

VILLAGE OF MOUNT GILEAD
MORROW COUNTY
REPORT ON FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012



Dave Yost • Auditor of State

Village Council
Village of Mount Gilead
72 West High Street
Mount Gilead, Oh 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, 2012 through December 31, 2013. 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.

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

January 28, 2015

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INDEPENDENT AUDITORS' REPORT

Village of Mount Gilead
Morrow County
72 West High Street
Mount Gilead, Oh 43338

Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Village of Mount Gilead, Morrow County, (the Village) as of and for the years ended December 31, 2013 and 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, 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.

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

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, 2013 and 2012, 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 Mount Gilead, Morrow County as of December 31, 2013 and 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 October 14, 2014, 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.



Certified Public Accountants

Marion, Ohio
October 14, 2014

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, 2013

	<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>
CASH RECEIPTS:					
Local taxes	\$ 82,110	\$ 96,046	\$ 0	\$ 0	\$ 178,156
Municipal income taxes	848,177	0	0	44,638	892,815
Intergovernmental	50,657	136,528	0	0	187,185
Charges for services	725	162,080	0	0	162,805
Fines, licenses, and permits	42,842	3,703	0	0	46,545
Earnings on investments	11,530	734	0	2,182	14,446
Miscellaneous	61,822	6,340	0	748	68,910
Total cash receipts	<u>1,097,863</u>	<u>405,431</u>	<u>0</u>	<u>47,568</u>	<u>1,550,862</u>
CASH DISBURSEMENTS:					
Current:					
Security of persons and property	525,825	499,148	0	0	1,024,973
Public health services	4,029	0	0	0	4,029
Basic Utility Service	12,727	15,567	0	0	28,294
Contractual services	54,207	76,204	0	0	130,411
Supplies	143,125	61,836	0	0	204,961
General government	61,997	0	0	0	61,997
Capital outlay	0	200	0	38,248	38,448
Total cash disbursements	<u>801,910</u>	<u>652,955</u>	<u>0</u>	<u>38,248</u>	<u>1,493,113</u>
Total receipts over (under) cash disbursements	295,953	(247,524)	0	9,320	57,749
Other financing receipts (disbursements):					
Transfers - in	0	265,000	0	22,700	287,700
Transfers - out	(277,700)	(10,000)	0	0	(287,700)
Total other financing receipts (disbursements)	<u>(277,700)</u>	<u>255,000</u>	<u>0</u>	<u>22,700</u>	<u>0</u>
Excess of cash receipts and other financing receipts over cash disbursements and other financing disbursements	<u>18,253</u>	<u>7,476</u>	<u>0</u>	<u>32,020</u>	<u>57,749</u>
Fund cash balances January 1, 2013	<u>2,231,759</u>	<u>343,140</u>	<u>368</u>	<u>298,430</u>	<u>2,873,697</u>
Fund cash balances, December 31, 2013					
Nonspendable	0	0	0	0	0
Restricted	0	350,616	368	330,450	681,434
Committed	0	0	0	0	0
Assigned	0	0	0	0	0
Unassigned (Deficit)	<u>2,250,012</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,250,012</u>
Fund cash balances, December 31, 2013	<u>\$ 2,250,012</u>	<u>\$ 350,616</u>	<u>\$ 368</u>	<u>\$ 330,450</u>	<u>\$ 2,931,446</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, 2013

	<u>Proprietary Fund</u>	<u>Agency Fund</u>	<u>Total (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Fiduciary</u>	
OPERATING CASH RECEIPTS:			
Charges for services	\$ 1,779,829	\$ 0	\$ 1,779,829
Earnings on investment	9,572	0	9,572
Miscellaneous	<u>125,968</u>	<u>0</u>	<u>125,968</u>
Total operating cash receipts	<u>1,915,369</u>	<u>0</u>	<u>1,915,369</u>
OPERATING CASH DISBURSEMENTS:			
Personal services	439,836	0	439,836
Employee fringe benefits	185,408	0	185,408
Contractual services	266,624	0	266,624
Supplies and materials	<u>238,480</u>	<u>0</u>	<u>238,480</u>
Total operating cash disbursements	<u>1,130,348</u>	<u>0</u>	<u>1,130,348</u>
Operating income	<u>785,021</u>	<u>0</u>	<u>785,021</u>
NON-OPERATING CASH RECEIPTS:			
Property and other local taxes	33,841	0	33,841
Fines collected	0	51,056	51,056
Sale of fixed assets	<u>40,000</u>	<u>0</u>	<u>40,000</u>
Total non-operating cash receipts	<u>73,841</u>	<u>51,056</u>	<u>124,897</u>
NON-OPERATING CASH DISBURSEMENTS:			
Capital outlay	280,559	0	280,559
Debt Service:-			
Redemption of principal	529,049	0	529,049
Interest and other fiscal charges	38,675	0	38,675
Fines distributed	<u>0</u>	<u>51,245</u>	<u>51,245</u>
Total non-operating cash disbursements	<u>848,283</u>	<u>51,245</u>	<u>899,528</u>
Income (loss) before transfers and advances	10,579	(189)	10,390
OTHER FINANCING SOURCES (USES):			
Transfers in	618,808	0	618,808
Transfers out	<u>(618,808)</u>	<u>0</u>	<u>(618,808)</u>
Net change in fund balances	10,579	(189)	10,390
Fund cash balances, January 1, 2013	<u>2,879,606</u>	<u>769</u>	<u>2,880,375</u>
Fund cash balances, December 31, 2013	<u>\$ 2,890,185</u>	<u>\$ 580</u>	<u>\$ 2,890,765</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, 2012

	<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>
CASH RECEIPTS:					
Local taxes	\$ 71,904	\$ 78,835	\$ 0	\$ 0	\$ 150,739
Municipal income taxes	859,889	0	0	45,278	905,167
Intergovernmental	100,857	145,221	0	0	246,078
Charges for services	0	154,765	0	0	154,765
Fines, licenses, and permits	53,524	2,471	0	0	55,995
Earnings on investments	8,433	1,641	0	3,500	13,574
Miscellaneous	261,180	11,089	0	8,833	281,102
Total cash receipts	1,355,787	394,022	0	57,611	1,807,420
CASH DISBURSEMENTS:					
Current:					
Security of persons and property	702,264	607,893	0	0	1,310,157
Public health services	3,131	0	0	0	3,131
Contractual Services	83,782	35,627	0	0	119,409
Supplies/Materials	0	113,634	0	0	113,634
General government	86,081	0	0	0	86,081
Capital outlay	263,947	0	0	131,625	395,572
Total cash disbursements	1,139,205	757,154	0	131,625	2,027,984
Total receipts over (under) cash disbursements	216,582	(363,132)	0	(74,014)	(220,564)
Other financing receipts (disbursements):					
Transfers - in	0	386,195	0	25,000	411,195
Transfers - out	(401,195)	(10,000)	0	0	(411,195)
Total other financing receipts (disbursements)	(401,195)	376,195	0	25,000	0
Excess of cash receipts and other financing receipts over (under) cash disbursements and other financing disbursements	(184,613)	13,063	0	(49,014)	(220,564)
Fund cash balances January 1, 2012	2,416,372	330,077	368	347,444	3,094,261
Fund cash balances, December 31, 2012					
Nonspendable	0	0	0	0	0
Restricted	0	334,214	368	298,430	633,012
Committed	0	0	0	0	0
Assigned	32,715	8,926	0	0	41,641
Unassigned (Deficit)	2,199,044	0	0	0	2,199,044
Fund cash balances, December 31, 2012	\$ 2,231,759	\$ 343,140	\$ 368	\$ 298,430	\$ 2,873,697

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, 2012

	<u>Proprietary Fund</u>	<u>Agency Fund</u>	<u>Total (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Fiduciary</u>	
OPERATING CASH RECEIPTS:			
Charges for services	\$ 1,756,483	\$ 0	\$ 1,756,483
Earnings on investment	12,341	0	12,341
Miscellaneous	90,440	0	90,440
Total operating cash receipts	<u>1,859,264</u>	<u>0</u>	<u>1,859,264</u>
OPERATING CASH DISBURSEMENTS:			
Personal services	439,836	0	439,836
Employee fringe benefits	96,612	0	96,612
Contractual services	83,540	0	83,540
Supplies and materials	402,667	0	402,667
Total operating cash disbursements	<u>1,022,655</u>	<u>0</u>	<u>1,022,655</u>
Operating income	<u>836,609</u>	<u>0</u>	<u>836,609</u>
NON-OPERATING CASH RECEIPTS:			
Property and other local taxes	31,293	0	31,293
Fines collected	0	65,023	65,023
Sale of notes	0	0	0
Total non-operating cash receipts	<u>31,293</u>	<u>65,023</u>	<u>96,316</u>
NON-OPERATING CASH DISBURSEMENTS:			
Capital outlay	353,038	0	353,038
Debt Service;-			
Redemption of principal	526,323	0	526,323
Interest and other fiscal charges	47,727	0	47,727
Fines distributed	0	66,395	66,395
Total non-operating cash disbursements	<u>927,088</u>	<u>66,395</u>	<u>993,483</u>
Income (loss) before transfers and advances	(59,186)	(1,372)	(60,558)
OTHER FINANCING SOURCES (USES):			
Transfers in	723,000	0	723,000
Transfers out	(723,000)	0	(723,000)
Net change in fund balances	(59,186)	(1,372)	(60,558)
Fund cash balances, January 1, 2012	<u>2,938,792</u>	<u>2,141</u>	<u>2,940,933</u>
Fund cash balances, December 31, 2012	<u><u>\$ 2,879,606</u></u>	<u><u>\$ 769</u></u>	<u><u>\$ 2,880,375</u></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, 2013 AND 2012

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, 2013 AND 2012

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, 2013 AND 2012

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, 2013 and 2012.

A summary of 2013 and 2012 budgetary activity appears in Note 3.

- 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 area as follows:

Nonspendable

The Village classifieds 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, 2013 AND 2012

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

Committed

Commissioners can commit amounts via formal action (resolution). The Village 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 Village Council or a Village official delegated that 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.

**VILLAGE OF MOUNT GILEAD
MORROW COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

NOTE 2 - 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:

	2013	2012	
Demand deposits	\$ 4,324,927	\$ 3,267,004	
Star Ohio Investments	1,496,884	2,486,668	
Cash on hand	400	400	
Total investments and deposits	\$ 5,822,211	\$ 5,754,072	

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, 2013 AND 2012

NOTE 3 - BUDGETARY ACTIVITY:-

Budgetary activity for the year ending December 31, 2013 was as follows:

2013 Budgeted VS. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 1,027,350	\$ 1,097,863	\$ 70,513
Special Revenue	709,275	670,431	(38,844)
Debt Service	0	0	0
Capital Project	62,000	70,268	8,268
Enterprise	2,792,681	2,608,018	(184,663)
Agency	<u>0</u>	<u>51,056</u>	<u>51,056</u>
Total	<u>\$ 4,591,306</u>	<u>\$ 4,497,636</u>	<u>\$ (93,670)</u>

2013 Budgeted VS. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 1,197,416	\$ 1,079,610	\$ 117,806
Special Revenue	739,169	662,955	76,214
Debt Service	0	0	0
Capital Projects	45,000	38,248	6,752
Enterprise	3,142,379	2,597,439	544,940
Agency	<u>0</u>	<u>51,245</u>	<u>(51,245)</u>
Total	<u>\$ 5,123,964</u>	<u>\$ 4,429,497</u>	<u>\$ 694,467</u>

VILLAGE OF MOUNT GILEAD
MORROW COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

NOTE 3 - BUDGETARY ACTIVITY:- (continued)

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

2012 Budgeted VS. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 1,243,050	\$ 1,355,787	\$ 112,737
Special Revenue	847,297	780,217	(67,080)
Debt Service	0	0	0
Capital Project	62,000	82,611	20,611
Enterprise	2,530,804	2,613,557	82,753
Agency	<u>0</u>	<u>65,023</u>	<u>65,023</u>
Total	\$ <u>4,683,151</u>	\$ <u>4,897,195</u>	\$ <u>214,044</u>

2012 Budgeted VS. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 1,678,657	\$ 1,540,400	\$ 138,257
Special Revenue	852,761	767,154	85,607
Debt Service	0	0	0
Capital Projects	151,740	131,625	20,115
Enterprise	3,144,151	2,672,743	471,408
Agency	<u>0</u>	<u>66,395</u>	<u>(66,395)</u>
Total	\$ <u>5,827,309</u>	\$ <u>5,178,317</u>	\$ <u>648,992</u>

**VILLAGE OF MOUNT GILEAD
MORROW COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

NOTE 4 - 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.

NOTE 5 - DEBT:-

Debt outstanding at December 31, 2013 was as follows:

	Rate	Principal Balance 2013
2006 Ohio Water Development Authority Loan	0.23%	\$ 4,916,428
2009 Ohio Water Development Authority Loan	1.00%	70,784
2009 Ohio Water Development Authority Loan	1.00%	71,068
2011 Mortgage Revenue Refunding Bonds	various	882,556
		\$ 5,940,836

The Ohio Water Development Authority (OWDA) loans relate to the construction of a waste water treatment plant. The loan requires repayments 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 requires repayments 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 requires repayments in semi-annual installments of \$2,209 through 2031, at a rate of 1.00%.

The 2011 Mortgage Revenue Bonds that relate to the construction of a water and sewer system. The loan requires repayments in annual installments of \$176,511 plus interest through 2017 at a rate of 2.6%.

VILLAGE OF MOUNT GILEAD
MORROW COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

NOTE 5 - DEBT:- (continued)

Transactions for the years ended December 31, 2013 and 2012 are summarized as follows:

2013 Description	Balance at 12/31/2012	Proceeds	Payments	Balance at 12/31/2013
2011 Mortgage Revenue Refunding Bonds	\$ 1,059,068	\$ 0	\$ 176,511	\$ 882,557
2006 OWDA Loan- Construction	5,261,583	0	345,156	4,916,427
2009 OWDA Loan- Construction	74,467	0	3,684	70,783
2009 OWDA Loan- Construction	<u>74,767</u>	<u>0</u>	<u>3,698</u>	<u>71,069</u>
Total	<u>\$ 6,469,885</u>	<u>\$ 0</u>	<u>\$ 529,049</u>	<u>\$ 5,940,836</u>

2012 Description	Balance at 12/31/2011	Proceeds	Payments	Balance at 12/31/2012
2011 Mortgage Revenue Refunding Bonds	\$ 1,235,579	\$ 0	\$ 176,511	\$ 1,059,068
2006 OWDA Loan- Construction	5,605,947	0	344,364	5,261,583
2009 OWDA Loan- Construction	77,029	0	2,562	74,467
2009 OWDA Loan- Construction	<u>77,653</u>	<u>0</u>	<u>2,886</u>	<u>74,767</u>
Total	<u>\$ 6,996,208</u>	<u>\$ 0</u>	<u>\$ 526,323</u>	<u>\$ 6,469,885</u>

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

Year ending December 31,	2006 OWDA Water Improvement Loan		2009 OWDA Water Improvement Loan		2009 OWDA Water Improvement Loan	
	Principal	Interest	Principal	Interest	Principal	Interest
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	348,344	8,715	3,834	586	3,849	588
2018	349,146	7,913	3,872	547	3,888	549
2019 - 2023	1,757,820	27,477	19,951	2,144	20,031	2,153
2024 - 2028	1,420,875	7,363	20,971	1,124	21,055	1,129
2029 - 2033	<u>0</u>	<u>0</u>	<u>10,880</u>	<u>164</u>	<u>10,926</u>	<u>165</u>
	<u>\$ 4,916,427</u>	<u>\$ 82,405</u>	<u>\$ 70,783</u>	<u>\$ 6,549</u>	<u>\$ 71,069</u>	<u>\$ 6,575</u>

**VILLAGE OF MOUNT GILEAD
MORROW COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

NOTE 5 - DEBT:- (continued)

Year ending December 31,	2011 Mortgage Revenue Bonds		Total	
	Principal	Interest	Principal	Interest
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	176,512	9,204	532,539	19,093
2018	176,512	4,590	533,418	13,599
2019 - 2023	0	0	1,797,802	31,774
2024 - 2028	0	0	1,462,901	9,616
2029 - 2033	0	0	21,806	329
	<u>\$ 882,557</u>	<u>\$ 68,865</u>	<u>\$ 5,940,836</u>	<u>\$ 164,394</u>

NOTE 6 - 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 2013 and 2012, participants contributed 10% of their salaries to OP&F. The Village contributed an amount equal to 19.5% of police participants' wages. For 2013 and 2012, OPERS members contributed 10% of their gross salaries. The Village contributed an amount equal to 14% of participants' gross salaries for 2013 and 2012. The Village has paid all contributions required through December 31, 2013.

NOTE 7 - 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 Ohio Plan Risk Management, Inc. (OPRM) - formerly known as 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 is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

**VILLAGE OF MOUNT GILEAD
MORROW COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

NOTE 7 - RISK MANAGEMENT:- (continued)

OPRM coverage programs 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 41.5% (effective November 1, 2011) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2012 (and through October 2014) the plan increased its retention to 50% of the first \$250,000 casualty treaty. The Plan's property retention remained unchanged from prior years. This change was made to balance the reinsurance market conditions. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 767 and 774 members as of December 31, 2012 and 2013 respectively.

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

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

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2013 and 2012.

	2013	2012	
Assets	\$ 13,774,304	\$ 13,100,381	
Liabilities	(7,968,395)	(6,687,193)	
Member's Equity	\$ 5,805,909	\$ 6,413,188	

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

VILLAGE OF MOUNT GILEAD
MORROW COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

NOTE 8 - INTERFUND TRANSACTIONS:-

The Village had the following interfund transactions for the year ended December 31, 2013 and December 31, 2012:

Fund Type / Fund	2013 <u>Transfer In</u>	2013 <u>Transfer Out</u>	2012 <u>Transfer In</u>	2012 <u>Transfer Out</u>
General Fund	\$ 0	\$ 277,700	\$ 0	\$ 401,195
Special Revenue Funds:				
Street Construction & Maintenance and Repair	160,000	10,000	240,000	10,000
Income Tax	50,000	0	69,420	0
Police & Fire Pension	<u>55,000</u>	<u>0</u>	<u>76,775</u>	<u>0</u>
Total Special Revenue Funds	<u>265,000</u>	<u>10,000</u>	<u>386,195</u>	<u>10,000</u>
Capital Improvement Funds:				
Police Equipment Reserve	12,700	0	15,000	0
Street Equipment Reserve	<u>10,000</u>	<u>0</u>	<u>10,000</u>	<u>0</u>
Total Capital Improvement Funds	<u>22,700</u>	<u>0</u>	<u>25,000</u>	<u>0</u>
Enterprise Funds				
Water	0	195,297	0	280,000
Sewer	0	423,511	0	428,000
Trash	0	0	0	15,000
Water Works Capital Improvement	195,297	0	280,000	0
Sewer Capital Improvement	423,511	0	428,000	0
Trash Reserve	0	0	15,000	0
Recreation	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Enterprise Funds	<u>618,808</u>	<u>618,808</u>	<u>723,000</u>	<u>723,000</u>
Total Transfers	\$ <u><u>906,508</u></u>	\$ <u><u>906,508</u></u>	\$ <u><u>1,134,195</u></u>	\$ <u><u>1,134,195</u></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 9 - SUBSEQUENT EVENTS:-

The Village evaluated subsequent events through October 14, 2014, 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 of Mount Gilead
Morrow County
72 West High Street
Mount Gilead, OH 43338

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 Mount Gilead, Morrow County, Ohio, (the Village) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, and have issued our report thereon dated October 14, 2014 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

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.

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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

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 is described in the accompanying schedule of findings as item 2013-001.

Village's Response 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.



Certified Public Accountants

Marion, Ohio
October 14, 2014

**VILLAGE OF MOUNT GILEAD
MORROW COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012**

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

Finding Number	2013-001
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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.

VILLAGE OF MOUNT GILEAD
MORROW COUNTY
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2011-001	ORC 5705.41 (D) - Prior certification of expenditures.	No	Repeated as finding 2013-001.
2011-002	ORC 5705.41 (C) - Expenditures exceed appropriations.	No	Significantly Different Corrective Action Taken. Repeated in Management Letter.
2011-003	Material Weakness- Recording of loan proceeds.	Yes	Fully Corrected.

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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
FEBRUARY 10, 2015**