

**VILLAGE OF MOUNT GILEAD**  
**MORROW COUNTY**  
REPORT ON FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010





# Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the Village of Mount Gilead, Morrow County, prepared by Holbrook & Manter, for the audit period January 1, 2010 through December 31, 2011. 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 Auditors' 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 Auditors' 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.

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

Dave Yost  
Auditor of State

October 12, 2012

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## INDEPENDENT AUDITORS' REPORT

Village Council  
Village of Mount Gilead  
Morrow County

We have audited the accompanying financial statements of the Village of Mount Gilead, Morrow County, Ohio, (the Village) as of and for the years ended December 31, 2011 and 2010. 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about 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 that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State of Ohio 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 for 2011 and 2010, GAAP requires 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 the new GAAP presentation requirements. The Auditor of State of Ohio permits, but does not require, governments to reformat their statements. The Village has elected not to reformat its statements. Since this Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State of Ohio 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, 2011 and 2010 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, 2011 and 2010, 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 reserve for encumbrances of the Village of Mount Gilead, Morrow County, as of December 31, 2011 and 2010, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

As described in Note 2, during 2011, the Village adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

The Government 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 June 20, 2012 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.



Certified Public Accountants

June 20, 2012



**VILLAGE OF MOUNT GILEAD**  
**MORROW COUNTY**  
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN  
FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES-  
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>GOVERNMENTAL FUND TYPES</u>				<u>(Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Services</u>	<u>Capital Project</u>	<u>Total</u>
<b>CASH RECEIPTS:</b>					
Local taxes	\$ 102,375	\$ 95,837	\$ 0	\$ 0	\$ 198,212
Municipal income taxes	853,345	0	0	44,912	898,257
Intergovernmental	50,078	216,568	0	318,932	585,578
Charges for services	0	164,335	0	0	164,335
Fines, licenses, and permits	54,447	0	0	0	54,447
Earnings on investments	18,824	1,511	0	3,023	23,358
Miscellaneous	115,730	10,416	0	4,677	130,823
Total cash receipts	1,194,799	488,667	0	371,544	2,055,010
<b>CASH DISBURSEMENTS:</b>					
<b>Current:</b>					
Security of persons and property	497,444	582,505	0	0	1,079,949
Public health services	3,332	0	0	0	3,332
Community environment	26,941	0	0	0	26,941
Basic utility services	0	53,813	0	0	53,813
Transportation	0	173,405	0	0	173,405
General government	360,346	0	0	0	360,346
Capital outlay	0	792	0	369,631	370,423
Total cash disbursements	888,063	810,515	0	369,631	2,068,209
Total receipts over (under) cash disbursements	306,736	( 321,848)	0	1,913	( 13,199)
<b>Other financing receipts (disbursements):</b>					
Transfers - in	0	331,830	0	12,084	343,914
Transfers - out	( 338,914)	( 5,000)	0	0	( 343,914)
Total other financing receipts (disbursements)	( 338,914)	326,830	0	12,084	0
Excess of cash receipts and other financing receipts over (under) cash disbursements and other financing disbursements	( 32,178)	4,982	0	13,997	( 13,199)
Fund cash balances January 1, 2011	2,448,550	325,095	368	333,447	3,107,460
<b>Fund cash balances, December 31, 2011</b>					
Nonspendable	0	0	0	0	0
Restricted	0	319,019	368	347,444	666,831
Committed	0	0	0	0	0
Assigned	5,455	11,058	0	0	16,513
Unassigned (Deficit)	2,410,917	0	0	0	2,410,917
<i>Fund cash balances, December 31, 2011</i>	<u>\$ 2,416,372</u>	<u>\$ 330,077</u>	<u>\$ 368</u>	<u>\$ 347,444</u>	<u>\$ 3,094,261</u>

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

**VILLAGE OF MOUNT GILEAD**  
**MORROW COUNTY**  
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGE IN  
FUND CASH BALANCES - PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES-  
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Proprietary Fund</u>	<u>Agency Fund</u>	<u>Total (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Fiduciary</u>	
<b>OPERATING CASH RECEIPTS:</b>			
Charges for services	\$ 1,685,149	\$ 0	\$ 1,685,149
Earnings on investment	17,615	0	17,615
Miscellaneous	<u>0</u>	<u>0</u>	<u>0</u>
Total operating cash receipts	<u>1,702,764</u>	<u>0</u>	<u>1,702,764</u>
<b>OPERATING CASH DISBURSEMENTS:</b>			
Personal services	370,212	0	370,212
Employee fringe benefits	139,271	0	139,271
Contractual services	449,676	0	449,676
Supplies and materials	<u>85,080</u>	<u>0</u>	<u>85,080</u>
Total operating cash disbursements	<u>1,044,239</u>	<u>0</u>	<u>1,044,239</u>
Operating income	<u>658,525</u>	<u>0</u>	<u>658,525</u>
<b>NON-OPERATING CASH RECEIPTS:</b>			
Property and other local taxes	39,468	0	39,468
Fines collected	0	64,272	64,272
Sale of notes	<u>1,255,490</u>	<u>0</u>	<u>1,255,490</u>
Total non-operating cash receipts	<u>1,294,958</u>	<u>64,272</u>	<u>1,359,230</u>
<b>NON-OPERATING CASH DISBURSEMENTS:</b>			
Capital outlay	48,362	0	48,362
Debt Service;-			
Redemption of principal	2,059,062	0	2,059,062
Interest and other fiscal charges	39,865	0	39,865
Fines distributed	<u>0</u>	<u>63,483</u>	<u>63,483</u>
Total non-operating cash disbursements	<u>2,147,289</u>	<u>63,483</u>	<u>2,210,772</u>
Income (loss) before transfers and advances	( 193,806)	789	( 193,017)
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers in	661,356	0	661,356
Transfers out	<u>( 661,356)</u>	<u>0</u>	<u>( 661,356)</u>
Net change in fund balances	( 193,806)	789	( 193,017)
Fund cash balances, January 1, 2011	<u>3,132,598</u>	<u>1,352</u>	<u>3,133,950</u>
Fund cash balances, December 31, 2011	<u>\$ 2,938,792</u>	<u>\$ 2,141</u>	<u>\$ 2,940,933</u>
<b>Reserve for encumbrances, December 31, 2011</b>	<u>\$ 15,094</u>	<u>\$ 0</u>	<u>\$ 15,094</u>

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

**VILLAGE OF MOUNT GILEAD**  
**MORROW 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>				<u>(Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Services</u>	<u>Capital Project</u>	<u>Total</u>
<b>CASH RECEIPTS:</b>					
Local taxes	\$ 99,799	\$ 99,058	\$ 0	\$ 0	\$ 198,857
Municipal income taxes	853,314	0	0	44,910	898,224
Intergovernmental	39,221	212,940	0	0	252,161
Charges for services	16,720	164,372	0	0	181,092
Fines, licenses, and permits	34,278	3,196	0	0	37,474
Earnings on investments	16,672	2,714	0	3,400	22,786
Miscellaneous	110,889	4,377	0	18,664	133,930
Total cash receipts	1,170,893	486,657	0	66,974	1,724,524
<b>CASH DISBURSEMENTS:</b>					
<b>Current:</b>					
Security of persons and property	588,013	575,372	0	0	1,163,385
Public health services	0	0	0	0	0
Contractual services	214,499	94,770	0	0	309,269
Supplies	22,657	131,934	0	0	154,591
Transportation	316	0	0	0	316
General government	0	0	0	0	0
Capital outlay	13,342	79,945	0	85,542	178,829
Total cash disbursements	838,827	882,021	0	85,542	1,806,390
Total receipts over (under) cash disbursements	332,066	( 395,364)	0	( 18,568)	( 81,866)
<b>Other financing receipts (disbursements):</b>					
Transfers - in	0	381,500	0	30,000	411,500
Transfers - out	( 411,500)	( 15,000)	0	0	( 426,500)
Other financing sources	0	0	0	0	0
Total other financing receipts (disbursements)	( 411,500)	366,500	0	30,000	( 15,000)
Excess of cash receipts and other financing receipts over cash disbursements and other financing disbursements	( 79,434)	( 28,864)	0	11,432	( 96,866)
Fund cash balances January 1, 2010	2,527,984	353,959	368	322,015	3,204,326
Fund cash balances, December 31, 2010	<u>\$ 2,448,550</u>	<u>\$ 325,095</u>	<u>\$ 368</u>	<u>\$ 333,447</u>	<u>\$ 3,107,460</u>
<b>Reserve for encumbrances, December 31, 2010</b>	<u>\$ 9,887</u>	<u>\$ 28,428</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 38,315</u>

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

**VILLAGE OF MOUNT GILEAD  
MORROW COUNTY**  
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGE I  
FUND CASH BALANCES - PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPE!  
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Proprietary Fund</u>	<u>Agency Fund</u>	<u>Total (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Fiduciary</u>	
<b>OPERATING CASH RECEIPTS:</b>			
Charges for services	\$ 1,668,229	\$ 0	\$ 1,668,229
Earnings on investments	14,126	0	14,126
Miscellaneous	<u>1,589</u>	<u>0</u>	<u>1,589</u>
Total operating cash receipts	<u>1,683,944</u>	<u>0</u>	<u>1,683,944</u>
<b>OPERATING CASH DISBURSEMENTS:</b>			
Personal services	512,668	0	512,668
Contractual services	356,034	0	356,034
Supplies and materials	134,160	0	134,160
Capital outlay	<u>200,492</u>	<u>0</u>	<u>200,492</u>
Total operating cash disbursements	<u>1,203,354</u>	<u>0</u>	<u>1,203,354</u>
Operating income	<u>480,590</u>	<u>0</u>	<u>480,590</u>
<b>NON-OPERATING CASH RECEIPTS:</b>			
Property and other local taxes	41,800	0	41,800
Special assessments	0	0	0
Fines collected	0	41,045	41,045
Sale of fixed assets	0	0	0
Sale of notes	2,083,143	0	2,083,143
Miscellaneous	<u>31,618</u>	<u>0</u>	<u>31,618</u>
Total non-operating cash receipts	<u>2,156,561</u>	<u>41,045</u>	<u>2,197,606</u>
<b>NON-OPERATING CASH DISBURSEMENTS:</b>			
Debt service:-			
Redemption of principal	2,695,667	0	2,695,667
Interest and other fiscal charges	75,226	0	75,226
Fines distributed	<u>0</u>	<u>39,863</u>	<u>39,863</u>
Total non-operating cash disbursements	<u>2,770,893</u>	<u>39,863</u>	<u>2,810,756</u>
Excess of receipts over disbursements before interfund transfers and advances	( 133,742)	1,182	( 132,560)
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers-in	561,067	0	561,067
Transfers-out	<u>( 546,067)</u>	<u>0</u>	<u>( 546,067)</u>
Total other financing sources (uses)	<u>15,000</u>	<u>0</u>	<u>15,000</u>
Net receipts over disbursements	( 118,742)	1,182	( 117,560)
Fund cash balances, January 1, 2010 (restated)	<u>3,251,340</u>	<u>170</u>	<u>3,251,510</u>
Fund cash balances, December 31, 2010	<u>\$ 3,132,598</u>	<u>\$ 1,352</u>	<u>\$ 3,133,950</u>
<b>Reserve for encumbrances, December 31, 2010</b>	<u>\$ 12,052</u>	<u>\$ 0</u>	<u>\$ 12,052</u>

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

**VILLAGE OF MOUNT GILEAD**  
**MORROW COUNTY**  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:-**

- A. **Description of the Entity** - The Village of Mount Gilead, Morrow County, Ohio, (the Village) is a body corporate and politic established to exercise 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 general governmental services, including water, sewer and refuse utilities, street maintenance and repair, village court, police and fire protection services, recreation, as well as other general government services.

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

- 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. **Cash and Investments** - The Village's accounting basis includes investments as assets. This basis does not report disbursements for investment purchases or receipts for investment sales. The Village reports gains or losses at the time of sale as receipts or disbursements, respectively. The Village values certificates of deposit and repurchase agreements at cost. The investment in STAR Ohio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer.

- 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:

**General Fund**

The General Fund is the general operating fund. It is used to account for all financial resources except those required by law or contract to be restricted.

**Special Revenue Funds**

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

*Street Construction, Maintenance and Repair Fund*

This fund receives gasoline tax, motor vehicle tax money and municipal income taxes for constructing, maintaining and repairing Village streets.

*Fire Fund*

This fund receives property tax proceeds and charges for services. The funds are used to provide fire protection services and emergency medical services to residents of the Village and other contracted local governments.

**VILLAGE OF MOUNT GILEAD**  
**MORROW COUNTY**  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:-** (continued)

Debt Service Fund

This fund is used to accumulate resources for the payment of bonds and note indebtedness. The Village had the following significant debt service fund:

*General Bond Obligation Fund*

This fund is used to pay for the retirement of bond / note principal and interest.

Capital Project 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 project 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.

Enterprise Funds

These funds are used to 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 Fund*

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

Fiduciary Funds

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

*Mayor's Court Fund*

The 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.

- E. 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.

**VILLAGE OF MOUNT GILEAD**  
**MORROW COUNTY**  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:-** (continued)

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.

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.

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.

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, 2011 and 2010.

A summary of 2011 and 2010 budgetary activity appears in Note 5.

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

Nonspendable

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

Restricted

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

**VILLAGE OF MOUNT GILEAD**  
**MORROW COUNTY**  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:-** (continued)

Committed

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

Assigned

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

Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

- G. Property, Plant and Equipment** - Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.
- H. 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.
- I. 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.
- J. 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 2 - CHANGE IN ACCOUNTING PRINCIPLE:-**

For fiscal year 2011, the Village implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a governmental is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of GASB Statement No. 54 had no effect on the fund balance of the Village's funds.



**VILLAGE OF MOUNT GILEAD  
MORROW COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010**

**NOTE 3 - RESTATEMENT OF FUND BALANCE**

In 1999 the Village purchased mortgage revenue bond which had a debt covenant that required the Village to maintain a Water System Fund and a Water System Reserve Fund. The debt covenant further required 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.

The restatement is due to the reserve that was set up per the above bond covenant. Cash held with fiscal agent was not properly handled or maintained on the Village's financials. These bonds were refunded in 2010 and the balance of the reserve was applied to the outstanding loan balance. The following effect on the Water Fund balance the Village had previously reported.

		<u>Enterprise</u>
Fund Balance at December 31, 2009	\$	2,918,098
Change in Fund Balance		333,242
Adjusted Fund Balance at December 31, 2009	\$	<u>3,251,340</u>

**NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS:-**

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 investments at December 31 was as follows:

	<u>2011</u>	<u>2010</u>
Demand deposits	\$ 3,552,096	\$ 3,759,885
Star Ohio Investments	2,482,698	2,481,125
Cash on hand	<u>400</u>	<u>400</u>
<b>Total investments and deposits</b>	<b>\$ <u>6,035,194</u></b>	<b>\$ <u>6,241,410</u></b>

**Deposits** - The Village's deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by securities specifically pledged by the financial institution to the Village.

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

**VILLAGE OF MOUNT GILEAD  
MORROW COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010**

**NOTE 5 - BUDGETARY ACTIVITY:-**

Budgetary activity for the year ending December 31, 2011 was as follows:

**2011 Budgeted VS. Actual Receipts**

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 1,072,100	\$ 1,194,799	\$ 122,699
Special Revenue	747,700	820,497	72,797
Debt Service	0	0	0
Capital Project	70,550	383,628	313,078
Enterprise	1,780,080	3,659,078	1,878,998
Agency	<u>0</u>	<u>64,272</u>	<u>64,272</u>
Total	\$ <u>3,670,430</u>	\$ <u>6,122,274</u>	\$ <u>2,451,844</u>

**2011 Budgeted VS. Actual Budgetary Basis Expenditures**

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 1,606,469	\$ 1,232,432	\$ 374,037
Special Revenue	889,724	826,573	63,151
Debt Service	0	0	0
Capital Projects	475,265	369,631	105,634
Enterprise	3,476,070	3,867,978	( 391,908)
Agency	<u>0</u>	<u>63,483</u>	<u>( 63,483)</u>
Total	\$ <u>6,447,528</u>	\$ <u>6,360,097</u>	\$ <u>87,431</u>

Contrary to Ohio law, during 2011, the budgetary expenditures exceeded the appropriation authority in the Enterprise Funds by \$391,908.

**VILLAGE OF MOUNT GILEAD  
MORROW COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010**

**NOTE 5 - BUDGETARY ACTIVITY:-** (continued)

Budgetary activity for the year ending December 31, 2010 was as follows:

**2010 Budgeted VS. Actual Receipts**

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 1,072,850	\$ 1,170,893	\$ 98,043
Special Revenue	1,002,303	868,157	( 134,146)
Debt Service	0	0	0
Capital Project	319,800	96,974	( 222,826)
Enterprise	1,907,780	4,401,572	2,493,792
Agency	<u>0</u>	<u>41,045</u>	<u>41,045</u>
Total	<u>\$ 4,302,733</u>	<u>\$ 6,578,641</u>	<u>\$ 2,275,908</u>

**2010 Budgeted VS. Actual Budgetary Basis Expenditures**

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 1,409,203	\$ 1,260,214	\$ 148,989
Special Revenue	1,039,550	925,449	114,101
Debt Service	0	0	0
Capital Projects	645,337	85,542	559,795
Enterprise	3,155,528	4,532,366	( 1,376,838)
Agency	<u>0</u>	<u>39,863</u>	<u>( 39,863)</u>
Total	<u>\$ 6,249,618</u>	<u>\$ 6,843,434</u>	<u>\$ ( 593,816)</u>

Contrary to Ohio law, actual receipts were less than estimated resources during 2010 in the Special Revenue Funds and the Capital Projects Funds by \$134,146 and \$222,826.

Contrary to Ohio law, during 2010, the budgetary expenditures exceeded the appropriation authority in the Enterprise Funds by \$1,376,838.

**VILLAGE OF MOUNT GILEAD  
MORROW COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010**

**NOTE 6 - PROPERTY TAX:-**

Real property taxes become a lien on January 1, preceding the October 1 date for which rates are adopted by the Village Council. The State Council 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 the following June 20.

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.

In calendar years 2011 – 2017, the tangible personal property reimbursements will be phased out.

**NOTE 7 - DEBT:-**

Debt outstanding at December 31, 2011 was as follows:

	<b>Rate</b>	<b>Principal Balance 2011</b>
2006 Ohio Water Development Authority Loan	0.23%	\$ 5,605,947
2009 Ohio Water Development Authority Loan	1.00%	77,029
2009 Ohio Water Development Authority Loan	1.00%	77,653
2011 Mortgage Revenue Refunding Bonds	various	1,235,579
		\$ 6,996,208

The Ohio Water Development Authority (OWDA) loans relate to the construction of a waste water treatment plant. The loan will be repaid in semi-annual installments of \$178,530 through 2027, at a rate of 0.23%.

The 2009 Ohio Water Development Authority (OWDA) loan relates to sanitary sewer improvements. The loan will be repaid in semi-annual installments of \$2,218 through 2031, at a rate of 1.00%.

The 2009 Ohio Water Development Authority (OWDA) loan relates to Phase I storm sewer improvements. The loan will be repaid in semi-annual installments of \$2,209 through 2031, at a rate of 1.00%.

During 2010 and 2011, the Village refunded their 1999 Mortgage Revenue Bonds. These bonds are for the construction of a water and sewer system. The loan will be repaid in varying amounts through 2017 and bears a 2.6% interest rate.

**VILLAGE OF MOUNT GILEAD**  
**MORROW COUNTY**  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010

**NOTE 7 - DEBT**:- (continued)

Transactions for the years ended December 31, 2010 and 2011 are summarized as follows:

<b>2011 Description</b>	<b>Balance at 12/31/2010</b>	<b>Proceeds</b>	<b>Payments</b>	<b>Balance at 12/31/2011</b>
1999 Mortgage Revenue Refunding Bonds	\$ 0	\$ 0	\$ 0	\$ 0
2010 Mortgage Revenue Refunding Bonds	1,710,000	0	1,710,000	0
2011 Mortgage Revenue Refunding Bonds	0	1,235,579	0	1,235,579
2006 OWDA Loan- Construction	5,949,520	0	343,573	5,605,947
2009 OWDA Loan- Construction	79,925	0	2,896	77,029
2009 OWDA Loan- Construction	60,335	19,911	2,593	77,653
<b>Total</b>	<b>\$ 7,799,780</b>	<b>\$ 1,255,490</b>	<b>\$ 2,059,062</b>	<b>\$ 6,996,208</b>

<b>2010 Description</b>	<b>Balance at 12/31/2009</b>	<b>Proceeds</b>	<b>Payments</b>	<b>Balance at 12/31/2010</b>
1999 Mortgage Revenue Refunding Bonds	\$ 2,120,000	\$ 0	\$ 2,120,000	\$ 0
2010 Mortgage Revenue Refunding Bonds	0	1,710,000	0	1,710,000
2011 Mortgage Revenue Refunding Bonds	0	0	0	0
2006 OWDA Loan- Construction	6,292,304	0	342,784	5,949,520
2009 OWDA Loan- Construction	0	201,913	121,988 *	79,925
2009 OWDA Loan- Construction	0	171,230	110,895 *	60,335
<b>Total</b>	<b>\$ 8,412,304</b>	<b>\$ 2,083,143</b>	<b>\$ 2,695,667</b>	<b>\$ 7,799,780</b>

\*= During 2010, the Village received principal forgiveness payments in the form of ARRA grants for \$121,988 and \$110,895 to reduce principal on their OWDA loans.

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

<b>Year ending December 31,</b>	<b>2006 OWDA Water Improvement Loan</b>		<b>2009 OWDA Water Improvement Loan</b>		<b>2009 OWDA Water Improvement Loan</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2012	\$ 344,364	\$ 12,696	\$ 3,647	\$ 772	\$ 3,662	\$ 775
2013	345,156	11,903	3,684	735	3,698	738
2014	345,950	11,109	3,721	699	3,736	701
2015	346,747	10,313	3,758	661	3,773	664
2016	347,545	9,515	3,796	624	3,811	626
2017 - 2021	1,749,757	35,540	19,556	2,540	19,635	2,550
2022 - 2026	1,769,984	15,314	20,556	1,539	20,639	1,546
2027 - 2031	356,444	615	18,311	488	18,699	490
	<b>\$ 5,605,947</b>	<b>\$ 107,005</b>	<b>\$ 77,029</b>	<b>\$ 8,058</b>	<b>\$ 77,653</b>	<b>\$ 8,090</b>

**VILLAGE OF MOUNT GILEAD**  
**MORROW COUNTY**  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010

**NOTE 7 - DEBT:-** (continued)

Year ending December 31,	2011 Mortgage Revenue Bonds		Total	
	Principal	Interest	Principal	Interest
2012	\$ 176,511	\$ 19,715	\$ 528,184	\$ 33,958
2013	176,511	27,611	529,049	40,987
2014	176,511	22,946	529,918	35,455
2015	176,511	18,357	530,789	29,995
2016	176,511	13,768	531,663	24,533
2017 - 2021	353,024	13,794	2,141,972	54,424
2022 - 2026	0	0	1,811,179	18,399
2027 - 2031	0	0	393,454	1,593
	<u>\$ 1,235,579</u>	<u>\$ 116,191</u>	<u>\$ 6,996,208</u>	<u>\$ 239,344</u>

**NOTE 8 - DEBT COVENANT**

The Village's USDA 1999 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. This bond was refinanced and paid in full during 2010. The balance of the monies accumulated and held by fiscal agent, as noted in the second requirement above, of \$333,242 was applied to the pay-off amount when the bond was refunded.

**NOTE 9 - RETIREMENT SYSTEMS:-**

The Village's full time law enforcement officers belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time and part time 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 postretirement 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 2011 and 2010, participants contributed 10% of their salaries to OP&F. The Village contributed an amount equal to 19.5% of police participants' wages. For 2011 and 2010, OPERS members contributed 10% of their gross salaries. The Village contributed an amount equal to 14% of participants' gross salaries for 2011 and 2010. The Village has paid all contributions required through December 31, 2011.

**NOTE 10 - 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 MOUNT GILEAD  
MORROW COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010**

**NOTE 10 - RISK MANAGEMENT**:- (continued)

*Risk Pool Membership*

Prior to 2009, the Government belonged to the Ohio Government Risk Management Plan (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan was legally separate from its member governments.

On January 1, 2009, through an internal reorganization, the Plan created three separate non-profit corporations including:

- Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Risk Management Plan;
- Ohio Plan Healthcare Consortium, Inc. (OPHC) - formerly known as the Ohio Healthcare Consortium; and
- Ohio Plan, Inc. - mirrors the oversight function previously performed by the Board of Directors. The Board of Trustees consists of eleven (11) members that include appointed and elected officials from member organizations.

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 retains 40% (17.5% through October 31, 2010 and 15% through October 31, 2009) 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 761 and 725 members as of December 31, 2010 and 2009 respectively. The Government participates in this coverage.

The Plan 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 65 and 60 members as of December 31, 2010 and 2009 respectively. The Government does not participate in this coverage.

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 (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2010 and 2009 (the latest information available), and include amounts for both OPRM and OPHC.

	<u>2010</u> <u>OPRM</u>	<u>2010</u> <u>OPHC</u>	<u>2009</u> <u>OPRM</u>	<u>2009</u> <u>OPHC</u>
Assets	\$ 12,036,541	\$ 1,355,131	\$ 11,176,186	\$ 1,358,802
Liabilities	<u>( 4,845,056)</u>	<u>( 1,055,096)</u>	<u>( 4,852,485)</u>	<u>( 1,253,617)</u>
<b>Member's Equity</b>	<b><u>\$ 7,191,485</u></b>	<b><u>\$ 300,035</u></b>	<b><u>\$ 6,323,701</u></b>	<b><u>\$ 105,185</u></b>

You can read the complete audited financial statements for OPRM and OPHC at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).

**VILLAGE OF MOUNT GILEAD**  
**MORROW COUNTY**  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010

**NOTE 11 - INTERFUND TRANSACTIONS:-**

The Village had the following interfund transactions for the year ended December 31, 2011 and December 31, 2010:

<b>Fund Type / Fund</b>	<b>2011</b> <b><u>Transfer In</u></b>	<b>2011</b> <b><u>Transfer Out</u></b>	<b>2010</b> <b><u>Transfer In</u></b>	<b>2010</b> <b><u>Transfer Out</u></b>
General Fund	\$ 0	\$ 338,914	\$ 0	\$ 411,500
Special Revenue Funds:				
Street Construction & Maintenance and Repair	210,000	5,000	250,000	15,000
Income Tax	66,830	0	66,500	0
Police & Fire Pension	<u>55,000</u>	<u>0</u>	<u>65,000</u>	<u>0</u>
Total Special Revenue Funds	<u>331,830</u>	<u>5,000</u>	<u>381,500</u>	<u>15,000</u>
Capital Improvement Funds:				
Police Equipment Reserve	7,084	0	15,000	0
Street Equipment Reserve	<u>5,000</u>	<u>0</u>	<u>15,000</u>	<u>0</u>
Total Capital Improvement Funds	<u>12,084</u>	<u>0</u>	<u>30,000</u>	<u>0</u>
Enterprise Funds				
Water	0	336,446	0	75,724
Sewer	0	309,910	0	448,344
Trash	0	15,000	0	22,000
Water Works Capital Improvement	341,880	0	75,724	0
Sewer Capital Improvement	304,476	0	448,344	0
Trash Reserve	0	0	22,000	0
Recreation	<u>15,000</u>	<u>0</u>	<u>15,000</u>	<u>0</u>
Total Enterprise Funds	<u>661,356</u>	<u>661,356</u>	<u>561,068</u>	<u>546,068</u>
Total Transfers	<u>\$ 1,005,270</u>	<u>\$ 1,005,270</u>	<u>\$ 972,568</u>	<u>\$ 972,568</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.

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

**NOTE 12 - SUBSEQUENT EVENTS:-**

The Village evaluated subsequent events through June 20, 2012, the date which the financial statements were available to be issued.





**Independent Accountants' Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Required by *Government Auditing Standards***

Village Council  
Village of Mount Gilead  
Morrow County

We have audited the financial statements of the Village of Mount Gilead, Morrow County, Ohio (the Village), as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated June 20, 2012, wherein we noted the Village had followed accounting practices the Auditor of State of Ohio prescribes 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's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses, and therefore, there can be no assurance that all such deficiencies have been identified. However, as described in the accompanying schedule of findings we identified a 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, in performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider finding 2011-003 described in the accompanying schedule of findings to be a material weakness.

We also noted certain internal control matters that we reported to the Village's management in a separate letter dated June 20, 2012.

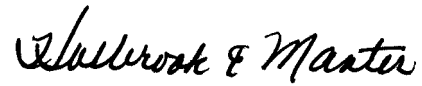
**Compliance and Other Matters**

As part of reasonably assuring whether the Government'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 an instance of noncompliance or other matter we must report under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings as items 2011-001 and 2011-002.

We also noted certain noncompliance or other matters that we reported to the Government's management in a separate letter dated June 20, 2012.

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

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

A handwritten signature in cursive script that reads "Shuller & Manton".

Certified Public Accountants

June 20, 2012

**VILLAGE OF MOUNT GILEAD  
MORROW COUNTY  
SCHEDULE OF FINDINGS  
DECEMBER 31, 2011 AND 2010**

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

<b>Finding Number</b>	<b>2011-001</b>
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**Noncompliance Citation – Prior Certification of Expenditures**

Ohio Revised Code, Section 5705.41 (D) requires that no orders or contracts involving the expenditures of monies are to be made unless there is a certificate of the clerk 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.

It was noted during the audit that expenditures by the Village were not certified in a timely manner. Most instances occurred when purchases came in over the anticipated amount and supplemental purchase orders were completed to cover the additional expense and were not labeled as “Then and Now” certificates.

Without timely certification, the Village may expend more funds than available in the treasury or expend more than collected and appropriated.

We recommend that the Village implement a policy and procedure for contracts involving the expenditure of money be timely certified to insure all monies expended are lawfully appropriated and available in the treasury or in the process of collection. The Village should issue approved purchase orders and consider using blanket and super blanket purchase orders and/or “Then and Now” certificates where applicable.

**Officials’ Response**

The Village’s Clerk is working with department heads to provide certification for expenditures prior to making any purchases with requisition forms being required prior to purchase and blanket purchase orders have been implemented for more of the recurring expenditures.

<b>Finding Number</b>	<b>2011-002</b>
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**Noncompliance Citation – Expenditures Exceed Appropriations**

Ohio Revised Code, Section 5705.41 (C), requires that no subdivision or taxing unit is to expend money unless it has been appropriated. In addition, Section 5705.41 (D) states that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the Clerk 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.

During compliance testing, it was noted that the budgetary expenditures exceeded appropriations throughout the year for several line items. This condition limits the effectiveness of the Village compliance and budgetary controls and may result in overspending of the available funds. To prevent this from occurring, we recommend the Clerk deny payment request or purchase orders exceeding appropriations until the Village Council approves an increase to appropriations through a resolution and the Clerk then prepares an amendment to the original appropriation of expenditures.

**Officials’ Response**

Amended and supplemented appropriations will be monitored and filed in a timely manner.

**VILLAGE OF MOUNT GILEAD  
MORROW COUNTY  
SCHEDULE OF FINDINGS  
DECEMBER 31, 2011 AND 2010**

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

<b>Finding Number</b>	<b>2011-003</b>
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**Material Weakness – Recording of Loan Proceeds**

We noted the Village refinanced their bonds during 2010 and 2011. The Village did not properly record the transactions of the refunding of the bond on the Village's accounting records. Adjustments were made in the accompanying financial statements to reflect these transactions.

In the future, the Village should ensure all activity is properly recorded within the financial statements and budgeted for within the estimated resources and appropriations to avoid receiving or disbursing funds without being properly budgeted.

**Officials' Response**

If such transactions occur in the future, Village officials will monitor the process and record the transaction as necessary.

**VILLAGE OF MOUNT GILEAD**  
**MORROW COUNTY**  
**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**  
**FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:</b>
2009-VOMG-001	Material Weakness -Material Misclassifications within the Financial Statements.	No	Partially Corrected and repeated in the management letter.
2009-VOMG-002	ORC 5705.41 (D) - Failure to properly use fiscal certificates	No	Repeated as finding 2011-001.
2009-VOMG-003	Non-Compliance Citation - Appropriations exceed actual available resources.	No	Repeated as finding 2011-002.
2009-VOMG-004	Non-Compliance Citation - Certification of total amount from all sources available.	Yes	Finding No Longer Valid.

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# Dave Yost • Auditor of State

VILLAGE OF MT 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  
NOVEMBER 8, 2012