



***VILLAGE OF MOWRYSTOWN
HIGHLAND COUNTY***

Regular Audit

**For the Years Ended
December 31, 2011 and 2010**

J.L. UHRIG
AND ASSOCIATES INC.

CERTIFIED PUBLIC ACCOUNTANT AND MANAGEMENT CONSULTANTS





Dave Yost • Auditor of State

Village Council
Village of Mowrystown
50 Maple Street
Mowrystown, Ohio 45155

We have reviewed the Independent Auditor's Report of the Village of Mowrystown, Highland County, prepared by J. L. Uhrig and 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.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the Independent Auditor's Report on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The Independent Auditor's Report also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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 Mowrystown is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

December 18, 2012

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VILLAGE OF MOWRYSTOWN, HIGHLAND COUNTY

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Independent Auditor's Report

Village of Mowrystown
Highland County
50 Maple Street
Mowrystown, OH 45155

We have audited the accompanying financial statements of the Village of Mowrystown (the Village), Highland County 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 *Government Auditing Standards*, issued by the Comptroller General of the United States of America. 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 described more fully in Note 2, the Village 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.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2011 and 2010. Instead of the combined funds the accompanying financial statements presents for 2011 and 2010, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2011 and 2010. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statement does not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since this Village does not use GAAP to measure financial statement amounts, 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 for the years then ended.

Members of Council
Village of Mowrystown, Highland County
Independent Auditor's Report

As described in Note 3, the Village has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 16, 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 and grants. While we do 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 the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report when considering the results of our audit.

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 the reserves for encumbrances as of December 31, 2010 of the Village of Mowrystown, Highland County, and its combined cash receipts and disbursements for the years ended on the accounting basis Note 2 describes.

J. L. Uhrig and Associates, Inc.

J. L. UHRIG AND ASSOCIATES, INC.

August 16, 2012

VILLAGE OF MOWRYSTOWN, HIGHLAND COUNTY
Combined Statement of Cash Receipts, Cash Disbursements, and
Changes in Fund Cash Balances
All Governmental Fund Types
For the Year Ended December 31, 2011

	<u>Governmental Fund Types</u>		
	<u>General</u>	<u>Special Revenue</u>	<u>Totals</u>
<u>Cash Receipts:</u>			
Property and Local Taxes	\$13,890	\$26,334	\$40,224
Intergovernmental	35,562	18,723	54,285
Fines, Licenses, and Permits	5,168	340	5,508
Earnings on Investments	13	9	22
Miscellaneous	7,468	0	7,468
Total Cash Receipts	<u>62,101</u>	<u>45,406</u>	<u>107,507</u>
<u>Cash Disbursements:</u>			
<i>Current:</i>			
General Government	36,537	18	36,555
Security of Persons and Property	0	28,864	28,864
Leisure Time Activities	420	0	420
Transportation	0	28,101	28,101
Capital Outlay	16,404	0	16,404
Total Cash Disbursements	<u>53,361</u>	<u>56,983</u>	<u>110,344</u>
Cash Receipts Over/(Under) Cash Disbursements	8,740	(11,577)	(2,837)
Fund Cash Balances, January 1	<u>6,473</u>	<u>115,802</u>	<u>122,275</u>
Restricted	0	103,112	103,112
Committed	0	1,113	1,113
Unassigned	15,213	0	15,213
<i>Fund Cash Balances, December 31</i>	<u><u>\$15,213</u></u>	<u><u>\$104,225</u></u>	<u><u>\$119,438</u></u>

See accompanying notes to the financial statements.

VILLAGE OF MOWRYSTOWN, HIGHLAND COUNTY
Combined Statement of Cash Receipts, Cash Disbursements, and
Changes in Fund Cash Balances
All Proprietary Fund Types and Similar Fiduciary Funds
For the Year Ended December 31, 2011

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	
	<u>Enterprise</u>	<u>Agency</u>	<u>Totals</u>
<u>Operating Cash Receipts:</u>			
Charges for Services	\$147,339	\$0	\$147,339
Total Operating Cash Receipts	147,339	0	147,339
<u>Operating Cash Disbursements:</u>			
Personal Services	8,500	0	8,500
Employee Fringe Benefits	1,300	0	1,300
Contractual Services	89,211	0	89,211
Supplies and Materials	7,837	0	7,837
Other	7,150	0	7,150
Total Operating Cash Disbursements	113,998	0	113,998
Operating Income (Loss)	33,341	0	33,341
<u>Non-Operating Cash Receipts:</u>			
Other Non-Operating Cash Receipts	0	8,478	8,478
Total Non-Operating Cash Receipts	0	8,478	8,478
<u>Non-Operating Cash Disbursements:</u>			
Redemption of Principal	(28,771)	0	(28,771)
Interest and Other Fiscal Charges	(27,291)	0	(27,291)
Other Non-Operating Cash Disbursements	0	(8,092)	(8,092)
Total Non-Operating Cash Disbursements	(56,062)	(8,092)	(64,154)
Net Receipts Over/Under Disbursements	(22,721)	386	(22,335)
Fund Cash Balances, January 1	176,020	92	176,112
<i>Fund Cash Balances, December 31</i>	<u><u>\$153,299</u></u>	<u><u>\$478</u></u>	<u><u>\$153,777</u></u>

See accompanying notes to the financial statements.

VILLAGE OF MOWRYSTOWN, HIGHLAND COUNTY
Combined Statement of Cash Receipts, Cash Disbursements, and
Changes in Fund Cash Balances
All Governmental Fund Types
For the Year Ended December 31, 2010

	<u>Governmental Fund Types</u>		
	<u>General</u>	<u>Special Revenue</u>	<u>Totals</u>
<u>Cash Receipts:</u>			
Property and Local Taxes	\$15,912	\$24,968	\$40,880
Intergovernmental	33,139	58,039	91,178
Fines, Licenses, and Permits	3,830	160	3,990
Earnings on Investments	162	0	162
Miscellaneous	6,746	1,043	7,789
Total Cash Receipts	59,789	84,210	143,999
<u>Cash Disbursements:</u>			
<i>Current:</i>			
General Government	31,320	2,510	33,830
Security of Persons and Property	0	31,058	31,058
Leisure Time Activities	4,500	0	4,500
Transportation	0	44,982	44,982
Capital Outlay	19,763	0	19,763
Total Cash Disbursements	55,583	78,550	134,133
Cash Receipts Over/(Under) Cash Disbursements	4,206	5,660	9,866
Fund Cash Balances, January 1	2,267	110,142	112,409
Fund Cash Balances, December 31	\$6,473	\$115,802	\$122,275

See accompanying notes to the financial statements.

VILLAGE OF MOWRYSTOWN, HIGHLAND COUNTY
Combined Statement of Cash Receipts, Cash Disbursements, and
Changes in Fund Cash Balances
All Proprietary Fund Types and Similar Fiduciary Funds
For the Year Ended December 31, 2010

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	
	<u>Enterprise</u>	<u>Agency</u>	<u>Totals</u>
<u>Operating Cash Receipts:</u>			
Charges for Services	\$138,545	\$0	\$138,545
Total Operating Cash Receipts	<u>138,545</u>	<u>0</u>	<u>138,545</u>
<u>Operating Cash Disbursements:</u>			
Personal Services	15,155	0	15,155
Employee Fringe Benefits	3,071	0	3,071
Contractual Services	85,188	0	85,188
Supplies and Materials	10,524	0	10,524
Other	12,000	0	12,000
Total Operating Cash Disbursements	<u>125,938</u>	<u>0</u>	<u>125,938</u>
Operating Income/(Loss)	12,607	0	12,607
<u>Non-Operating Cash Receipts:</u>			
Intergovernmental	39,235	0	39,235
Other Non-Operating Cash Receipts	12,000	6,066	18,066
Total Non-Operating Cash Receipts	<u>51,235</u>	<u>6,066</u>	<u>57,301</u>
<u>Non-Operating Cash Disbursements:</u>			
Redemption of Principal	(23,794)	0	(23,794)
Interest and Other Fiscal Charges	(32,249)	0	(32,249)
Capital Outlay	(39,235)		(39,235)
Other Non-Operating Cash Disbursements	0	(6,092)	(6,092)
Total Non-Operating Cash Disbursements	<u>(95,278)</u>	<u>(6,092)</u>	<u>(101,370)</u>
Net Receipts Over/(Under) Disbursements	(31,436)	(26)	(31,462)
Fund Cash Balances, January 1	<u>207,456</u>	<u>118</u>	<u>207,574</u>
Fund Cash Balances, December 31	<u><u>\$176,020</u></u>	<u><u>\$92</u></u>	<u><u>\$176,112</u></u>

See accompanying notes to the financial statements.

VILLAGE OF MOWRYSTOWN, HIGHLAND COUNTY
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010

Note 1 – Reporting Entity

The Village of Mowrystown, Highland County, Ohio (the Village), is a body politic and corporate 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 and a publicly elected Mayor.

The Village provides general government services, police services and park maintenance.

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

Note 2 – Summary of Significant Accounting Policies

Basis of Accounting

The Village's 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. This method differs from generally accepted accounting principles because receipts are recognized when received in cash rather than when earned, and disbursements are recognized when a payment is made 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.

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 contracted to be restricted.

Special Revenue Funds: These funds are used to account for proceeds from specific sources (other than 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 license tax for constructing, maintaining and repairing Village Streets.

Police Levy Fund – This fund receives tax money to provide police protection services to the Village.

Enterprise Funds: These funds are used to account for any activities for which a fee is charged to external users for goods or services. The Village has the following significant Enterprise Funds:

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

Sewer Debt Fund - This fund receives is used to account for the debt obtained to finance the Sewer System.

VILLAGE OF MOWRYSTOWN, HIGHLAND COUNTY
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010

Note 2 – Summary of Significant Accounting Policies (continued)

Agency Funds: These funds are used to account for custodial funds held by the Village acting as an agent for another government, organization, individual, or fund. The Village has the following significant agency fund:

Mayor's Court Fund – This agency fund is used to account for the activities of the Mayor's Court.

Budgetary Process

The Ohio Revised Code requires that each Village fund, except Agency Funds, be budgeted annually.

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

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

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

A summary of 2011 and 2010 budgetary activity appears in Note 5.

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.

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.

Note 3 – Change in Accounting Principles

For 2011, the Village implemented GASB Statement No. 54, "Fund Balances Reporting and Governmental Fund Type Definitions". The implementation of this statement did not result in any change in the Village's financial statements.

VILLAGE OF MOWRYSTOWN, HIGHLAND COUNTY
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010

Note 4 – Cash and Investments

The Village maintains a cash pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The Village had no investments at year end. The carrying amount of cash at year end was as follows:

	December 31, 2011	December 31, 2010
Demand Deposits	\$273,215	\$298,387
Total	\$273,215	\$298,387

Deposits: Deposits are insured by the Federal Depository Insurance Corporation and collateralized by the financial institution's public entity deposit pool.

Note 5 – Budgetary Basis of Accounting

The Village's budgetary activity for the years ending December 31, 2011 and December 31, 2010 was as follows:

2011 Budgeted vs. Actual Receipts

Fund Type	Receipts		
	Budgeted	Actual	Variance
General	\$59,721	\$62,101	\$2,380
Special Revenue	41,079	45,406	4,327
Enterprise	150,237	147,339	(2,898)
<i>Total</i>	\$251,037	\$254,846	\$3,809

2011 Budgeted vs. Actual Budgetary Disbursements

Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$66,874	\$53,361	\$13,513
Special Revenue	157,963	56,983	100,980
Enterprise	252,984	170,060	82,924
<i>Total</i>	\$477,821	\$280,404	\$197,417

VILLAGE OF MOWRYSTOWN, HIGHLAND COUNTY
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010

Note 5 – Budgetary Basis of Accounting - (Continued)

2010 Budgeted vs. Actual Receipts

Fund Type	Receipts		Variance
	Budgeted	Actual	
General	\$54,294	\$59,789	\$5,495
Special Revenue	44,103	84,210	40,107
Enterprise	150,237	189,780	39,543
<i>Total</i>	\$248,634	\$333,779	\$85,145

2010 Budgeted vs. Actual Budgetary Disbursements

Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$56,431	\$55,583	\$848
Special Revenue	145,700	78,550	67,150
Enterprise	219,467	221,216	(1,749)
<i>Total</i>	\$421,598	\$355,349	\$66,249

Contrary to Ohio law, disbursements exceeded appropriations adopted by the Board in the Sewer Debt Fund for 2010.

VILLAGE OF MOWRYSTOWN, HIGHLAND COUNTY
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010

Note 6- Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes area also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. 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.

Note 7- Long-Term Obligations

A schedule of changes in long-term obligations of the Village during 2011 follows:

<u>Description of Issue</u>	<u>Interest Rate</u>	<u>Principal Balance 12-31-10</u>	<u>Issued in 2011</u>	<u>Retired In 2011</u>	<u>Principal Balance 12-31-11</u>
Wastewater System Mortgage Revenue Bonds	4.13%	\$737,296	\$0	\$8,342	\$728,954
Ohio Water Development Authority Loan	1.00%	296,408	0	9,222	287,186
Ohio Public Works Commission Loan	0%	212,938	0	11,207	201,731
		<u>\$1,246,642</u>	<u>\$0</u>	<u>\$28,771</u>	<u>\$1,217,871</u>

A schedule of changes in long-term obligations of the Village during 2010 follows:

<u>Description of Issue</u>	<u>Interest Rate</u>	<u>Principal Balance 12-31-09</u>	<u>Issued in 2010</u>	<u>Retired In 2010</u>	<u>Principal Balance 12-31-10</u>
Wastewater System Mortgage Revenue Bonds	4.13%	\$745,306	\$0	\$8,010	\$737,296
Ohio Water Development Authority Loan	1.00%	300,985	0	4,577	296,408
Ohio Public Works Commission Loan	0%	224,145	0	11,207	212,938
		<u>\$1,270,436</u>	<u>\$0</u>	<u>\$23,794</u>	<u>\$1,246,642</u>

The wastewater system mortgage revenue bonds were issued June 13, 2008 in the total amount of \$753,000 to pay an Ohio Water Development Authority Loan used to finance the installation of a wastewater collection system in the Village. The revenue of the Village's sewer utility has been pledged to prepay the debt. As required by the bond covenant, the Village has established and funded the Sewer Reserve Fund. As of December 31, 2011 the Sewer Reserve Fund balance was \$43,580.

VILLAGE OF MOWRYSTOWN, HIGHLAND COUNTY
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010

Note 7- Long-Term Obligations – (Continued)

The Ohio Water Development Authority (OWDA) loan was obtained for construction of the new wastewater collection system. This loan is to be paid in semiannual installments over 30 years. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Public Works Commission loan is also for construction of the new wastewater collection system. The Village will repay the loans in semiannual installments over 20 years. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

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

Year Ending December 31:	Mortgage Revenue Bonds	OWDA Loan	OPWC Loan
2012	\$38,837	\$12,163	\$11,207
2013	38,755	12,163	11,207
2014	38,754	12,163	11,207
2015	38,756	12,163	11,207
2016	38,832	12,163	11,207
2017 – 2021	193,847	60,817	56,036
2022 – 2026	193,842	60,817	56,036
2027 – 2031	193,834	60,817	33,622
2032 – 2036	193,871	60,817	0
2037 – 2041	193,806	24,327	0
2042 – 2046	193,793	0	0
2047 – 2048	77,513	0	0
Total	<u>\$1,434,440</u>	<u>\$328,412</u>	<u>\$201,731</u>

Note 8 – 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 Pool uses reinsurance and excess risk-sharing arrangements to reduce its exposure to loss. These agreements permit recovery of a portion of its claims from reinsurers and a risk-sharing pool; however, they do not discharge the Pool’s primary liability for such payments. The Pool is a member of American Public Entity Excess Pool (“APEEP”), which is also administered by ARPCO. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, the Pool retains insured risks up to an amount specified in the contracts. (At December 31, 2011 the Pool retained \$350,000 for casualty claims and \$150,000 for property claims). The Board of Directors and ARPCO periodically review the financial strength of the Pool and other market conditions to determine the appropriate level of risk the Pool will retain.

VILLAGE OF MOWRYSTOWN, HIGHLAND COUNTY
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010

Note 8 – Risk Management – (Continued)

Casualty Insurance

For occurrences prior to January 1, 2006, PEP retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000 and provides up to \$1,750,000 per claim.

For occurrences on or after January 1, 2006, PEP retains casualty risk up to \$350,000 per claim, including loss adjustment expenses. PEP pays a percentage of its contribution to APEEP. APEEP reinsures claim exceeding \$350,000 and provides up to \$2,650,000 per claim.

If losses exhaust PEP's retained earnings, APEEP covers PEP losses up to \$5,000,000 per year, subject to an aggregate of \$10,000,000. Governments can elect additional coverage, from \$3,000,000 to \$13,000,000, General Reinsurance Corporation.

Property Insurance

Prior to January 1, 2009, Travelers reinsures specific losses exceeding \$250,000, and provides up to \$600,000,000 per occurrence. APEEP reinsures members for a specific loss exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provide aggregate stop-loss coverage based upon the combined PEP members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600,000,000 per occurrence limit.

On or after January 1, 2009, Travelers reinsures specific losses exceeding \$250,000, and provides up to \$600,000,000 per occurrence. APEEP reinsures members for a specific loss exceeding \$150,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provide aggregate stop-loss coverage based upon the combined PEP members' total insurable values. If the stop loss is reached by payment of losses between \$150,000 and \$500,000, Travelers will reinsure specific losses exceeding \$150,000 up to their \$600,000,000 per occurrence limit.

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

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2011 and 2010 (The latest information available):

	<u>2011</u>	<u>2010</u>
Assets	\$33,362,404	\$34,952,010
Liabilities	(14,187,273)	(14,320,812)
Retained earnings	<u>\$19,175,131</u>	<u>\$20,631,198</u>

VILLAGE OF MOWRYSTOWN, HIGHLAND COUNTY
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010

Note 8 – Risk Management – (Continued)

The assets and retained earnings above also include approximately \$12.1 million and \$12.4 million of unpaid claims to be billed to approximately 455 and 454 member governments in the future, as of December 31, 2011 and 2010, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The District's share of these unpaid claims collectible in future years is approximately \$13,514. This payable includes the subsequent years' contribution due if the District terminates participation, as described in the last paragraph below.

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

Contribution to PEP

2011	\$6,757
2010	\$5,961
2009	\$5,015

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

Note 9 – Retirement Systems

The Village's elected officials contribute to Social Security. Contribution rates for 2011 and 2010 were 6.2% for employee and employer.

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 the plans benefits, which include postretirement healthcare and survivor and disability benefits. Ohio Revised Code also prescribes contribution rates. For 2011 and 2010, the OPERS member contributed 10% of gross salary and the Village contributed an amount equaling 14% of the participant's gross salary. The Village has paid all contributions required through December 31, 2011.

Note 10 – Compliance

The fiscal officer failed to accurately maintain the Village's financial records as required by Ohio Rev. Code Section 733.28.

The Village did not authorize or certify tax levies to the County Auditor as required by Ohio Rev. Code Section 5705.34.

**Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Required by
Government Auditing Standards**

Village Council
Village of Mowrystown, Highland County
50 Maple Street
Mowrystown, OH 45155

We have audited the accompanying financial statements of the Village of Mowrystown, Highland County, Ohio (the Village), as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated August 16, 2012, wherein we noted that the Village followed accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We also noted the Village adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. 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 of America.

Internal Control 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 expressing our opinion on the financial statements, but not to opine 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 deficiencies, 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 a certain deficiency in internal control over financial reporting, that we consider a material weakness.

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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Township's financial statements will not be prevented, or detected and timely corrected. We consider finding 2011-001 described in the accompanying schedule of findings to be a material weakness.

Village Council
Village of Mowrystown, Highland County
Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Required by
Government Auditing Standards

Compliance and Other Matters

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 an opinion. The results of our tests disclosed one instance of noncompliance or other matters we much report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2011-002.

We also noted certain additional matters not requiring inclusion in this report that we have reported to management of the Village in a separate letter dated August 16, 2012.

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

J. L. Uhrig and Associates, Inc.

J. L. UHRIG AND ASSOCIATES, INC.

August 16, 2012

VILLAGE OF MOWRYSTOWN, HIGHLAND COUNTY
Schedule of Findings
For the Years Ended December 31, 2011 and 2010

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

Finding Number 2011-001

Financial Record Keeping - Material Weakness

Ohio Rev. Code Section 733.28, provides, in part, that the Village Clerk shall keep the books of the Village and exhibit accurate statements of all monies received and expended.

The Village did not properly post the following transactions to the proper account codes, and therefore reported materially incorrect account classifications in the Village's annual financial report:

Item	Amount	Fund Type	Proper Classification	Reported As
2010				
Payments to County for wastewater treatment processing contract	\$73,700	Enterprise	Contractual Services	Miscellaneous
Debt Payments	14,734	Enterprise	Interest	Principal
Debt Payments	15,785	Enterprise	Principal	Interest
Vehicle Purchased	39,235	Enterprise	Other Non-Operating Cash Disbursements	Capital Outlay
Grant Received	39,235	Enterprise	Other Non-Operating Cash Disbursements	Intergovernmental Revenue
2011				
Payments to County for wastewater treatment processing contract	\$73,700	Enterprise	Contractual Services	Miscellaneous
Debt Payments	11,208	Enterprise	Principal	Interest

The Village corrected the accompanying financial statements.

Additionally, the Village classified the Sewer Debt Fund as a Debt Service Fund type and the Sewer Construction Fund as a Capital Project Fund on the 2010 and 2011 annual financial reports. These funds are reclassified as Enterprise Fund Types on the accompanying financial statements.

Failure to properly post transactions resulted in transactions being inaccurately classified in the annual report and inaccurate fund balances. The Fiscal Officer agreed to reclassifications to correctly report the above items, and the reclassifications were posted to the accompanying financial statements. The Fiscal Officer should review the chart of accounts in the Ohio Village Handbook to assure that items are being posted to the proper funds and account codes.

Officials' Response

Payments for Wastewater Treatment to Highland County Commissioners is now fixed in 2012.

VILLAGE OF MOWRYSTOWN, HIGHLAND COUNTY
Schedule of Findings
For the Years Ended December 31, 2011 and 2010

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

Finding Number 2011-002

Amended Appropriations - Noncompliance Citation

Ohio Rev. Code Section 5705.34 provides in part that each taxing authority shall pass an ordinance or resolution to authorize the necessary tax levies for the following year and certify them to the County Auditor before the first day of October in each year. The Village Counsel did not make this resolution or submit it to the County Auditor during 2010 or 2011 as required. Failure to submit the resolution could result in the loss of tax money. The Village should implement procedures to authorize the necessary tax levies by or before October 1 of each year, unless a later date is approved by the tax commissioner.

Official's Response

We did not receive a response from officials for the finding above.

VILLAGE OF MOWRYSTOWN, HIGHLAND COUNTY
Schedule of Prior Audit Findings
For the Year Ended December 31, 2011 and 2010

Finding Number	Description	Status	Comments
<i>Government Auditing Standards:</i>			
2009-001	Section 733.28, transactions not posted to the proper accounts and not reported in the proper classifications	Not Corrected	Not Corrected – Repeated as finding # 2011-01
2009-002	Section 5705.36 (A) (4), actual receipts less than estimated receipts	Partially Corrected	Reissued in the management letter.
2009-003	OAC Section 117-2-02(C)(1) estimated receipts and appropriations entered in the accounting system did not agree with the certified certificates.	Partially Corrected	Reissued in the management letter.
2009-004	Section 5705.41(B), expenditures exceeded appropriations	Yes	Corrected
2009-005	Section 5705.41(D), prior certification for expenditures not obtained	Yes	Corrected
2009-006	Section 5705.34, resolution not made to authorize tax levies	No	Not Corrected – Repeated as finding # 2011-02



Dave Yost • Auditor of State

VILLAGE OF MOWRYSTOWN

HIGHLAND 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
DECEMBER 31, 2012