



**VILLAGE OF MOUNT GILEAD
MORROW COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 1999 - 1998



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

VILLAGE OF MOUNT GILEAD
MORROW COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Mount Gilead, Morrow County, Ohio, (the Village) as of and for the years ended December 31, 1999 and December 31, 1998. 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 generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village as of December 31, 1999 and December 31, 1998, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 11, 2000, on our consideration of the Villages internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

This report is intended solely for the information and use of the audit committee, management, the Board and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro".

JIM PETRO
Auditor of State

July 11, 2000

**VILLAGE OF MOUNT GILEAD
MORROW COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>Governmental Fund Types</u>				<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
Cash Receipts:						
Local Taxes	\$776,899	\$11,902	\$0	\$37,548	\$0	\$826,349
Intergovernmental Receipts	163,523	102,898	0	301,311	0	567,732
Charges for Services	24,929	29,087	0	0	0	54,016
Fines, Licenses, and Permits	38,200	3,319	0	0	0	41,519
Miscellaneous	87,976	23	2,607	1,992	469	93,067
Total Cash Receipts	1,091,527	147,229	2,607	340,851	469	1,582,683
Cash Disbursements:						
Current:						
Security of Persons and Property	369,103	44,705	0	0	0	413,808
Public Health Services	3,301	0	0	0	0	3,301
Basic Utility Services	6,299	2,672	0	0	0	8,971
Transportation	5,761	320,129	0	0	0	325,890
General Government	353,415	0	0	0	37,172	390,587
Debt Service:						
Principal Payments	0	0	550,000	0	0	550,000
Interest Payments	0	0	20,019	0	0	20,019
Capital Outlay	145,611	86,945	0	372,600	0	605,156
Total Disbursements	883,490	454,451	570,019	372,600	37,172	2,317,732
Total Receipts Over/(Under) Disbursements	208,037	(307,222)	(567,412)	(31,749)	(36,703)	(735,049)
Other Financing Receipts/(Disbursements):						
Sale of Notes	0	0	450,000	0	0	450,000
Transfers-In	0	397,540	120,019	207,455	9,500	734,514
Transfers-Out	(537,040)	(50,000)	0	0	0	(587,040)
Total Other Financing Receipts/(Disbursements)	(537,040)	347,540	570,019	207,455	9,500	597,474
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(329,003)	40,318	2,607	175,706	(27,203)	(137,575)
Fund Cash Balances January 1	792,466	230,487	800	82,004	37,406	1,143,163
Fund Cash Balances, December 31	\$463,463	\$270,805	\$3,407	\$257,710	\$10,203	\$1,005,588
Reserves for Encumbrances, December 31	\$60,439	\$31,081	\$0	\$0	\$167	\$91,687

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
PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$988,879	\$0	\$988,879
Miscellaneous	19,386	0	19,386
	<hr/>	<hr/>	<hr/>
Total Operating Cash Receipts	1,008,265	0	1,008,265
Operating Cash Disbursements:			
Personal Services	210,652	0	210,652
Supplies and Materials	293,919	0	293,919
Capital Outlay	71,416	0	71,416
	<hr/>	<hr/>	<hr/>
Total Operating Cash Disbursements	575,987	0	575,987
Operating Income/(Loss)	<hr/>	<hr/>	<hr/>
	432,278	0	432,278
Non-Operating Cash Receipts:			
Intergovernmental Receipts	21,516	0	21,516
Proceeds from Refunding Bonds	3,800,010	0	3,800,010
Other Non-Operating Receipts	45,151	49,315	94,466
	<hr/>	<hr/>	<hr/>
Total Non-Operating Cash Receipts	3,866,677	49,315	3,915,992
Non-Operating Cash Disbursements:			
Payment to Refunding Agent	4,068,539	0	4,068,539
Other Non-Operating Cash Disbursements	0	46,742	46,742
	<hr/>	<hr/>	<hr/>
Total Non-Operating Cash Disbursements	4,068,539	46,742	4,115,281
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	230,416	2,573	232,989
Transfers-In	30,000	0	30,000
Transfers-Out	(177,474)	0	(177,474)
	<hr/>	<hr/>	<hr/>
Net Receipts Over/(Under) Disbursements	82,942	2,573	85,515
Fund Cash Balances, January 1	<hr/>	<hr/>	<hr/>
	1,055,168	3,658	1,058,826
Fund Cash Balances, December 31	<hr/> \$1,138,110 <hr/>	<hr/> \$6,231 <hr/>	<hr/> \$1,144,341 <hr/>

**VILLAGE OF MOUNT GILEAD
MORROW COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1998**

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Cash Receipts:						
Local Taxes	\$797,626	\$11,390	\$0	\$38,780	\$0	\$847,796
Intergovernmental Receipts	148,777	114,320	0	209,238	0	472,335
Charges for Services	26,994	25,344	0	0	0	52,338
Fines, Licenses, and Permits	37,478	4,261	0	0	0	41,739
Miscellaneous	133,838	1,793	410	1,936	0	137,977
Total Cash Receipts	1,144,713	157,108	410	249,954	0	1,552,185
Cash Disbursements:						
Current:						
Security of Persons and Property	374,230	38,678	0	0	0	412,908
Public Health Services	3,245	0	0	0	0	3,245
Community Environment	0	3,169	0	0	0	3,169
Basic Utility Services	3,277	50	0	0	0	3,327
Transportation	9,000	306,465	0	0	0	315,465
General Government	286,341	0	0	0	39,236	325,577
Debt Service:						
Principal Payments	0	0	650,000	0	0	650,000
Interest Payments	0	0	25,928	0	0	25,928
Capital Outlay	0	73,154	0	220,573	0	293,727
Total Disbursements	676,093	421,516	675,928	220,573	39,236	2,033,346
Total Receipts Over/(Under) Disbursements	468,620	(264,408)	(675,518)	29,381	(39,236)	(481,161)
Other Financing Receipts/(Disbursements):						
Sale of Bonds or Notes	0	0	550,000	0	0	550,000
Transfers-In	0	327,774	125,928	28,405	40,000	522,107
Transfers-Out	(385,144)	(21,035)	0	0	0	(406,179)
Total Other Financing Receipts/(Disbursements)	(385,144)	306,739	675,928	28,405	40,000	665,928
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	83,476	42,331	410	57,786	764	184,767
Fund Cash Balances January 1	708,990	188,156	390	24,218	36,642	958,396
Fund Cash Balances, December 31	\$792,466	\$230,487	\$800	\$82,004	\$37,406	\$1,143,163
Reserves for Encumbrances, December 31	\$33,742	\$75,526	\$0	\$0	\$14,631	\$123,899

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
PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1998**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$957,286	\$0	\$957,286
Miscellaneous	13,077	0	13,077
Total Operating Cash Receipts	970,363	0	970,363
Operating Cash Disbursements:			
Personal Services	204,953	0	204,953
Contractual Services	2,112	0	2,112
Supplies and Materials	215,181	0	215,181
Total Operating Cash Disbursements	422,246	0	422,246
Operating Income/(Loss)	548,117	0	548,117
Non-Operating Cash Receipts:			
Property Tax and Other Local Taxes	229	0	229
Other Non-Operating Receipts	50,893	46,461	97,354
Total Non-Operating Cash Receipts	51,122	46,461	97,583
Non-Operating Cash Disbursements:			
Debt Service	336,984	0	336,984
Other Non-Operating Cash Disbursements	0	45,960	45,960
Total Non-Operating Cash Disbursements	336,984	45,960	382,944
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	262,255	501	262,756
Transfers-In	59,000	0	59,000
Transfers-Out	(174,928)	0	(174,928)
Net Receipts Over/(Under) Disbursements	146,327	501	146,828
Fund Cash Balances, January 1	908,841	3,157	911,998
Fund Cash Balances, December 31	\$1,055,168	\$3,658	\$1,058,826
Reserve for Encumbrances, December 31	\$53,423	\$0	\$53,423

**VILLAGE OF MOUNT GILEAD
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998**

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 is directed by a publicly-elected six-member Council. The Village provides general governmental services including water and sewer utilities, park operations (leisure time activities), and police services.

The Village's management believes these financial statements present all activities for which the Village is financially accountable, except debt service funds maintained by outside custodians which are not included in these financial statements. Assets held by custodians are described in Note 8 to the financial statements.

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 investment in STAR Ohio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer.

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

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

**VILLAGE OF MOUNT GILEAD
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. 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 Fund:

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

3. 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:

Bond Retirement Fund - This fund receives proceeds of debt to pay for the acquisition and construction of water treatment and distribution facilities with related equipment and site improvements.

4. 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 or trust funds). The Village had the following significant capital project funds:

Sewer Capital Improvement Fund - This fund is used to pay for general capital improvements to the Village.

Issue II Fund - This fund receives grant monies from the Ohio Public Works Commission to pay for general capital improvements to the Village.

5. Enterprise Funds

These funds 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.

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

**VILLAGE OF MOUNT GILEAD
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

6. Fiduciary Funds (Trust and Agency Funds)

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the fund is classified as a non-expendable trust fund. Other trust funds are classified as expendable. Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant fiduciary fund:

Local Income Tax Fund - This fund is used to account for the Village's income tax withholdings.

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over and need not be re-appropriated.

A summary of 1999 and 1998 budgetary activity appears in Note 3.

F. 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.

**VILLAGE OF MOUNT GILEAD
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the Village.

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:

	<u>1999</u>	<u>1998</u>
Demand deposits	\$ 819,243	\$ 935,672
Total deposits	<u>819,243</u>	<u>935,672</u>
STAR Ohio	<u>1,330,686</u>	<u>1,266,317</u>
Total investments	<u>1,330,686</u>	<u>1,266,317</u>
Total deposits and investments	<u><u>\$ 2,149,929</u></u>	<u><u>\$ 2,201,989</u></u>

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

Investments: Investments in STAR Ohio and mutual funds are not evidenced by securities that exist in physical or book-entry form.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 1999 and December 31, 1998 follows:

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 973,000	\$ 1,091,527	\$ 118,527
Special Revenue	506,640	544,769	38,129
Debt Service	677,500	572,626	(104,874)
Capital Projects	132,600	548,306	415,706
Enterprise	1,164,950	4,904,942	3,739,992
Fiduciary	39,500	9,969	(29,531)
Total	<u><u>\$ 3,494,190</u></u>	<u><u>\$ 7,672,139</u></u>	<u><u>\$ 4,177,949</u></u>

**VILLAGE OF MOUNT GILEAD
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

1999 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 1,723,779	\$ 1,480,969	\$ 242,810
Special Revenue	619,892	535,532	84,360
Debt Service	677,500	570,019	107,481
Capital Projects	296,583	372,600	(76,017)
Enterprise	5,106,693	4,874,860	231,833
Fiduciary	93,762	37,339	56,423
Total	<u>\$ 8,518,209</u>	<u>\$ 7,871,319</u>	<u>\$ 646,890</u>

1998 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 911,220	\$ 1,144,713	\$ 233,493
Special Revenue	531,953	484,882	(47,071)
Debt Service	815,000	676,338	(138,662)
Capital Projects	18,503	278,359	259,856
Enterprise	1,079,000	1,080,485	1,485
Fiduciary	55,318	40,000	(15,318)
Total	<u>\$ 3,410,994</u>	<u>\$ 3,704,777</u>	<u>\$ 293,783</u>

1998 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 1,478,729	\$ 1,094,979	\$ 383,750
Special Revenue	575,719	518,077	57,642
Debt Service	815,000	675,928	139,072
Capital Projects	218,177	220,573	(2,396)
Enterprise	1,230,526	987,581	242,945
Fiduciary	66,843	53,867	12,976
Total	<u>\$ 4,384,994</u>	<u>\$ 3,551,005</u>	<u>\$ 833,989</u>

**VILLAGE OF MOUNT GILEAD
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

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 Board 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 payment, the first half is due December 31. The second half payment is due the following June 20.

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

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

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

5. DEBT

Debt outstanding at December 31, 1999 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Mortgage Revenue Refunding Bonds	\$3,856,667	3.60%
Water Distribution Notes	<u>450,000</u>	4.40%
Total	<u><u>\$ 4,306,667</u></u>	

On January 19, 1999, the Village issued mortgage refunding bonds in the amount of \$3,915,000. The proceeds from these bonds were used to retire the Village's mortgage revenue bonds issued in 1992 to pay for construction of a water and sewer plant. The bonds will be repaid in annual installments over a period of 19 years. These bonds are secured by the Village's utility billings.

The Water Distribution Notes were issued in 1999 in anticipation of the issuance of bonds to pay for acquisition and construction of water treatment and distribution facilities with related equipment and site improvements. These notes are secured by the Village's property and income taxes.

**VILLAGE OF MOUNT GILEAD
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

5. DEBT (Continued)

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

Year ending December 31:	Mortgage Revenue Bonds	Water Distribution Notes
2000	\$ 324,828	\$ 469,800
2001	324,578	0
2002	323,923	0
2003	327,923	0
2004	331,283	0
Subsequent	4,303,333	0
Total	\$ 5,935,868	\$ 469,800

6. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Police and Firemen's Disability and Pension Funds (PFDPF). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. PFDPF and PERS 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 1999 and 1998, members of PFDPF contributed 10% of their wages to the PFDPF. The Village contributed an amount equal to 19.5% of their wages. PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 1999.

7. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles
- Electronic Data Processing
- Errors and omissions

8. DEBT SERVICE TRUSTEED ACCOUNT

The Water Plant Expansion Refunding trust agreement required the Village to establish a debt service account to be maintained by a custodian bank. The Village has established this account. At December 31, 1999, the custodian held \$4,121,691 in Village assets. These assets and the related receipts and disbursements are not reflected in the accompanying financial statements.

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS

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

To the Village Council:

We have audited the financial statements of the Village of Mount Gilead, Morrow County, Ohio (the Village), as of and for the years ended December 31, 1999 and December 31, 1998, and have issued our report thereon dated July 11, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated July 11, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated July 11, 2000.

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This report is intended for the information and use of the audit committee, management, and the Village Council, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a long horizontal stroke extending to the right.

JIM PETRO
Auditor of State

July 11, 2000



STATE OF OHIO
OFFICE OF THE AUDITOR

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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
AUGUST 22, 2000**