



Dave Yost • Auditor of State

VILLAGE OF GLANDORF
PUTNAM COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Village of Glandorf
Putnam County
203 North Main Street
P.O. Box 154
Glandorf, Ohio 45848-0154

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Village of Glandorf, Putnam County, Ohio (the Village), as of and for the years ended December 31, 2012 and 2011.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

As described in Note 1 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03, which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2012 and 2011, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Glandorf, Putnam County, Ohio as of December 31, 2012 and 2011, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits, described in Note 1.

Emphasis of Matter

As discussed in Note 2 to the financial statements, during 2011 the Village of Glandorf adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2013, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

September 24, 2013

**VILLAGE OF GLANDORF
PUTNAM COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$86,298		\$86,298
Municipal Income Tax	245,194		245,194
Intergovernmental	59,094	\$48,621	107,715
Charges for Services	11,798	1,618	13,416
Fines, Licenses and Permits	621		621
Earnings on Investments	2,505	713	3,218
Miscellaneous	2,959		2,959
<i>Total Cash Receipts</i>	<u>408,469</u>	<u>50,952</u>	<u>459,421</u>
Cash Disbursements			
Current:			
Security of Persons and Property	79,896		79,896
Public Health Services	4,855		4,855
Leisure Time Activities	17,878		17,878
Community Environment	1,316		1,316
Basic Utility Services	57,730		57,730
Transportation	7,000	17,536	24,536
General Government	160,242		160,242
Capital Outlay		1,115	1,115
<i>Total Cash Disbursements</i>	<u>328,917</u>	<u>18,651</u>	<u>347,568</u>
<i>Excess of Receipts Over Disbursements</i>	<u>79,552</u>	<u>32,301</u>	<u>111,853</u>
Other Financing Receipts (Disbursements)			
Transfers In		50,000	50,000
Transfers Out	(50,000)		(50,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(50,000)</u>	<u>50,000</u>	
<i>Net Change in Fund Cash Balances</i>	29,552	82,301	111,853
<i>Fund Cash Balances, January 1</i>	<u>277,392</u>	<u>79,871</u>	<u>357,263</u>
Fund Cash Balances, December 31			
Restricted		162,172	162,172
Unassigned	306,944		306,944
<i>Fund Cash Balances, December 31</i>	<u>\$306,944</u>	<u>\$162,172</u>	<u>\$469,116</u>

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

**VILLAGE OF GLANDORF
PUTNAM COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Enterprise
Operating Cash Receipts	
Municipal Income Tax	\$161,477
Charges for Services	308,612
	470,089
<i>Total Operating Cash Receipts</i>	<i>470,089</i>
Operating Cash Disbursements	
Personal Services	46,072
Contractual Services	250,334
Supplies and Materials	19,245
Other	70,788
	386,439
<i>Total Operating Cash Disbursements</i>	<i>386,439</i>
<i>Operating Income</i>	<i>83,650</i>
Non-Operating Disbursements	
Capital Outlay	(36,912)
Principal Retirement	(36,660)
Interest and Other Fiscal Charges	(19,592)
	(93,164)
<i>Total Non-Operating Disbursements</i>	<i>(93,164)</i>
<i>Net Change in Fund Cash Balances</i>	<i>(9,514)</i>
<i>Fund Cash Balances, January 1</i>	<i>334,301</i>
<i>Fund Cash Balances, December 31</i>	<i>\$324,787</i>

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

**VILLAGE OF GLANDORF
PUTNAM COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts				
Property and Other Local Taxes	\$86,763			\$86,763
Municipal Income Tax	231,377			231,377
Intergovernmental	57,419	\$48,364	\$2,313	108,096
Charges for Services	19,405			19,405
Fines, Licenses and Permits	1,372			1,372
Earnings on Investments	4,133	984		5,117
Miscellaneous	3,261			3,261
<i>Total Cash Receipts</i>	<u>403,730</u>	<u>49,348</u>	<u>2,313</u>	<u>455,391</u>
Cash Disbursements				
Current:				
Security of Persons and Property	77,626			77,626
Public Health Services	4,226			4,226
Leisure Time Activities	6,684		2,313	8,997
Community Environment	4,000			4,000
Basic Utility Services	31,369			31,369
Transportation	17,905	33,122		51,027
General Government	162,473			162,473
Capital Outlay		109,950		109,950
<i>Total Cash Disbursements</i>	<u>304,283</u>	<u>143,072</u>	<u>\$2,313</u>	<u>449,668</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>99,447</u>	<u>(93,724)</u>		<u>5,723</u>
Other Financing Receipts (Disbursements)				
Transfers In		80,000		80,000
Transfers Out	(80,000)			(80,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(80,000)</u>	<u>80,000</u>		
<i>Net Change in Fund Cash Balances</i>	19,447	(13,724)		5,723
<i>Fund Cash Balances, January 1</i>	<u>257,945</u>	<u>93,595</u>		<u>351,540</u>
Fund Cash Balances, December 31				
Restricted		79,871		79,871
Unassigned	277,392			277,392
<i>Fund Cash Balances, December 31</i>	<u>\$277,392</u>	<u>\$79,871</u>		<u>\$357,263</u>

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

**VILLAGE OF GLANDORF
PUTNAM COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Enterprise
Operating Cash Receipts	
Municipal Income Tax	\$150,182
Charges for Services	319,219
	469,401
 Operating Cash Disbursements	
Personal Services	44,952
Employee Fringe Benefits	104
Contractual Services	240,292
Supplies and Materials	10,055
Claims	67,244
	362,647
 <i>Total Operating Cash Disbursements</i>	 362,647
 <i>Operating Income</i>	 106,754
 Non-Operating Disbursements	
Capital Outlay	(10,032)
Principal Retirement	(35,081)
Interest and Other Fiscal Charges	(21,260)
	(66,373)
 <i>Total Non-Operating Disbursements</i>	 (66,373)
 <i>Net Change in Fund Cash Balances</i>	 40,381
 <i>Fund Cash Balances, January 1</i>	 293,920
 <i>Fund Cash Balances, December 31</i>	 \$334,301

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

**VILLAGE OF GLANDORF
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011**

1. Summary of Significant Accounting Policies

A. Description of the Entity

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

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Deposits and Investments

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

The Village values certificates of deposit at cost

D. Fund Accounting

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

1. General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Fund:

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

**VILLAGE OF GLANDORF
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

3. Capital Project Funds

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

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

4. Enterprise Funds

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

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

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

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law.

A summary of 2012 and 2011 budgetary activity appears in Note 4.

VILLAGE OF GLANDORF
PUTNAM COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)

1. Summary of Significant Accounting Policies (Continued)

F. Fund Balance

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

1. **Nonspendable**

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

2. **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.

3. **Committed**

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

4. **Assigned**

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

5. **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.

**VILLAGE OF GLANDORF
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

G. Property, Plant, and Equipment

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

H. Accumulated Leave

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

2. Change in Accounting Principle

For fiscal year 2011, the Village implemented Governmental Accounting Standard Board (GASB) Statement No. 54. Implementing GASB Statement No. 54 did not have an effect on fund balances previously reported

3. Equity in Pooled Deposits

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

	2012	2011
Demand deposits	\$443,528	\$341,564
Certificates of deposit	350,375	350,000
Total deposits	\$793,903	\$691,564

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the Village.

4. Budgetary Activity

Budgetary activity for the years ending December 31, 2012 and 2011 follows:

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$375,920	\$408,469	\$32,549
Special Revenue	99,200	100,952	1,752
Enterprise	424,850	470,089	45,239
Total	\$899,970	\$979,510	\$79,540

**VILLAGE OF GLANDORF
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

4. Budgetary Activity (Continued)

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$653,000	\$378,917	\$274,083
Special Revenue	117,000	18,651	98,349
Enterprise	746,300	479,603	266,697
Total	\$1,516,300	\$877,171	\$639,129

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$558,000	\$403,730	(\$154,270)
Special Revenue	113,700	129,348	15,648
Capital Projects	2,313	2,313	0
Enterprise	489,236	469,401	(19,835)
Total	\$1,163,249	\$1,004,792	(\$158,457)

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$843,700	\$384,283	\$459,417
Special Revenue	197,500	143,072	54,428
Capital Projects		2,313	(2,313)
Enterprise	723,000	429,020	293,980
Total	\$1,764,200	\$958,688	\$805,512

Contrary to Ohio law, the Village did not always post appropriations as approved, and as a result expenditures exceeded appropriations in the Capital Project Fund in 2011. Also, contrary to Ohio Law changes were made to appropriations on the system without Council approval.

5. Property Tax

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

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

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

**VILLAGE OF GLANDORF
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

5. Property Tax (Continued)

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

6. Local Income Tax

The Village levies a municipal income tax of 1.5 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

7. Debt

Debt outstanding at December 31, 2012 was as follows:

	Principal	Interest Rate
Utility System Improvement Notes	\$30,714	4.475%
Rural Economic Development Bonds	293,000	5.625%
Total	\$323,714	

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

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

	Utility System Improvement Notes - Principal	Utility System Improvement Notes - Interest	Rural Economic Development Bonds - Principal	Rural Economic Development Bonds - Interest
Year ending December 31:				
2013	\$30,714	\$1,396	\$7,600	\$16,481
2014			8,000	16,054
2015			8,500	15,604
2016			9,000	15,125
2017			9,500	14,619
2018-2022			56,200	64,441
2023-2027			74,000	46,756
2028-2032			97,300	23,451
2033			22,900	1,288
Total	\$30,714	\$1,396	\$293,000	\$213,819

**VILLAGE OF GLANDORF
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

8. Retirement System

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

The Ohio Revised Code also prescribes contribution rates. For 2012 and 2011, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2012.

9. 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.

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

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2012, PEP retained \$350,000 for casualty claims and \$150,000 for property claims.

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

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Assets	\$34,389,569	\$33,362,404
Liabilities	<u>(14,208,353)</u>	<u>(14,187,273)</u>
Net Position	<u>\$20,181,216</u>	<u>\$19,175,131</u>

**VILLAGE OF GLANDORF
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

9. Risk Management (Continued)

At December 31, 2012 and 2011, respectively, the liabilities above include approximately \$13.1 million and \$13.0 million of estimated incurred claims payable. The assets above also include approximately \$12.6 million and \$12.1 million of unpaid claims to be billed to approximately 466 and 455 member governments in the future, as of December 31, 2012 and 2011, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2012, the Village's share of these unpaid claims collectible in future years is approximately \$19,000.

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

<u>Contributions to PEP</u>	
<u>2012</u>	<u>2011</u>
\$22,501	\$19,431

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

10. Subsequent Events

The Village issued a \$115,000 loan in 2013 for the purchase of land. The loan matures in 2017 with a 3.75 percent interest rate, and semiannual payments starting 2013.



Dave Yost • Auditor of State

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

Village of Glandorf
Putnam County
203 North Main Street
P.O. Box 154
Glandorf, Ohio 45848-0154

To the Village Council:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of Glandorf, Putnam County, Ohio (the Village), as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements and have issued our report thereon dated September 24, 2013 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit, described in Note 1, and wherein the Village adopted Governmental Accounting Standards Board Statement No. 54 in 2011.

Internal Control Over Financial Reporting

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

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 material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2012-002 and 2012-004 described in the accompanying schedule of findings to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2012-001 through 2012-003.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

September 24, 2013

**VILLAGE OF GLANDORF
PUTNAM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2012-001

Noncompliance Citation

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

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

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

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

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

The date of the invoice preceded the date of the purchase order in 58 percent of the invoices tested and there was no evidence the Village followed the aforementioned exceptions.

Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

**FINDING NUMBER 2012-001
(Continued)**

To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, the Village should certify that the funds are or will be available prior to the obligation.

FINDING NUMBER 2012-002

Noncompliance Citation/Material Weakness

Ohio Revised Code, § 5705.40, provides in part that any appropriation measure may be amended or supplemented if the entity complies with the same laws used in making the original appropriations. There was a variance of \$28,000 between approved appropriations of \$843,700 and posted appropriations of \$815,700 in the General Fund in 2011. Also, in 2011 the Village posted an amendment for \$2,313 in the Capital Project Fund that was never approved by Council.

Failure to obtain Council approval for all amendments could result in expenditures being made that are not within the intentions of Council. The accompanying notes to the financial statements reflect the above noted adjustments.

The Village should develop policies and implement procedures to assure that all appropriation amendments are properly approved by Council prior to being posted to the Village's system and submitted to the County Budget Commission.

FINDING NUMBER 2012-003

Noncompliance Citation

Ohio Revised Code, § 5705.41 (B), provides that no subdivision or taxing unit is to expend money unless it has been appropriated.

Expenditures exceeded appropriations in the Capital Project Fund by \$2,313 in 2011.

The Village should monitor budgeted appropriations and actual expenditures throughout the year to ensure that expenditures are within the appropriations that were approved by Council.

FINDING NUMBER 2012-004

Material Weakness

Financial Reporting

Accurate financial reporting is the responsibility of Village management and is essential to ensure the information provided to the readers of the financial statements accurately reflects the Village's activity.

The 2012 and 2011 financial statements contained material errors, such as the following:

- Income tax revenues to the Enterprise Funds, in the amounts of \$161,477 in 2012 and \$150,477 in 2011, were incorrectly posted as property tax revenues.
- Fire grant monies in the amount of \$14,130 were incorrectly posted as charges for services in the General Fund instead of intergovernmental revenue in 2012.

Adjusting entries were posted to the financial statements to correct these and other errors.

**FINDING NUMBER 2012-004
(Continued)**

To ensure the Village's financial statements and notes to the statements are complete and accurate, Council should adopt policies and procedures, including a final review of the financial statements, and notes to the financial statements to identify and correct errors and omissions.

Officials' Response:

We did not receive a response from Officials to the findings reported above.

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**VILLAGE OF GLANDORF
PUTNAM COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2012 AND 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-001	Ohio Revised Code § 5705.41(D) for a lack of prior certification of expenditures.	No	Not corrected. This finding has been repeated in this report as item 2012-001.
2010-002	Finding for Recovery repaid under audit for overpayment to official.	No	Partially corrected. This finding has been repeated in the Management Letter.

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Dave Yost • Auditor of State

VILLAGE OF GLANDORF

PUTNAM COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
OCTOBER 15, 2013**