

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

AUDIT REPORT

FOR THE YEARS ENDED DECEMBER 31, 2011 & 2010

Charles E. Harris and Associates, Inc.
Certified Public Accountants and Government Consultants



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, 2010 through December 31, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them. 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.

Summarized below are our findings (overpayment of compensation for the positions of Fiscal Officer and Water Clerk):

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>Thru 10/1/2012</u>	<u>total</u>
General fund	\$3,000	\$3,000	\$3,000	\$2,500	
Actual payments	3250	4,000	6695	3250	
Over payment	\$ (250)	\$ (1,000)	\$ (3,695)	\$ (750)	\$ (5,695)
Water fund	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,250	
Actual payments	1750	2000	2250	1625	
Overpayment	\$ (250)	\$ (500)	\$ (750)	\$ (375)	(1,875)
Total Overpayment					\$ (7,570)

As the Fiscal Officer and water clerk, 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 \$7,570. The amount is to be paid \$5,695 in favor of the Village's General Fund and \$1,875 in favor of the Village's Water Fund.

As of December 27, 2012, Pat Ayers repaid \$3,000 of the overpayment amount. \$2,250 was allocated to the General Fund and \$750 was allocated to the Water Fund. This leaves a remaining Finding for Recovery amount of \$4,570 in favor of the Village of Glenford, \$3,445 in favor of the General Fund and \$1,125 in favor of the Water Fund.

Additionally, under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is strictly liable for the amount of the expenditure. *Seward v. National Surety Corp.* (1929), 120 Ohio St. 47; 1980 Op. Att'y Gen. No. 80-074; Ohio Rev. Code Section 9.39; *State, ex. Rel. Village of Linndale v. Masten* (1985), 18 Ohio St.3d 228. Public officials controlling public funds or property are secondarily liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen. Public officials will be liable if and to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 Op. Att'y Gen. No. 80-074.

Therefore, because the Fiscal Officer and Mayor co-signed two warrants resulting in improper payments, the following are jointly and severally liable for the amount of \$750: Mayor Leonard Sheppard, and the Village's bonding company, the Ohio Farmers Insurance Company. This recovery is in favor of the Village of Glenford's General Fund in the amount of \$500 and Water Fund in the amount of \$250.

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.



Dave Yost
Auditor of State

April 30, 2013

**VILLAGE OF GLENFORD
PERRY COUNTY, OHIO
For the Years Ending December 31, 2011 and 2010**

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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 Village Council:

We have audited the accompanying financial statements of the Village of Glenford (Village), Perry County, Ohio as of and for the years ended December 31, 2011 and 2010. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

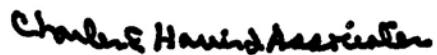
Instead of the combined finds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2011 and 2010, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2011 and 2010, or its changes in financial position or cash flows for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances as of December 31, 2011 and 2010 and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 8, during 2010 the Village adopted Government Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2012, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Charles E. Harris & Associates, Inc.
November 23, 2012

**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, 2011**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Receipts:			
Property Taxes	\$ 7,946	\$ 1,253	\$ 9,199
Intergovernmental	7,469	7,866	15,335
Fines, Licenses and Permits	500	460	960
Earnings on Investments	4	5	9
Miscellaneous	8	-	8
Total Receipts	<u>15,927</u>	<u>9,584</u>	<u>25,511</u>
Disbursements:			
General Government	17,489	169	17,658
Leisure Time Activities	-	1,341	1,341
Transportation	-	5,977	5,977
Basic Utility Services	2,471	2,168	4,639
Total Disbursements	<u>19,960</u>	<u>9,655</u>	<u>29,615</u>
Excess Receipts Over/(Under) Disbursements	(4,033)	(71)	(4,104)
Other Financing Sources			
Refund of Prior Year's Expense	1,200	-	1,200
Total Other Financing Sources	<u>1,200</u>	<u>-</u>	<u>1,200</u>
Excess of Cash Receipts and Other Financing Sources Over/(Under) Cash Disbursements	(2,833)	(71)	(2,904)
Fund Cash Balance, January 1, 2011	<u>3,438</u>	<u>59,036</u>	<u>62,474</u>
Fund Cash Balances			
Restricted	-	58,965	58,965
Unassigned	605	-	605
Fund Cash Balance, December 31, 2011	<u>\$ 605</u>	<u>\$ 58,965</u>	<u>\$ 59,570</u>

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, 2011

	Proprietary Fund Types Enterprise
Operating Cash Receipts:	
Charges for Services	\$ 95,508
Total Operating Cash Receipts	95,508
Operating Cash Disbursements:	
Personal Services	7,175
Contractual Services	7,599
Material and Supplies	53,588
Repair and Maintenance	2,022
Total Operating Cash Disbursements	70,384
Excess of Receipts Over/(Under) Disbursements	25,124
Non-Operating Receipts/Disbursements:	
Loan Proceeds	50,494
Capital Outlay	(51,944)
Redemption of Principal	(7,940)
Interest and Other Fiscal Charges	(1,912)
Total Nonoperating Receipts/(Disbursements)	(11,302)
Excess of Receipts and Nonoperating Receipts Over (Under) Disbursements and Nonoperating Disbursements	13,822
Fund Cash Balance, January 1, 2011	30,307
Fund Cash Balance, December 31, 2011	\$ 44,129

See Accompanying Notes to the Financial Statements.

**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, 2010**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Receipts:			
Property Taxes	\$ 8,257	\$ 1,653	\$ 9,910
Intergovernmental	6,962	7,787	14,749
Fines, Licenses and Permits	-	1,162	1,162
Earnings on Investments	3	3	6
Miscellaneous	176	-	176
	<hr/>	<hr/>	<hr/>
Total Receipts	15,398	10,605	26,003
Disbursements:			
General Government	14,672	470	15,142
Leisure Time Activities	-	1,644	1,644
Transportation	422	1,306	1,728
Basic Utility Services	3,547	1,149	4,696
Capital Outlay	140	8,719	8,859
	<hr/>	<hr/>	<hr/>
Total Disbursements	18,781	13,288	32,069
Total Cash Receipts Over/(Under) Cash Disbursements	(3,383)	(2,683)	(6,066)
Fund Cash Balance, January 1, 2010	<hr/>	<hr/>	<hr/>
	6,821	61,719	68,540
Fund Cash Balances			
Restricted	-	59,036	59,036
Unassigned	3,438	-	3,438
	<hr/>	<hr/>	<hr/>
Fund Cash Balance, December 31, 2010	<u>\$ 3,438</u>	<u>\$ 59,036</u>	<u>\$ 62,474</u>

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, 2010

	Proprietary Fund Types
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$ 94,486
Total Operating Cash Receipts	94,486
Operating Cash Disbursements:	
Personal Services	6,862
Contractual Services	7,264
Material and Supplies	53,569
Other	130
Total Operating Cash Disbursements	67,825
Excess of Receipts Over/(Under) Disbursements	26,661
Non-Operating Receipts/Disbursements:	
Loan Proceeds	82,696
Capital Outlay	(91,616)
Redemption of Principal	(9,707)
Interest and Other Fiscal Charges	(2,146)
Total Non-Operating Receipts/Disbursements	(20,773)
Excess of Receipts and Nonoperating Receipts Over (Under) Disbursements and Nonoperating Disbursements	5,888
Fund Cash Balance, January 1, 2010	24,419
Fund Cash Balance, December 31, 2010	\$ 30,307

See Accompanying Notes to the Financial Statements.

VILLAGE OF GLENFORD
PERRY COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010

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 Years Ended December 31, 2011 and 2010

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 Years Ended December 31, 2011 and 2010**

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, 2010 and 2011. 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 Years Ended December 31, 2011 and 2010

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 Years Ended December 31, 2011 and 2010**

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>2011</u>	<u>2010</u>
Demand Deposits	\$103,699	\$92,781

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 Years Ended December 31, 2011 and 2010**

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 years ending December 31, 2011 and 2010 follows:

<u>Fund:</u>	<u>2011 Budgeted vs Actual Receipts</u>		<u>Variance</u>
	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	
General Fund	\$ 14,514	\$ 17,127	\$ 2,613
Special Revenue Funds	16,590	9,584	(7,006)
Enterprise	138,494	146,002	7,508

<u>Fund:</u>	<u>2011 Budgeted vs Actual Budgetary Basis Disbursements</u>		<u>Variance</u>
	<u>Appropriation Authority</u>	<u>Budgetary Disbursements</u>	
General Fund	\$ 16,577	\$ 19,960	\$ (3,383)
Special Revenue Funds	17,880	9,655	8,225
Enterprise	138,494	132,180	6,314

**VILLAGE OF GLENFORD
PERRY COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010**

4. BUDGETARY ACTIVITY-(Continued)

<u>Fund:</u>	<u>2010 Budgeted vs Actual Receipts</u>		<u>Variance</u>
	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	
General Fund	\$ 14,550	\$ 15,398	\$ 848
Special Revenue Funds	12,389	10,605	(1,784)
Enterprise	157,696	177,182	19,486

<u>Fund:</u>	<u>2010 Budgeted vs Actual Budgetary Basis Disbursements</u>		<u>Variance</u>
	<u>Appropriation Authority</u>	<u>Budgetary Disbursements</u>	
General Fund	\$ 17,081	\$ 18,781	\$ (1,700)
Special Revenue Funds	17,913	13,288	4,625
Enterprise	158,557	171,294	(12,737)

The Village was in violation of ORC Section 5705.41(B) states that no subdivision or taxing unit is to expend money unless it has been properly appropriated.

5. RETIREMENT SYSTEMS

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 2011 and 2010, 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, 2011.

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.

**VILLAGE OF GLENFORD
PERRY COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010**

6. RISK MANAGEMENT-(Continued)

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 December 31, 2010, retention levels are \$150,000 for property and casualty coverage.

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

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, 2010 and 2009 (latest information available):

	<u>2010</u>	<u>2009</u>
Assets	\$1,950,167	\$2,109,514
Liabilities	<u>(1,656,732)</u>	<u>(1,920,839)</u>
Retained earnings	<u>\$ 293,435</u>	<u>\$188,675</u>

7. DEBT

Debt outstanding at December 31, 2011 is as follows:

<u>Description:</u>	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority (5115)	\$205,535	0.00%
Ohio Public Works Commission Loans (CT867)	57,797	4.56%
Total	<u>\$263,332</u>	

The Village has arranged for a loan in the amount of \$239,000 from OWDA (5115). This loan is not yet finalized and the principal outstanding at December 31, 2011 was \$205,535. This loan is being used for the design of a new waste water system. The OWDA will adjust scheduled payment 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 Years Ended December 31, 2011 and 2010**

7. DEBT – (Continued)

Principal and interest requirements for debt outstanding at December 31, 2011 are as follows:

<u>Year Ended</u>	<u>OPWC loan CT867</u>
2012	\$9,853
2013	9,853
2014	9,853
2015	9,853
2016	9,853
2017-2021	16,751
Total	<u>\$66,016</u>

8. CHANGE IN ACCOUNTING PRINCIPLE

For 2010, the Village implemented Governmental Accounting Standards Board (GASB) Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions.” GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of GASB Statement No. 54 had no effect on the fund balances as previously reported.

9. CONTINGENT LIABILITES/SUBSEQUENT EVENTS

Management believes there are no pending claims or lawsuits.

**VILLAGE OF GLENFORD
PERRY COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010**

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	\$ 18,800	\$ -0-
Water Fund	<u>-0-</u>	<u>18,800</u>
Total Interfund Receivables/Payables	<u>\$ 18,800</u>	<u>\$ 18,800</u>

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Cleveland OH 44113-1306
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Fax - (216) 436-2411

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

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 Village Council:

We have audited the financial statements of the Village of Glenford, Perry County, Ohio (the Village) as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated November 23, 2012, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America and implemented GASB Statement No. 54. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control over financial reporting, that we consider to be 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 deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2011-002 through 2011-005 described in 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, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2011-001.

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.

We also noted certain internal control matters that we reported to the Village's management in a separate letter dated November 23, 2012.

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

A handwritten signature in black ink that reads "Charles Harris Associates". The signature is written in a cursive, slightly slanted style.

Charles E. Harris and Associates, Inc.

November 23, 2012

**VILLAGE OF GLENFORD
PERRY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2010 & 2011**

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

**FINDING NUMBER 2011-001
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, 2011:

Fund	Approved Appropriations	Budgetary Expenditures	Variance
General Fund	\$ 16,577	\$ 119,960	\$ (3,383)
Special Revenue:			
Park Fund	1,400	2212	(812)

We noted the following funds had expenditures plus encumbrances that exceeded appropriations at December 31, 2010:

Fund	Approved Appropriations	Budgetary Expenditures	Variance
General Fund	\$ 17,081	\$ 18,781	\$ (1,700)
Special Revenue:			
Park Fund	1,000	1,400	(400)
Enterprise:			
Water Fund	75,861	88,598	(12,737)

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.

**VILLAGE OF GLENFORD
PERRY COUNTY**

**SCHEDULE OF FINDINGS – (Continued)
DECEMBER 31, 2010 & 2011**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS – (Continued)
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**FINDING NUMBER 2011-002
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 \$5,695 from the General Fund and \$1,875 from the Water Fund. As of January 3, 2013 the Fiscal Officer repaid \$3,000, resulting in a balance due to the General Fund of \$3,445 and due to the Water Fund of \$1,125. 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:

Council will review and approve each payroll as well as all required filings.

**FINDING NUMBER 2011-003
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 2011-002.

**VILLAGE OF GLENFORD
PERRY COUNTY**

**SCHEDULE OF FINDINGS – (Continued)
DECEMBER 31, 2010 & 2011**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS – (Continued)
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**FINDING NUMBER 2011-003 (Continued)
Material Weakness**

We recommend that two signatures be required on all disbursements. All checks should be signed by the Fiscal Officer and 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.

**FINDING NUMBER 2011-004
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:

Council and the Fiscal Officer will implement this recommendation.

FINDING NUMBER 2011-005

Material Weakness - Bank Reconciliations

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

**VILLAGE OF GLENFORD
PERRY COUNTY**

**SCHEDULE OF FINDINGS – (Continued)
DECEMBER 31, 2010 & 2011**

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

**FINDING NUMBER 2011-005 (Continued)
Material Weakness**

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, 2011 and 2010

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid:
2009-01	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 # 2011-001.

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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
MAY 14, 2013