

***VILLAGE OF GLENFORD
PERRY COUNTY, OHIO***

AUDIT REPORT

FOR THE YEAR ENDED DECEMBER 31, 2012





Dave Yost • Auditor of State

Village Council
Village of Glenford
P.O. Box 22
Glenford, Ohio 43739

We have reviewed the *Report of Independent Accountants* of the Village of Glenford, Perry County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2012 through December 31, 2012. 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. In conjunction with the work performed by the Independent Public Accountant, the Auditor of State is issuing the following:

Finding for Recovery

The Village of Glenford has established compensation annually for the Fiscal Officer at \$3,000 annually and for the Water Clerk at \$1,500 annually. For the period January 1, 2012 through October 1, 2012 (last day of work) Pay Ayers was overcompensated an additional \$864 as Fiscal Officer and \$7,718 as Water Clerk during 2012. This overcompensation was done through payroll advances not repaid.

Summarized below is the additional overcompensation as Fiscal Officer and Water Clerk during 2012:

Payee	check #	Date	Total	General Fund	Water Fund
Pat Ayers	9690	1/3/2012	\$3,518	\$0	\$3,518
Pat Ayers	9710	2/21/2012	3,450	0	3,450
Pat Ayers	9791	5/29/2012	341	216	125
Pat Ayers	9818	6/14/2012	216	216	0
Pat Ayers	9765	5/1/2012	591	216	375
Pat Ayers	9817	6/8/2012	250	0	250
Pat Ayers	9818	6/9/2012	216	216	
Total			\$8,582	\$864	\$7,718

As the Fiscal Officer, Pat Ayers was paid more than the rate of compensation approved by the Village of Glenford's Council. The total amount of the checks exceeded the approved compensation amount and also exceeded the amounts approved by Council on a monthly basis as part of monthly ordinances designed to approve all disbursements.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Pat Ayers, former Fiscal Officer, and the Ohio Farmers Insurance Company, the Village's bonding company, jointly and severally, in the amount of \$8,582. The amount is to be paid \$864 in favor of the Village's General Fund and \$7,718 in favor of the Village's Water Fund.

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 Glenford is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

Dave Yost
Auditor of State

August 16, 2013

**VILLAGE OF GLENFORD
PERRY COUNTY, OHIO
For the Year Ending December 31, 2012**

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

REPORT OF INDEPENDENT ACCOUNTANTS

Village of Glenford
P. O. Box 22
Glenford, Ohio 43739

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Village of Glenford, Perry County, Ohio (the Village), as of and for the year ended December 31, 2012.

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 cash accounting basis Note 2 describes. 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 opinions.

Basis for Adverse Opinion on 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 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 regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonable 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 of 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, or changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Glenford, Perry County as of December 31, 2012, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 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.



Charles E. Harris & Associates, Inc.
June 24, 2013

**VILLAGE OF GLENFORD
PERRY COUNTY, OHIO
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
All Governmental Fund Types
For the Year Ended December 31, 2012**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Receipts:			
Property Taxes	\$ 5,478	\$ 875	\$ 6,353
Intergovernmental	8,018	7,485	15,503
Fines, Licenses and Permits	-	128	128
Earnings on Investments	1	2	3
Miscellaneous	3,000	2,587	5,587
Total Receipts	16,497	11,077	27,574
Disbursements:			
General Government	13,489	1,506	14,995
Leisure Time Activities	-	2,137	2,137
Transportation	-	6,318	6,318
Basic Utility Services	4,761	2,327	7,088
Total Disbursements	18,250	12,288	30,538
Excess Receipts Over/(Under) Disbursements	(1,753)	(1,211)	(2,964)
Other Financing Sources			
Refund of Prior Year's Expense	3,600	-	3,600
Total Other Financing Sources	3,600	-	3,600
Excess of Cash Receipts and Other Financing Sources Over/(Under) Cash Disbursements	1,847	(1,211)	636
Fund Cash Balance, January 1, 2012	605	58,965	59,570
Fund Cash Balances			
Restricted	-	57,754	57,754
Unassigned	2,452	-	2,452
Fund Cash Balance, December 31, 2012	\$ 2,452	\$ 57,754	\$ 60,206

See Accompanying Notes to the Financial Statements.

VILLAGE OF GLENFORD
PERRY COUNTY, OHIO
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES -PROPRIETARY FUND TYPES
For the Year Ended December 31, 2012

	Proprietary Fund Types Enterprise
Operating Cash Receipts:	
Charges for Services	\$ 97,127
Total Operating Cash Receipts	97,127
Operating Cash Disbursements:	
Personal Services	15,969
Contractual Services	46,273
Material and Supplies	3,267
Repair and Maintenance	3,796
Miscellaneous	3,600
Total Operating Cash Disbursements	72,905
Excess of Receipts Over/(Under) Disbursements	24,222
Non-Operating Receipts/Disbursements:	
Loan Proceeds	32,867
Capital Outlay	(24,147)
Redemption of Principal	(8,181)
Interest and Other Fiscal Charges	(1,673)
Total Nonoperating Receipts/(Disbursements)	(1,134)
Excess of Receipts and Nonoperating Receipts Over (Under) Disbursements and Nonoperating Disbursements	23,088
Fund Cash Balance, January 1, 2012	44,129
Fund Cash Balance, December 31, 2012	\$ 67,217

See Accompanying Notes to the Financial Statements.

VILLAGE OF GLENFORD
PERRY COUNTY, OHIO
Notes to the Financial Statements
For the Year Ended December 31, 2012

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 Glenford, Perry County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, park operations, and police services. The Village contracts with the Perry County Sheriff's department to provide security of persons and property.

The Village's management believes these financial statements included in this report represent all of the funds of the Village over which the Village has the ability to exercise direct operating control.

B. BASIS OF ACCOUNTING

The Village prepares its financial statements following 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.)

The statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. CASH

Investments are included in the fund cash balances. Accordingly, purchases of investments are not recorded as disbursements and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

D. FUND ACCOUNTING

The Village maintains its accounting records in accordance with the principles of "Fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of

**VILLAGE OF GLENFORD
PERRY COUNTY, OHIO
Notes to the Financial Statements
For the Year Ended December 31, 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. FUND ACCOUNTING - (Continued)

specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity, which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

Governmental Fund Types:

General Fund: The general operating fund of the Village. It is used to account for all financial resources except those required by law or contract to be accounted for in another fund.

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

- Street Construction, Maintenance and Repair Fund—Receives gasoline and motor vehicle excise taxes for constructing, maintaining and repairing Village roads.
- State Highway Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing state highways within the Village.

Proprietary Fund Types:

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 water service costs.

VILLAGE OF GLENFORD
PERRY COUNTY, OHIO
Notes to the Financial Statements
For the Year Ended December 31, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

E. BUDGETARY PROCESS

A budget of estimated cash receipts and disbursements is prepared by the Clerk, approved by the Village Council, and 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.

1. Estimated Resources

The county auditor calculates the estimated revenues available to the Village. He prepares a certificate of estimated resources based upon this calculation and upon the other financial information supplied in the budget sent by the Village. The certificate is approved by the county budget commission and sent to the Village Clerk by September 1.

Prior to December 31, the Village must revise its budget so that the total budgeted expenditures for a fund will not exceed the amount of estimated resources stated in the certificate of estimated resources. The revised budget serves as the basis for the annual appropriation measure.

On or about January 1, the Clerk sends the county auditor a certificate, which includes the actual unencumbered balances from the preceding year. The county auditor prepares an amended certificate, submits it to the county budget commission for approval. This amended certificate may be further amended during the year if projected revenue increases or the Clerk identifies decreases in revenue.

Budgeted receipts, as shown in Note 4, do not include the unencumbered fund balances as of January 1, 2012. However, those fund balances are available for appropriation.

2. Appropriations

A temporary appropriation measure to control cash expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation measure must be passed by March 31 of each year for the period January 1 to December 31. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.

VILLAGE OF GLENFORD
PERRY COUNTY, OHIO
Notes to the Financial Statements
For the Year Ended December 31, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

E. BUDGETARY PROCESS - (Continued)

3. Encumbrances

The Village is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The sum of expenditures and encumbrances may not exceed appropriated totals at any level of budgetary control. The legal level of control is the object level.

Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year without being re-appropriated.

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.

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-** The Village 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 restrict 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 the Village Council.

VILLAGE OF GLENFORD
PERRY COUNTY, OHIO
Notes to the Financial Statements
For the Year Ended December 31, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

F. FUND BALANCE - (Continued)

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.

G. PROPERTY, PLANT AND EQUIPMENT

Acquisitions of property, plant and equipment are recorded as capital outlay disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

H. ACCUMULATED LEAVE

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

2. EQUITY IN POOLED CASH AND CASH EQUIVALENTS

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

	<u>2012</u>
Demand Deposits	\$127,423

Deposits: Deposits are either (1) insured by the Federal Deposit Insurance Corporation, (2) collateralized by securities specifically pledged by the financial institution to the Village, or (3) collateralized by the financial institution's public entity deposit pool.

**VILLAGE OF GLENFORD
PERRY COUNTY, OHIO
Notes to the Financial Statements
For the Year Ended December 31, 2012**

3. PROPERTY TAXES

Real property taxes are levied on assessed values, which equal 35% of appraised value. The county auditor reappraises all real property every six years with a triennial update.

Real property taxes become a lien on all non-exempt real property located in the county on January 1. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20 of the following year. Under certain circumstances, state statute permits later payment dates to be established.

The State Board of Tax Equalization adjusts the tax rates for inflation. Real property owners' tax bills are further reduced by homestead and rollback deductions when applicable. The amount of these homestead and rollback reductions is reimbursed to the Village by the State of Ohio. The amounts reimbursed by the State of Ohio are reflected in the accompanying financial statements as intergovernmental receipts.

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

The County Treasurer collects property tax on behalf of all taxing authorities within the county. The County Auditor periodically remits to the taxing authorities their portions of the taxes collected.

4. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2012 follows:

<u>Fund:</u>	<u>2012 Budgeted vs Actual Receipts</u>		<u>Variance</u>
	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	
General Fund	\$ 15,614	\$ 20,097	\$ 4,483
Special Revenue Funds	10,150	11,077	927
Enterprise	61,330	129,994	68,664

<u>Fund:</u>	<u>2012 Budgeted vs Actual Budgetary Basis Disbursements</u>		<u>Variance</u>
	<u>Appropriation Authority</u>	<u>Budgetary Disbursements</u>	
General Fund	\$ 15,790	\$ 18,250	\$ (2,460)
Special Revenue Funds	19,200	12,288	6,912
Enterprise	102,802	106,906	(4,104)

VILLAGE OF GLENFORD
PERRY COUNTY, OHIO
Notes to the Financial Statements
For the Year Ended December 31, 2012

5. RETIREMENT SYSTEM

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

The Ohio Revised Code also prescribes contributions, for 2012, OPERS members contributed 10% of their gross salaries. The Village contributed an amount equal to 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2012.

6. RISK MANAGEMENT

The Village belongs to the Ohio Municipal Joint Self-Insurance Pool, (the "Pool"), an unincorporated non-profit association available to municipal corporations and their instrumentalities. The Pool is a separate legal entity per Section 2744 of the Ohio Revised Code. The Pool provides property and casualty insurance for its members. The Pool pays judgments, settlements and other expenses resulting for covered claims that exceed the members' deductibles.

The Pool changed its fiscal year end to March 31, effective in 2011, in order to align its financial reporting and budgeting with the renewal terms of its excess reinsurance policies.

The Pool cedes portions of its gross contribution written to a reinsurer under excess reinsurance agreements in order to limit its losses. Treaty basis excess-of-loss contracts in force protect the Pool against losses over the retention level; at March 31, 2012, retention levels are \$100,000 and \$175,000 for property and casualty coverages, respectively.

The Pool remains liable to the extent the reinsuring companies are unable to meet their contractual obligations under reinsurance agreements.

**VILLAGE OF GLENFORD
PERRY COUNTY, OHIO
Notes to the Financial Statements
For the Year Ended December 31, 2012**

6. RISK MANAGEMENT – (Continued)

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

	<u>2012</u>	<u>2011</u>
Assets	\$1,097,683	\$1,696,445
Liabilities	<u>(791,222)</u>	<u>(1,403,959)</u>
Retained earnings	<u>\$ 306,461</u>	<u>\$ 292,486</u>

7. DEBT

Debt outstanding at December 31, 2012 is as follows:

<u>Description:</u>	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority (5115)	\$239,245	0.00%
Ohio Public Works Commission Loans (CT867)	49,616	3.00%
Total	<u>\$288,862</u>	

The beginning balance for OWDA Loan # 5115 has been adjusted up by \$844.

The Village has arranged for a loan in the amount of \$239,500 from OWDA (5115). This loan is not yet finalized and the principal outstanding at December 31, 2011 was \$239,245. This loan is being used for the design of a new waste water system. The OWDA will adjust scheduled payments to reflect all revisions in amounts the Village actually borrows. This loan is collateralized by utility receipts.

The Ohio Public Works Commission (CT867) loan relates to a project through the Ohio Small Government Capital Improvements Commission for a new water storage and distribution system to be connected to the Northern Perry County Water District. The OPWC has approved up to \$150,000 in loans to the Village for this project. The loans will be repaid in semiannual installments of \$4,927, including interest, over 20 years. The Village borrowed \$147,384. The loan is collateralized by utility revenue.

**VILLAGE OF GLENFORD
PERRY COUNTY, OHIO
Notes to the Financial Statements
For the Year Ended December 31, 2012**

7. DEBT – (Continued)

Principal and interest requirements for debt outstanding at December 31, 2012 are as follows:

<u>Year Ended</u>	<u>OPWC loan CT867</u>
2013	\$ 9,853
2014	9,853
2015	9,853
2016	9,853
2017	9,853
2018-2022	4,927
Total	<u>\$ 54,192</u>

8. CONTINGENT LIABILITES/SUBSEQUENT EVENTS

Management believes there are no pending claims or lawsuits.

9. INTERFUND BALANCES

Repayments to the following funds will be made over the next 5 years for payments made from the General Fund on behalf of the Water Fund.

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 15,200	\$ -0-
Water Fund	<u>-0-</u>	<u>15,200</u>
Total Interfund Receivables/Payables	<u>\$ 15,200</u>	<u>\$ 15,200</u>

10. BUDGETARY NONCOMPLIANCE

The Township had the following citations for budgetary noncompliance:

- Contrary to **Ohio Rev. Code Section 5705.41(B)**, no subdivision or taxing unit may expend money unless it has been properly appropriated.
- Contrary to **Ohio Rev. Code Section 5705.39**, the Village had appropriations in excess of estimated resources.

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

Village of Glenford
P. O. Box 22
Glenford, Ohio 43739

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 Glenford, Perry County (the Village), as of and for the year ended December 31, 2012, and the related notes to the financial statements and have issued our report thereon dated June 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 permits.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. 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. We consider findings 2012-003 through 006 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 several 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 and 2012-002.

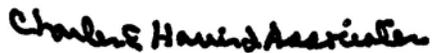
We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated June 24, 2013.

Entity's Responses to Findings

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

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.



Charles E. Harris & Associates, Inc.
June 24, 2013

**VILLAGE OF GLENFORD
PERRY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012**

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 Rev. Code § 5705.41(B) prohibits a subdivision or taxing authority from expending money unless it has been appropriated.

We noted the following funds had expenditures plus encumbrances that exceeded appropriations at December 31, 2012:

Fund	Approved Appropriations	Budgetary Expenditures	Variance
General Fund	\$ 15,790	\$ 18,250	\$ (2,460)
Special Revenue:			
Park Fund	1,100	3,032	(1,932)
Enterprise Funds:			
Water	78,655	79,359	(704)
Sewer	24,147	27,547	(3,400)

Expenditures for each fund should not exceed appropriations. Failure to follow approved budgets could lead to overspending and the possibility of negative fund balances. To ensure expenditures do not exceed appropriations, the Village should monitor its financial activity periodically and amend its approved budgets accordingly.

Official's Response:

The Finance Committee will review budgetary requirements and implement as necessary.

**FINDING NUMBER 2012-002
Noncompliance Citation**

Ohio Rev. Code § 5705.39 provides in part that total appropriations from each fund shall not exceed the total estimated resources. No appropriation measure is effective until the County Auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

We noted the following funds had appropriations that exceeded estimated resources at year end December 31, 2012:

Fund	Estimated Resources	Approved Appropriations	Variance
Enterprise Fund:			
Water	\$ 74,909	\$ 78,655	\$ (3,746)

**VILLAGE OF GLENFORD
PERRY COUNTY**

**SCHEDULE OF FINDINGS – (Continued)
DECEMBER 31, 2012**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS – (Continued)
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**FINDING NUMBER 2012-002 (Continued)
Noncompliance Citation**

We recommend the Fiscal Officer review estimated resources and appropriations to ensure that the appropriations do not exceed the estimated resources.

Official’s Response:

The Fiscal Officer will closely monitor budgetary activity.

**FINDING NUMBER 2012-003
Material Weakness**

During our review of the Village’s payroll transactions and internal controls, we noted the following conditions:

- The Village Fiscal Officer was overpaid for the period;
- All payroll was not accurately recorded through the payroll system;
- The Fiscal Officer paid herself as an independent contractor for her work as water clerk but was paid as an employee for her Fiscal Officer duties;
- There was no Council oversight of the payroll function.

The lack of oversight resulted in the overpayments to the Fiscal Officer of \$865 from the General Fund and \$7,718 from the Water Fund. Since the extra pay to the Fiscal Officer did not always include withholdings, the result was inaccurate reporting for W-2’s, OPERS filings and tax withholding filings, as well.

We recommend Council establish controls and procedures for the fiscal operations as follows:

- All rates of pay be properly approved and recorded in the minutes records of the Village and all compensation be paid accordingly;
- A review of employee vs. independent contractor status should be done by Council or the Village Solicitor, for anyone working for the Village to ensure they are properly included on the payroll if needed and to ensure the proper withholdings and employer taxes can be determined. If paid as an independent contractor, a 1099 should be prepared;
- Council should review payroll quarterly to ensure that payroll is accurate, withholdings are accurate and required employer filings are accurate and have been correctly filed.
- Council should review and approve all payroll checks/ledgers and non-payroll disbursement checks/ledgers.

The Fiscal Officer overpayment has been submitted to the Auditor of State.

Official’s Response:

We have hired a new Fiscal Officer as of January 2013. Council will review all payroll transactions.

**VILLAGE OF GLENFORD
PERRY COUNTY**

**SCHEDULE OF FINDINGS – (Continued)
DECEMBER 31, 2012**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS – (Continued)
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FINDING NUMBER 2012-004

Material Weakness

During our review of disbursements and payroll we noted that all checks were signed by only the Fiscal Officer. The Village undermined the internal controls by not requiring a second check signer, preferably a member of Council. Allowing the Fiscal Officer to have total control over the disbursement function resulted in the Village making unauthorized disbursements for payroll described in finding 2012-003.

We recommend that two signatures be required on all disbursements. All checks should be signed by the Fiscal Officer and by a designated member of Council. The entire voucher package should be submitted to the signing Council member so that he or she can review for completeness, accuracy and proper public purpose.

Official's Response:

A designated member of Council will review and initial each pay voucher and the Mayor is now counter signing each check.

FINDING NUMBER 2012-005

Material Weakness

During our budgetary process review, we noted that appropriations and estimated receipts were not properly posted to the ledger spreadsheets. Also, the Village did not have a control procedure in place to ensure that appropriations and estimated receipts, as authorized by Council and approved by the County Budget Commission, were reconciled to actual disbursements and receipts on a regular basis.

Accurate budgetary postings and comparisons to actual are necessary in order for Council to monitor budget versus actual financial activity. Monitoring budget versus actual monthly results allows Council to amend appropriations and to seek updated amended certificate of receipts. Monitoring of this data is imperative for Council to make more informed business decisions.

We recommend that the Fiscal Officer post budgetary information to the ledger spreadsheets on a regular basis and that Council be provided with an updated budget versus actual report of all receipts and disbursements by fund and include its acceptance in the Village's monthly minutes.

Official's Response:

We have hired a new Fiscal Officer as of January 2013 and the maintenance of an appropriation and receipts ledger is required.

**VILLAGE OF GLENFORD
PERRY COUNTY**

**SCHEDULE OF FINDINGS – (Continued)
DECEMBER 31, 2012**

<p>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS – (Continued)</p>

**FINDING NUMBER 2012-006
Material Weakness**

During our review of bank reconciliations we did not see evidence that anyone other than the Fiscal Officer had reviewed them.

The monthly bank reconciliations should be presented and reviewed by someone other than the person performing the reconciliation, such as a member of Village Council. The individual(s) should review the monthly reconciliations to provide assurance that the amounts reported are accurate and agree ending bank balances per the reconciliation to the bank statement. The individual(s) also should sign and date the reconciliations as evidence the review has been performed.

Official's Response:

A designated member of Council will review and initial each bank reconciliation.

VILLAGE OF GLENFORD
PERRY COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
December 31, 2012

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid:
2011-001	Ohio Revised Code Section 5705.41(B) states that no subdivision or taxing unit is to expend money unless it has been properly appropriated	No	Repeated as Finding # 2012-001
2011-001	Village Council lacked oversight of the payroll function	No	Repeated as Finding # 2012-003
2011-003	Village did not require two signatures on checks	No	Repeated as Finding # 2012-004
2011-004	Village did not utilize revenue and appropriation ledgers		Repeated as Finding # 2012-005
2011-005	Village Council did not review and approve monthly bank reconciliations	No	Repeated as Finding # 2012-006



Dave Yost • Auditor of State

VILLAGE OF GLENFORD

PERRY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 29, 2013**