeds of notes	3,162	-	3,162
Fines collected	-	39,706	39,706
Fines disbursed	-	(43,670)	(43,670)
Capital outlay	(188,739)	-	(188,739)
Debt service:			
Principal	(552,530)	-	(552,530)
Interest	(152,333)	-	(152,333)
Total nonoperating cash receipts/(disbursements)	(792,170)	(3,964)	(796,134)
Income/(loss) before operating transfers	(14,435)	(3,964)	(18,399)
Transfers in	567,215	-	567,215
Transfers out	(567,215)	-	(567,215)
Net cash receipts over/(under) cash disbursements	(14,435)	(3,964)	(18,399)
Cash fund balances, January 1, 2008	3,071,109	4,419	3,075,528
Cash fund balances, December 31, 2008	\$ 3,056,674	\$ 455	\$ 3,057,129

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

VILLAGE OF MOUNT GILEAD
MORROW COUNTY, OHIO

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
AND ENCUMBRANCES COMPARED WITH EXPENDITURE
AUTHORITY - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2008

Fund Types	Receipts				Disbursements					Variance Favorable (Unfavorable)		
	County Certified Unencumbered Cash	Budget	Total Estimated Resources	Actual 2008 Receipts	Variance Favorable (Unfavorable)	Prior Year Carryover Appropriations	2008 Appropriations	Total	Actual 2008 Disbursements		Encumbrances Outstanding at 12/31/08	Total
Governmental:												
General	\$ 2,659,768	\$ 1,183,150	\$ 3,842,918	\$ 1,305,210	\$ 122,060	\$ 10,989	\$ 1,714,182	\$ 1,725,171	\$ 1,457,141	\$ 10,639	\$ 1,467,780	\$ 257,391
Special Revenue	352,138	1,144,948	1,497,086	947,462	(197,486)	88,817	935,036	1,023,853	906,732	21,316	928,048	95,805
Debt Service	368	-	368	-	-	-	-	-	-	-	-	-
Capital Projects	1,090,679	897,609	1,988,288	313,171	(584,438)	-	485,000	485,000	277,761	-	277,761	207,239
Proprietary:												
Enterprise	2,115,293	1,725,680	3,840,973	2,412,463	686,783	38,209	2,543,011	2,581,220	2,426,898	30,295	2,457,193	124,027
Total (Memorandum Only)	\$ 6,218,246	\$ 4,951,387	\$ 11,169,633	\$ 4,978,306	\$ 26,919	\$ 138,015	\$ 5,677,229	\$ 5,815,244	\$ 5,068,532	\$ 62,250	\$ 5,130,782	\$ 684,462

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF MOUNT GILEAD
MORROW COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

NOTE 1 - DESCRIPTION OF THE ENTITY

The Village of Mount Gilead (the "Village") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The Village operates under a council-mayor form of government and provides the following services: police protection, fire protection, water and sewer utility services, street maintenance and repair, village court, as well as other general government services.

Management believes the financial statements included in this report represent all of the funds of the Village over which the Village officials are financially accountable.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The most significant of the Village's accounting policies are described below.

A. BASIS OF PRESENTATION - FUND ACCOUNTING

The accounts of the Village are maintained on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts. The following fund types are used by the Village:

Governmental Fund Type:

General Fund

The general fund is the general operating fund and is used to account for all activities of the Village not required to be included in another fund.

Special Revenue Funds

These funds are used to account for the proceeds of specific revenue sources that are legally restricted expenditures for specific purposes.

The Village had the following significant special revenue funds:

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

Fire Fund - This fund receives property tax and charges for services monies to provide fire and emergency medical services for the Village.

**VILLAGE OF MOUNT GILEAD
MORROW COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Debt Service Fund

The debt service fund is used to accumulate resources for the payment of bonds and note indebtedness.

The Village had the following debt service fund:

General Bond Obligation Fund - This fund is used to pay for the retirement of bond/note principal and interest. No activity occurred for the fiscal years ended December 31, 2009 and 2008.

Capital Projects Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise funds). The Village had the following significant Capital Projects Fund:

Capital Improvement - This fund accounts for all significant capital outlay transactions relating to Village improvement projects. This fund receives revenue primarily from income taxes and transfers.

Proprietary Fund Type:

Enterprise Funds

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

Water Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

Sanitary Sewer - This fund receives charges for services from residents to cover the cost of providing this utility.

Fiduciary Fund Type:

Agency Funds

Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following agency fund:

**VILLAGE OF MOUNT GILEAD
MORROW COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Mayor's Court - This fund receives monies from collections on fines imposed from tickets issued by the Village's police protection force. Funds are collected in part on behalf of the State of Ohio. In addition, funds are used for the maintenance and updating of the Mayor's Court computers and supporting general Village operations.

B. BASIS OF ACCOUNTING

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 prescribed or permitted by the Auditor of State.

C. BUDGETARY PROCESS

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds are legally required to be budgeted and appropriated except agency funds. The primary level of budgetary control is at the object level within each department, within each fund. Any budgetary modifications at this level may only be made by resolution of the Village's Council.

Tax Budget:

A budget of estimated cash receipts and disbursements is submitted to the County Auditor, as secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year. The expressed purpose of the tax budget is to reflect the need for existing (or increased) tax rates.

**VILLAGE OF MOUNT GILEAD
MORROW COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Estimated Resources:

The County Budget Commission determines if the budget substantiates a need to levy the full amount of authorized property tax rates and reviews receipt estimates. The County Budget Commission certifies its actions to the Village by September 1. As part of this certification, the Village receives the official certificate of estimated resources, which states the projected receipts of each fund. On or about January 1, the certificate is amended to include unencumbered fund balances at December 31 of the preceding year. Further amendments may be made during the year if the Village determines that receipts collected will be greater than or less than the prior estimates and the Budget Commission finds the revised estimates to be reasonable. Prior to December 31, the Village must revise its budget so that the total contemplated expenditures from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure.

Appropriations:

A temporary appropriation measure to control cash disbursements may be passed on or about January 1 of each year for the period January to March 31. An annual appropriation measure must be passed by April 1 of each year for the period January 1 to December 31. The appropriations measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources. The Village legally adopted several supplemental appropriations during 2009 and 2008.

Encumbrances:

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation.

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated. The Village had outstanding encumbrances at December 31, 2009 and 2008.

D. CASH AND CASH EQUIVALENTS

For reporting purposes, the Village considers "Cash and Cash Equivalents" to be cash on hand, demand deposits, and all investments held by the Village with a maturity date less than or equal to three months from the date of purchase. Interest earned on investments held by the Village is credited to its respective funds. Interest income earned and received by the Village totaled \$39,259 and \$146,961 for the years ended December 31, 2009 and 2008, respectively.

**VILLAGE OF MOUNT GILEAD
MORROW COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

E. PROPERTY, PLANT AND EQUIPMENT

Capital assets are not capitalized in any of the Village's funds. Instead, capital acquisition and construction costs are reflected as expenditures in the fund in the year expended. The costs of normal maintenance and repairs are also expended, along with improvements. Depreciation is not recorded.

F. INTERGOVERNMENTAL REVENUES

Intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursable basis are recorded when received in accordance with the Village's cash basis method of accounting.

G. INTERFUND TRANSACTIONS

During the course of normal operations, the Village had transactions between funds. The most significant include:

Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers.

H. TOTAL COLUMNS ON FINANCIAL STATEMENTS

Total columns on the financial statements are captioned "Total (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Interfund-type eliminations have not been made in the aggregation of this data.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

- A. The Village did not timely complete clerk-treasurer certificates for the years ended December 31, 2009 and 2008 in noncompliance with Ohio Revised Code Section 5705.41(D).
- B. The Village had appropriations in excess of actual resources for the year ended December 31, 2008 in noncompliance with Ohio Revised Code Section 5705.36(A)(4).
- C. The Village certified balances and prior year encumbrances that did not agree by material amounts for the year ended December 31, 2008 in noncompliance with Ohio Revised Code Section 5705.36.

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS

For the years ending December 31, 2009 and 2008, the Village had \$400 in undeposited cash on hand, which is included on the combined statement of cash fund balances.

**VILLAGE OF MOUNT GILEAD
MORROW COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

The Village maintains a cash and investments pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and cash equivalents and investments at December 31, 2009 and 2008 were as follows:

	<u>2009</u>	<u>2008</u>
<u>Cash & Cash Equivalents:</u>		
Demand deposits	\$ 1,643,921	\$ 1,805,118
Cash on hand	400	400
 <u>Investments:</u>		
STAR Ohio	<u>4,478,273</u>	<u>4,460,971</u>
 Total deposits and investments	 <u>\$ 6,122,594</u>	 <u>\$ 6,266,489</u>

Deposits: Deposits are either insured by the Federal Deposit Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

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

NOTE 5 - PROPERTY TAX

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

In prior years, tangible personal property assessments were twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. Tangible personal property tax is being phased out. This assessment percentage for property, including inventory, was reduced to 12.5% for 2007, 6.25% for 2008, and was zero for 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

**VILLAGE OF MOUNT GILEAD
MORROW COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

NOTE 5 - PROPERTY TAX - (Continued)

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the Village due to the phasing out of the tax. In calendar years 2006-2010, the Village will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

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

NOTE 6 - DEBT OBLIGATIONS

At December 31, 2009 and 2008, debt obligations consisted of the following issuance:

<u>Description</u>	<u>Balance at December 31, 2009</u>	<u>Balance at December 31, 2008</u>
2006 Ohio Water Development Authority (OWDA) for construction of waste water treatment plant, due in semi-annual installments of \$178,530 through 2027, at a rate of 0.23%.	\$ 6,292,304	\$ 6,622,457
1999 Mortgage Revenue Refunding Bonds for construction of water sewer system, due in varying amounts through 2017, bearing a varying interest rate.	<u>2,120,000</u>	<u>2,330,000</u>
Total Debt Obligations	<u>\$ 8,412,304</u>	<u>\$ 8,952,457</u>

**VILLAGE OF MOUNT GILEAD
MORROW COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

Transactions for the years ended December 31, 2009 and 2008 are summarized as follows:

<u>2009</u>	<u>Balance at</u>			<u>Balance at</u>
<u>Description</u>	<u>12/31/08</u>	<u>Proceeds</u>	<u>Payments</u>	<u>12/31/09</u>
Mortgage Revenue Refunding Bonds	\$ 2,330,000	\$ -	\$ (210,000)	\$ 2,120,000
OWDA Loan-Construction	6,622,457	-	(330,153)	6,292,304
Total	\$ 8,952,457	\$ -	\$ (540,153)	\$ 8,412,304

<u>2008</u>	<u>Balance at</u>			<u>Balance at</u>
<u>Description</u>	<u>12/31/07</u>	<u>Proceeds</u>	<u>Payments</u>	<u>12/31/08</u>
Mortgage Revenue Refunding Bonds	\$ 2,530,000	\$ -	\$ (200,000)	\$ 2,330,000
OWDA Loan-Construction	6,971,825	3,162	(352,530)	6,622,457
Total	\$ 9,501,825	\$ 3,162	\$ (552,530)	\$ 8,952,457

<u>Year Ending</u>	<u>2006 OWDA</u>		<u>1999 Mortgage</u>		<u>Total</u>	
	<u>Water Improvement Loan</u>		<u>Revenue Bonds</u>			
<u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 342,785	\$ 14,275	\$ 220,000	\$ 110,293	\$ 562,785	\$ 124,568
2011	343,573	13,487	230,000	99,513	573,573	113,000
2012	344,364	12,696	245,000	88,243	589,364	100,939
2013	345,156	11,904	255,000	76,238	600,156	88,142
2014	345,951	11,109	270,000	62,596	615,951	73,705
2015-2019	1,741,730	43,570	900,000	97,904	2,641,730	141,474
2020-2024	1,761,866	23,434	-	-	1,761,866	23,434
2025-2027	1,066,879	4,299	-	-	1,066,879	4,299
Total	\$ 6,292,304	\$ 134,774	\$ 2,120,000	\$ 534,787	\$ 8,412,304	\$ 669,561

NOTE 7 - DEBT COVENANT

The Village's USDA mortgage revenue bond debt covenant requires the Village to maintain a Water System Fund and a Water System Reserve Fund. The debt covenant further requires the following: the Village must first pay all reasonable and proper expenses of operating and maintaining the Water fund; second, the Village must monthly, on the last day of each month, pay the Trustee 1/12th of the next ensuring principal and 1/6th of the interest payment; third, out of the remaining balance, the Village must make up any previous deficiency in any monthly allocation; and fourth, out of the remaining balance of income and revenue after the previous allocations required, a deposit be made in the Water System Reserve Fund in the sum of \$2,000 each month until there is accumulated in the fund the sum of \$60,000 after which no further deposits need be made into said Water System Reserve Fund except to replace withdrawals.

**VILLAGE OF MOUNT GILEAD
MORROW COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

NOTE 8 - RETIREMENT SYSTEMS

The Village's full-time law enforcement officers belong to the Ohio Police & Fire Pension Funds (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including post-retirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2009 and 2008, members of OP&F contributed 10% of their wages to the OP&F. The Village contributed an amount equal to 19.5% and 24.0% of their wages, respectively, for police officers and firefighters. OPERS members contributed 10% for 2009 and 2008, respectively, of their gross salaries. The Village contributed an amount equal to 14% respectively, of participants' gross salaries. The Village has paid all required contributions as of December 31, 2009 and 2008.

NOTE 9 - RISK MANAGEMENT

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

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio. These coverage programs, referred to as Ohio Plan Risk management ("OPRM"), are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retain 15% of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had over 650 members as of December 31, 2008. The Village participates in this coverage.

In August 2007, OGRMP formed the Ohio Plan Healthcare Consortium ("OPHC"), as authorized by Section 9.833 of the Ohio Revised Code. The OPHC was established to provide cost effective employee benefit programs for Ohio political sub-divisions and is a self-funded, group purchasing consortium that offers medical, dental, vision and prescription drug coverage as well as life insurance for its members. The OPHC is sold through seventeen appointed independent agents in the State of Ohio. Coverage programs are developed specific to each member's healthcare needs and the related premiums for coverage are determined through the application of uniform underwriting criteria. Variable plan options are available to members. These plans vary primarily by deductibles, coinsurance levels, office visit co-pays and out-of pocket maximums. OPHC had 40 members as of December 31, 2008. The Village does not participate in this coverage.

**VILLAGE OF MOUNT GILEAD
MORROW COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

NOTE 9 - RISK MANAGEMENT - (Continued)

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31: 2008 and 2007 (the latest information available), and include amounts for both OPRRM and OPHC:

	<u>2008</u>	<u>2007</u>
Assets	\$ 10,471,114	\$ 11,136,455
Liabilities	<u>(5,286,781)</u>	<u>(4,273,553)</u>
Members' Equity	<u>\$ 5,184,333</u>	<u>\$ 6,862,902</u>

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan's website, www.ohioplan.org.

NOTE 10 - CONTINGENT LIABILITY

LITIGATION

The Village is involved in pending litigation that is not material to the financial statements.

**VILLAGE OF MOUNT GILEAD
MORROW COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

NOTE 11 - INTERFUND TRANSACTIONS

The Village had the following interfund transactions for the year ended December 31, 2009:

<u>Fund Type/Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 592	\$ 362,979
Special Revenue Funds:		
Street Construction & Maintenance and Repair	266,760	10,000
Income Tax	67,979	-
Police & Fire Pension	65,000	-
Fire	1,094	-
FEMA	-	55,259
Total Special Revenue Funds	<u>400,833</u>	<u>65,259</u>
Capital Improvement Funds:		
Police Equipment Reserve	10,000	-
Street Equipment Reserve	10,000	-
Total Capital Improvement Funds	<u>20,000</u>	<u>-</u>
Enterprise Funds:		
Water	2,000	64,206
Sewer	4,813	413,000
Trash	-	13,000
Water Works Capital Improvement	64,206	-
Sewer Capital Improvement	413,000	-
Trash Reserve	13,000	-
Total Enterprise Funds	<u>497,019</u>	<u>490,206</u>
Total Transfers	<u>\$ 918,444</u>	<u>\$ 918,444</u>

**VILLAGE OF MOUNT GILEAD
MORROW COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

NOTE 11 - INTERFUND TRANSACTIONS - (Continued)

The Village had the following interfund transactions for the year ended December 31, 2008:

<u>Fund Type/Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 653,000
Special Revenue Funds:		
Street Construction & Maintenance and Repair	313,072	15,000
Income Tax	60,000	-
Police & Fire Pension	65,000	-
Fire	4,317	-
FEMA	-	17,389
Total Special Revenue Funds	<u>442,389</u>	<u>32,389</u>
Capital Improvements Funds:		
Police Equipment Reserve	20,000	-
Street Equipment Reserve	15,000	-
Fire Equipment Reserve	208,000	-
Total Capital Improvement Funds	<u>243,000</u>	<u>-</u>
Enterprise Funds:		
Water	-	79,516
Sewer	-	435,699
Trash	-	52,000
Water Works Capital Improvement	79,516	-
Sewer Capital Improvement	435,699	-
Trash Reserve	52,000	-
Total Enterprise Funds	<u>567,215</u>	<u>567,215</u>
Total Transfers	<u>\$ 1,252,604</u>	<u>\$ 1,252,604</u>

The transfers from the Street and Maintenance Repair Fund are to the Street Equipment Reserve Fund for future capital acquisition. The transfers from the Water, Sewer and Trash Funds are to their respective reserve funds for future capital acquisition.

The Village transferred from the FEMA Fund to the General Fund, Street Construction, Maintenance and Repair Fund, Fire Fund, Water Fund and Sewer Fund to reimburse for expenditures related to FEMA Disaster Relief.

All transfers were in accordance with Sections 5705.14, 5705.15, 5705.16 of the Ohio Revised Code.

NOTE 12 - SUBSEQUENT EVENT

The Village entered into a loan agreement with the Ohio Water Development Authority for Sanitary and Storm Sewer Improvements for approximately \$459,000. Approximately \$93,000 had been disbursed from the Ohio Water Development Authority to the Village.



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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Members of Council and Mayor
Village of Mount Gilead
72 West High Street
Mount Gilead, Ohio 43338

We have audited the financial statements of the Village of Mount Gilead, Morrow County, Ohio, as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated April 23, 2010, wherein we noted the Village of Mount Gilead followed accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. 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 of Mount Gilead's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Village of Mount Gilead's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village of Mount Gilead's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings and responses, we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

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 deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Village of Mount Gilead's financial statements will not be prevented, or detected and timely corrected. We consider finding 2009-VOMG-001 described in the accompanying schedule of findings and responses to be a material weakness.

Members of Council and Mayor
Village of Mount Gilead

Compliance and Other Matters

As part of reasonably assuring whether the Village of Mount Gilead'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 three instances of noncompliance or other matters we must report under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2009-VOMG-002, 2009-VOMG-003 and 2009-VOMG-004.

We also noted certain matters not requiring inclusion in this report that we reported to the Village of Mount Gilead's management in a separate letter dated April 23, 2010.

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

This report is intended solely for the information and use of management and Council of the Village of Mount Gilead and is not intended to be and should not be used by anyone other than these specified parties.



Julian & Grube, Inc.
April 23, 2010

**VILLAGE OF MT. GILEAD
MORROW COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2009 AND 2008**

1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2009-VOMG-001

Material Weakness

We identified misstatements in the financial statements for the years under audit that were not initially identified by the Village’s internal control. The audit adjustments were made to the Village’s financial statements. A description of the adjustments follows:

Mayor’s Court - The Village conducts a Mayor’s Court however, the Village did not include the activity as an Agency fund on the annual cash report submitted to the Auditor of State’s office. An adjustment in the amount of \$45,488 and \$39,706 for receipts in 2009 and 2008, respectively, was recorded and \$45,773 and \$43,670 for expenditures in 2009 and 2008, respectively, was recorded and made to record the activities of the Mayor’s Court.

Annual Cash Report - The Village did not properly prepare its annual cash report. The summary pages did not reflect functions. Numerous adjustments were required to properly reflect fund receipts and expenditures in accordance with Auditor of State format and receipt and disbursement line items.

In addition, the Village had the following audit adjustments necessary to properly record activity in 2009 and 2008:

December 31, 2009:

FEMA Reimbursement - The Village received FEMA monies related to disaster relief in the amount of \$46,760. The original reimbursement to the Street Construction, Maintenance and Repair special revenue fund from the FEMA fund was booked as miscellaneous revenue. An Adjustment was made to properly record the transaction as a transfer in.

December 31, 2008:

Insurance Claim - The Village received \$17,489 related to an insurance claim and recorded the amount as a transfer into the Police Equipment Reserve capital projects fund. An adjustment was made to properly record the transaction as an other financing source.

The presentation of materially correct financial statements and the related footnotes is the responsibility of management. We recommend that the Village implement control procedures that enable management to identify, prevent, detect and correct potential misstatements in the financials and footnotes.

We further recommend the Village attempt to properly classify receipts and disbursements on the annual cash report and establish and track Mayor’s Court activity in an Agency Fund.

**VILLAGE OF MT. GILEAD
MORROW COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2009 AND 2008**

1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2009-VOMG-001 - (Continued)

Client Response: The Village will prepare the annual cash report more accurately in 2010 and will inquire with their software provider regarding the establishment of an Agency Fund. In addition, the Village will attempt to present more materially correct financial statements in the future.

Finding Number	2009-VOMG-002
----------------	---------------

Ohio Revised Code Section 5705.41 (D) requires that no orders or contracts involving the expenditure of monies are to be made unless there is a certificate of the clerk-treasurer that the amount required for the order or contract 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 encumbrances.

The Village had 42% of expenditures examined for 2008 and 42% of expenditures examined for 2009 that were not certified in a timely manner.

Without timely certification, the clerk-treasurer may expend more funds than available in the treasury or in the process of collection, or than funds appropriated. This could result in negative fund balances, non proper public purpose expenditures or unnecessary purchases.

We recommend that all orders or contracts involving the expenditure of monies be timely certified. This will ensure all monies expended are lawfully appropriated and available in the treasury or in the process of collection. The clerk-treasurer should consider using "Then" and "Now" certificates where applicable.

Client Response: The Village clerk-treasurer is working to certify expenditures more timely and making more use of "Then & Now" certificates.

Finding Number	2009-VOMG-003
----------------	---------------

Ohio Revised Code Section 5705.36 (A)(4) states that upon a determination by the clerk-treasurer of a subdivision that the revenue to be collected by the subdivision will be less than the amount included in an official certificate and that the amount of the deficiency will reduce available resources below the level of current appropriations, the clerk-treasurer shall certify the amount of the deficiency to the commission, and the commission shall certify an amended certificate reflecting the deficiency.

At December 31, 2008, the Village had appropriations greater than actual resources, in the following fund:

<u>Fund Type/Fund</u>	<u>Actual Resources</u>	<u>Appropriations</u>	<u>Excess</u>
<u>Capital Projects Fund:</u>			
Capital Project	\$ 5,368	\$ 60,000	\$ 54,632

**VILLAGE OF MT. GILEAD
MORROW COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2009 AND 2008**

1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2009-VOMG-003 - (Continued)

By appropriating more funds than actual resources, the Village is at risk of spending more money than is available; this may result in negative fund balances.

We recommend the Village monitor appropriations in comparison to actual resources and obtain decreased amended appropriations as needed. Further guidance may be found in Auditor of State Bulletin 97-010.

Client Response: The Village is attempting to monitor the budget more closely.

Finding Number	2009-VOMG-004
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Ohio Revised Code Section 5705.36, in part, requires Villages to certify to the County Auditor the total amount from all sources which are available for expenditures from each fund in the tax budget along with any unencumbered balances that existed at the end of the preceding year.

The Village certified balances and prior year encumbrances of special revenue, capital projects and enterprise funds on January 1, 2008 that did not agree to the audited financial reports for the fiscal year ended December 31, 2007.

The Village is not accurately reflecting its various fund balances to the County Auditor for proper certification.

We recommend that the Village consult the Ohio Compliance Supplement and its auditors to ensure that Village fund balances agree to audited reports. This will enable the County Auditor to perform the proper certification with accurate information. This will in turn allow the Village to properly appropriate funds within its available resources.

Client Response: The clerk-treasurer has modified the procedure for certifying balances to the County Auditor to comply with the Ohio Revised Code. This change will be reflected in 2010.

**VILLAGE OF MT. GILEAD
MORROW COUNTY, OHIO**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2009 AND 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2007-VOMG-001	<u>Significant Deficiency/Material Weakness</u> - Misstatements were identified in the financial statements for the years under audit that were not initially identified by the Village's internal control. These misstatements included not recording Mayor's Court activity and not properly preparing the Annual Cash Report.	No	Repeated as finding 2009-VOMG-001
2007-VOMG-002	Ohio Revised Code Section 5705.40, in part, requires that any appropriation measure may be amended or supplemented if the entity complies with the same laws used in making the original appropriation.	Yes	N/A
2007-VOMG-003	Ohio Revised Code Section 5705.41(B), in part, requires that no subdivision is to expend monies unless it has been appropriated.	Yes	N/A
2007-VOMG-004	Ohio Revised Code Section 5705.41(D) requires that no orders or contracts involving the expenditure of monies are to be made unless there is a certificate of the clerk-treasurer that the amount required for the order or contract 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 encumbrances.	No	Repeated as finding 2009-VOMG-002
2007-VOMG-005	Ohio Revised Code Section 5705.13(C), in part, requires capital projects reserve accounts.	Yes	N/A
2007-VOMG-006	31 U.S.C. 7502(a)(1)(A) requires non-federal entities that expend \$500,000 or more in a year in Federal Awards shall have an annual single or program-specific audit conducted for that year and filed with the Federal Audit Clearinghouse within nine months after year end.	Yes	N/A



Mary Taylor, CPA
Auditor of State

VILLAGE OF MOUNT GILEAD

MORROW 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
JULY 6, 2010**