

**VILLAGE OF MT. GILEAD
MORROW COUNTY, OHIO**

Financial Statements
(Audited)

For The Years Ended
December 31, 2003 and 2002

SUE MERMANN, CLERK/TREASURER



**Auditor of State
Betty Montgomery**

Members of Council
Village of Mt. Gilead

We have reviewed the Independent Auditor's Report of the Village of Mt. Gilead, Morrow County, prepared by Trimble, Julian & Grube, Inc. for the audit period January 1, 2002 through December 31, 2003. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Mt. Gilead is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

June 14, 2004

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**VILLAGE OF MT. GILEAD
MORROW COUNTY, OHIO**

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TRIMBLE, JULIAN & GRUBE, INC.

“SERVING OHIO LOCAL GOVERNMENTS”

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Independent Auditor's Report

Members of Council
Village of Mt. Gilead
72 West High Street
Mt. Gilead, Ohio 43338

We have audited the accompanying financial statements of the Village of Mt. Gilead (the “Village”), Morrow County, Ohio, as of and for the years ended December 31, 2003 and 2002. 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. 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 2, 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 accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances and fund balances of the Village of Mt. Gilead, Morrow County, as of December 31, 2003 and 2002 and its combined cash receipts and disbursements, combined budgeted and actual receipts and budgeted and actual disbursements and encumbrances for the years then ended on the basis of accounting described in Note 2.

As described in Note 3, the Village reclassified its Waste Compactor Special Revenue Fund during 2002.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 3, 2004, 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. 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 in considering the results of our audit.

This report is intended solely for the information and use of the Village of Mt. Gilead's management 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.

Trimble, Julian & Grube, Inc.
May 3, 2004

**VILLAGE OF MT. GILEAD
MORROW COUNTY, OHIO**

COMBINED STATEMENT OF CASH FUND BALANCES
ALL FUND TYPES
DECEMBER 31, 2003 and 2002

| | 2003 | 2002 |
|--|--------------|--------------|
| <u>Total Cash and Cash Equivalents and Investments</u> | | |
| Cash and Cash Equivalents | \$ 1,074,925 | \$ 937,138 |
| Investments | 1,523,810 | 1,506,521 |
| Total Cash and Cash Equivalents and Investments | \$ 2,598,735 | \$ 2,443,659 |
| <u>Fund Balances</u> | | |
| <u>Governmental Fund Types:</u> | | |
| General Fund | \$ 536,093 | \$ 545,909 |
| Special Revenue Funds | 301,947 | 259,851 |
| Debt Service Fund | 170 | 134 |
| Capital Project Funds | 601,341 | 491,093 |
| Total Governmental Fund Types | 1,439,551 | 1,296,987 |
| <u>Proprietary Fund Type:</u> | | |
| Enterprise Funds | 1,151,900 | 1,140,245 |
| <u>Fiduciary Fund Types:</u> | | |
| Expendable Trust Fund | 5,639 | 3,905 |
| Agency Fund | 1,645 | 2,522 |
| Total Fiduciary Fund Types | 7,284 | 6,427 |
| Total Fund Balances | \$ 2,598,735 | \$ 2,443,659 |

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF MT. GILEAD
MORROW COUNTY, OHIO**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN CASH FUND BALANCES - ALL GOVERNMENTAL FUND TYPES AND
SIMILAR FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2003

| | Governmental Fund Types | | | | Fiduciary Fund Type | Total (Memorandum Only) |
|--|-------------------------|--------------------|-----------------|---------------------|------------------------|-------------------------------|
| | General | Special Revenue | Debt Service | Capital Projects | Expendable Trust | |
| Cash receipts: | | | | | | |
| Property and other local taxes | \$ 785,226 | \$ 12,633 | \$ - | \$ 37,058 | \$ - | \$ 834,917 |
| Intergovernmental | 147,949 | 114,545 | - | - | - | 262,494 |
| Charges for services | 25,888 | 25,888 | - | - | - | 51,776 |
| Fines, licenses and permits | 81,408 | 6,029 | - | - | - | 87,437 |
| Interest receipts | 16,620 | 4,577 | 36 | 5,579 | - | 26,812 |
| Rental income | 15,575 | - | - | - | - | 15,575 |
| Miscellaneous | 3,572 | - | - | - | - | 3,572 |
| Total cash receipts | <u>1,076,238</u> | <u>163,672</u> | <u>36</u> | <u>42,637</u> | <u>-</u> | <u>1,282,583</u> |
| Cash disbursements: | | | | | | |
| Current: | | | | | | |
| Security of persons and property | 424,117 | 236,660 | - | - | 26,527 | 687,304 |
| Public health services | 3,417 | - | - | - | 810 | 4,227 |
| Basic utility services | - | 70,430 | - | - | - | 70,430 |
| General government | 334,307 | - | - | - | 1,408 | 335,715 |
| Capital outlay | - | 59,486 | - | 32,408 | - | 91,894 |
| Total cash disbursements | <u>761,841</u> | <u>366,576</u> | <u>-</u> | <u>32,408</u> | <u>28,745</u> | <u>1,189,570</u> |
| Total cash receipts over/(under) cash disbursements | <u>314,397</u> | <u>(202,904)</u> | <u>36</u> | <u>10,229</u> | <u>(28,745)</u> | <u>93,013</u> |
| Other financing sources/(uses): | | | | | | |
| Proceeds of fixed assets | 1,266 | - | - | - | - | 1,266 |
| Transfers-in | - | 255,000 | - | 100,019 | 30,479 | 385,498 |
| Transfers-out | (325,479) | (10,000) | - | - | - | (335,479) |
| Total other financing sources/(uses) | <u>(324,213)</u> | <u>245,000</u> | <u>-</u> | <u>100,019</u> | <u>30,479</u> | <u>51,285</u> |
| Excess of cash receipts and other financing sources over/(under) cash disbursements and other financing sources/(uses) | (9,816) | 42,096 | 36 | 110,248 | 1,734 | 144,298 |
| Cash fund balances, January 1, 2003 | <u>545,909</u> | <u>259,851</u> | <u>134</u> | <u>491,093</u> | <u>3,905</u> | <u>1,300,892</u> |
| Cash fund balances, December 31, 2003 | <u>\$ 536,093</u> | <u>\$ 301,947</u> | <u>\$ 170</u> | <u>\$ 601,341</u> | <u>\$ 5,639</u> | <u>\$ 1,445,190</u> |

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF MT. GILEAD
MORROW COUNTY, OHIO**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH
FUND BALANCES - PROPRIETARY FUND TYPE AND SIMILAR FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2003

| | Proprietary Fund Type | Fiduciary Fund Type | Total (Memorandum Only) |
|--|--------------------------|------------------------|-------------------------------|
| | Enterprise | Agency | |
| Operating cash receipts: | | | |
| Charges for services | \$ 1,194,316 | \$ - | \$ 1,194,316 |
| Total operating cash receipts | <u>1,194,316</u> | <u>-</u> | <u>1,194,316</u> |
| Operating cash disbursements: | | | |
| Personal services | 325,545 | - | 325,545 |
| Contractual Services | 228,832 | - | 228,832 |
| Supplies and materials | 157,049 | - | 157,049 |
| Capital outlay | 155,154 | - | 155,154 |
| Total operating cash disbursements | <u>866,580</u> | <u>-</u> | <u>866,580</u> |
| Operating income | <u>327,736</u> | <u>-</u> | <u>327,736</u> |
| Nonoperating cash receipts: | | | |
| Rental income | 9,200 | - | 9,200 |
| Local taxes | 31,701 | - | 31,701 |
| Intergovernmental | 34,464 | - | 34,464 |
| Interest receipts | 8,838 | - | 8,838 |
| Fines collected | - | 71,866 | 71,866 |
| Total nonoperating cash receipts | <u>84,203</u> | <u>71,866</u> | <u>156,069</u> |
| Nonoperating cash disbursements: | | | |
| Debt Service: | | | |
| Principal retirement | 178,654 | - | 178,654 |
| Interest charges | 171,611 | - | 171,611 |
| Fines disbursed | - | 72,743 | 72,743 |
| Total nonoperating cash disbursements | <u>350,265</u> | <u>72,743</u> | <u>423,008</u> |
| Net of cash receipts over/(under) cash disbursements before transfers | 61,674 | (877) | 60,797 |
| Transfers-in | 40,000 | - | 40,000 |
| Transfers-out | <u>(90,019)</u> | <u>-</u> | <u>(90,019)</u> |
| Net cash receipts over/(under) cash disbursements after transfers | 11,655 | (877) | 10,778 |
| Cash fund balances, January 1, 2003 | <u>1,140,245</u> | <u>2,522</u> | <u>1,142,767</u> |
| Cash fund balances, December 31, 2003 | <u>\$ 1,151,900</u> | <u>\$ 1,645</u> | <u>\$ 1,153,545</u> |

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF MT. GILEAD
MORROW COUNTY, OHIO**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND ENCUMBRANCES COMPARED WITH EXPENDITURE
AUTHORITY - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2003

| Fund Types | Receipts | | | | | Disbursements | | | | | | |
|----------------------------|---|---------------------|---------------------------------|-------------------------|--|---|------------------------|---------------------|------------------------------|--|---------------------|--|
| | County Certified Unencumbered Cash | Budget | Total Estimated Resources | Actual 2003 Receipts | Variance Favorable (Unfavorable) | Prior Year Carryover Appropriations | 2003 Appropriations | Total | Actual 2003 Disbursements | Encumbrances Outstanding at 12/31/03 | Total | Variance Favorable (Unfavorable) |
| Governmental: | | | | | | | | | | | | |
| General | \$ 521,943 | \$ 1,050,000 | \$ 1,571,943 | \$ 1,077,504 | \$ 27,504 | \$ 23,712 | \$ 1,386,441 | \$ 1,410,153 | \$ 1,087,320 | \$ 54,678 | \$ 1,141,998 | \$ 268,155 |
| Special Revenue | 249,152 | 463,273 | 712,425 | 418,672 | (44,601) | 2,812 | 437,048 | 439,860 | 376,576 | 11,910 | 388,486 | 51,374 |
| Debt Service | 134 | - | 134 | 36 | 36 | - | - | - | - | - | - | - |
| Capital Projects | 496,076 | 215,000 | 711,076 | 142,656 | (72,344) | - | 185,000 | 185,000 | 32,408 | 31,825 | 64,233 | 120,767 |
| Proprietary: | | | | | | | | | | | | |
| Enterprise | 1,084,797 | 1,381,801 | 2,466,598 | 1,318,519 | (63,282) | 59,054 | 1,638,931 | 1,697,985 | 1,306,864 | 41,951 | 1,348,815 | 349,170 |
| Fiduciary: | | | | | | | | | | | | |
| Expendable Trust | 3,734 | 30,479 | 34,213 | 30,479 | - | 171 | 30,650 | 30,821 | 28,745 | 187 | 28,932 | 1,889 |
| Total (Memorandum Only) | <u>\$ 2,355,836</u> | <u>\$ 3,140,553</u> | <u>\$ 5,496,389</u> | <u>\$ 2,987,866</u> | <u>\$ (152,687)</u> | <u>\$ 85,749</u> | <u>\$ 3,678,070</u> | <u>\$ 3,763,819</u> | <u>\$ 2,831,913</u> | <u>\$ 140,551</u> | <u>\$ 2,972,464</u> | <u>\$ 791,355</u> |

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF MT. GILEAD
MORROW COUNTY, OHIO**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN CASH FUND BALANCES - ALL GOVERNMENTAL FUND TYPES AND
SIMILAR FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2002

| | Governmental Fund Types | | | | Fiduciary Fund Type | Total (Memorandum Only) |
|---|-------------------------|--------------------|------------------|---------------------|------------------------|-------------------------------|
| | General | Special Revenue | Debt Service | Capital Projects | Expendable Trust | |
| Cash receipts: | | | | | | |
| Property and other local taxes | \$ 752,037 | \$ 12,562 | \$ - | \$ 35,968 | \$ - | \$ 800,567 |
| Intergovernmental | 113,681 | 108,640 | - | - | - | 222,321 |
| Charges for services | 23,123 | 23,123 | - | - | - | 46,246 |
| Fines, licenses and permits | 79,457 | 8,664 | - | - | - | 88,121 |
| Interest receipts | 31,093 | 2,437 | 84 | 4,998 | - | 38,612 |
| Rental income | 17,050 | - | - | - | - | 17,050 |
| Miscellaneous | 13,492 | 525 | - | - | - | 14,017 |
| Total cash receipts | <u>1,029,933</u> | <u>155,951</u> | <u>84</u> | <u>40,966</u> | <u>-</u> | <u>1,226,934</u> |
| Cash disbursements: | | | | | | |
| Current: | | | | | | |
| Security of persons and property | 391,616 | 290,004 | - | - | 24,536 | 706,156 |
| Public health services | 2,389 | - | - | - | 1,713 | 4,102 |
| Basic utility services | 3,871 | 48,938 | - | - | - | 52,809 |
| Transportation | 604 | - | - | - | - | 604 |
| General government | 364,553 | - | - | - | 2,147 | 366,700 |
| Capital outlay | - | 110,976 | - | 128,548 | - | 239,524 |
| Debt service: | | | | | | |
| Principal retirement | - | - | 250,000 | - | - | 250,000 |
| Interest charges | - | - | 7,350 | - | - | 7,350 |
| Total cash disbursements | <u>763,033</u> | <u>449,918</u> | <u>257,350</u> | <u>128,548</u> | <u>28,396</u> | <u>1,627,245</u> |
| Total cash receipts over/(under) cash disbursements | <u>266,900</u> | <u>(293,967)</u> | <u>(257,266)</u> | <u>(87,582)</u> | <u>(28,396)</u> | <u>(400,311)</u> |
| Other financing sources/(uses): | | | | | | |
| Proceeds of fixed assets | 10,000 | - | - | - | - | 10,000 |
| Transfers-in | - | 265,000 | 250,000 | 90,124 | 20,000 | 625,124 |
| Transfers-out | (315,000) | (20,000) | - | - | - | (335,000) |
| Total other financing sources/(uses) | <u>(305,000)</u> | <u>245,000</u> | <u>250,000</u> | <u>90,124</u> | <u>20,000</u> | <u>300,124</u> |
| Excess of cash receipts and other financing sources over/(under) cash disbursements and other financing receipts/(uses) | (38,100) | (48,967) | (7,266) | 2,542 | (8,396) | (100,187) |
| Cash fund balances, January 1, 2002 (Restated) | <u>584,009</u> | <u>308,818</u> | <u>7,400</u> | <u>488,551</u> | <u>12,301</u> | <u>1,401,079</u> |
| Cash fund balances, December 31, 2002 | <u>\$ 545,909</u> | <u>\$ 259,851</u> | <u>\$ 134</u> | <u>\$ 491,093</u> | <u>\$ 3,905</u> | <u>\$ 1,300,892</u> |

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF MT. GILEAD
MORROW COUNTY, OHIO**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH
FUND BALANCES - PROPRIETARY FUND TYPE AND SIMILAR FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2002

| | Proprietary Fund Type | Fiduciary Fund Type | Total (Memorandum Only) |
|--|--------------------------|------------------------|-------------------------------|
| | Enterprise | Agency | |
| Operating cash receipts: | | | |
| Charges for services | \$ 1,139,656 | \$ - | \$ 1,139,656 |
| Total operating cash receipts | <u>1,139,656</u> | <u>-</u> | <u>1,139,656</u> |
| Operating cash disbursements: | | | |
| Personal services | 295,308 | - | 295,308 |
| Contractual services | 240,512 | - | 240,512 |
| Supplies and materials | 100,093 | - | 100,093 |
| Capital outlay | 153,040 | - | 153,040 |
| Total operating cash disbursements | <u>788,953</u> | <u>-</u> | <u>788,953</u> |
| Operating income | <u>350,703</u> | <u>-</u> | <u>350,703</u> |
| Nonoperating cash receipts: | | | |
| Intergovernmental | 109,380 | - | 109,380 |
| Local taxes | 34,497 | - | 34,497 |
| Interest receipts | 33,945 | - | 33,945 |
| Rental income | 9,200 | - | 9,200 |
| Proceeds of notes | 93,270 | - | 93,270 |
| Fines collected | - | 83,248 | 83,248 |
| Total nonoperating cash receipts | <u>280,292</u> | <u>83,248</u> | <u>363,540</u> |
| Nonoperating cash disbursements: | | | |
| Debt Service: | | | |
| Principal retirement | 150,000 | - | 150,000 |
| Interest charges | 173,923 | - | 173,923 |
| Fines disbursed | - | 81,879 | 81,879 |
| Total nonoperating cash disbursements | <u>323,923</u> | <u>81,879</u> | <u>405,802</u> |
| Net of cash receipts over/(under) cash disbursements before transfers | 307,072 | 1,369 | 308,441 |
| Transfers-in | 99,000 | - | 99,000 |
| Transfers-out | <u>(389,124)</u> | <u>-</u> | <u>(389,124)</u> |
| Net cash receipts (under) cash disbursements after transfers | 16,948 | 1,369 | 18,317 |
| Cash fund balances, January 1, 2002 (Restated) | <u>1,123,297</u> | <u>1,153</u> | <u>1,124,450</u> |
| Cash fund balances, December 31, 2002 | <u>\$ 1,140,245</u> | <u>\$ 2,522</u> | <u>\$ 1,142,767</u> |

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF MT. GILEAD
MORROW COUNTY, OHIO**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND ENCUMBRANCES COMPARED WITH EXPENDITURE
AUTHORITY - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2002

| Fund Types | Receipts | | | | | Disbursements | | | | | | |
|----------------------------|---|---------------------|---------------------------------|-------------------------|--|---|------------------------|---------------------|------------------------------|--|---------------------|--|
| | County Certified Unencumbered Cash | Budget | Total Estimated Resources | Actual 2002 Receipts | Variance Favorable (Unfavorable) | Prior Year Carryover Appropriations | 2002 Appropriations | Total | Actual 2002 Disbursements | Encumbrances Outstanding at 12/31/02 | Total | Variance Favorable (Unfavorable) |
| Governmental: | | | | | | | | | | | | |
| General | \$ 547,742 | \$ 1,016,825 | \$ 1,564,567 | \$ 1,039,933 | \$ 23,108 | \$ 30,673 | \$ 1,594,991 | \$ 1,625,664 | \$ 1,078,033 | \$ 23,712 | \$ 1,101,745 | \$ 523,919 |
| Special Revenue | 294,244 | 557,512 | 851,756 | 420,951 | (136,561) | 3,653 | 485,813 | 489,466 | 469,918 | 2,812 | 472,730 | 16,736 |
| Debt Service | 7,400 | 302,000 | 309,400 | 250,084 | (51,916) | - | 379,350 | 379,350 | 257,350 | - | 257,350 | 122,000 |
| Capital Projects | 493,530 | 190,000 | 683,530 | 131,090 | (58,910) | - | 161,500 | 161,500 | 128,548 | - | 128,548 | 32,952 |
| Proprietary: | | | | | | | | | | | | |
| Enterprise | 1,059,764 | 1,303,252 | 2,363,016 | 1,518,948 | 215,696 | 59,337 | 1,548,636 | 1,607,973 | 1,502,000 | 59,054 | 1,561,054 | 46,919 |
| Fiduciary: | | | | | | | | | | | | |
| Expendable Trust | 10,512 | 41,450 | 51,962 | 20,000 | (21,450) | 1,789 | 31,930 | 33,719 | 28,396 | 171 | 28,567 | 5,152 |
| Total (Memorandum Only) | <u>\$ 2,413,192</u> | <u>\$ 3,411,039</u> | <u>\$ 5,824,231</u> | <u>\$ 3,381,006</u> | <u>\$ (30,033)</u> | <u>\$ 95,452</u> | <u>\$ 4,202,220</u> | <u>\$ 4,297,672</u> | <u>\$ 3,464,245</u> | <u>\$ 85,749</u> | <u>\$ 3,549,994</u> | <u>\$ 747,678</u> |

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The notes to the financial statements are an integral part of this statement.

**VILLAGE OF MT. GILEAD
MORROW COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002

NOTE 1 - DESCRIPTION OF THE ENTITY

The Village of Mt. Gilead (the "Village"), is a body politic and corporate established for the purpose of exercising 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.

Management believes the financial statements included in this report represent all of the funds over which the Village officials are financially accountable, except debt service funds maintained by outside custodians which are not included in these financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The most significant of the Village's accounting policies are described below.

A. BASIS OF PRESENTATION - FUND ACCOUNTING

The accounts of the Village are maintained on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts. The following fund types are used by the Village.

GOVERNMENTAL FUNDS

General Fund

The general fund is used to account for all activities of the Village not required to be included in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds

These funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

**VILLAGE OF MT. GILEAD
MORROW COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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 for constructing, maintaining, and repairing Village streets.

Debt Service Fund

The debt service fund is used to accumulate resources for the payment of bonds and note indebtedness.

The Village had the following significant debt service fund:

General Bond Obligation Fund - This fund receives interest and transfers in to pay for the acquisition and construction of water treatment and distribution facilities with related equipment and site improvements.

Capital Projects Funds

This fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

The Village had the following significant capital projects fund:

Sewer Capital Improvements - This fund receives transfers in to pay for sewer capital improvements to the Village.

PROPRIETARY FUND:

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:

**VILLAGE OF MT. GILEAD
MORROW COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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.

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 nonexpendable 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 funds:

Income Tax Fund - (Expendable Trust Fund) - This fund receives transfers in to be used for operations at the discretion of the Village council.

Mayors' Court - (Agency Fund) - This fund receives monies from collections or fines imposed from tickets issued by the Village's police protection force. Funds are collected in part on behalf of the State of Ohio. In addition, funds are used for safety programs, computerization and general Village operations.

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.

**VILLAGE OF MT. GILEAD
MORROW COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

C. BUDGETARY PROCESS

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting.

The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds except agency, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the item level within each fund. Any budgetary modifications at this level may only be made by resolution of the Village's Council.

Tax Budget:

A budget of estimated cash receipts and disbursements is submitted to the County Auditor, as secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year. The expressed purpose of the tax budget is to reflect the need for existing (or increased) tax rates.

Estimated Resources:

The County Budget Commission determines if the budget substantiates a need to levy the full amount of authorized property tax rates and reviews receipt estimates. The County Budget Commission certifies its actions to the Village by September 1. As part of this certification, the Village receives the official certificate of estimated resources, which states the projected receipts of each fund. On or about January 1, the certificate is amended to include unencumbered fund balances at December 31 of the preceding year. Further amendments may be made during the year if the Village determines that receipts collected will be greater than or less than the prior estimates, and the Budget Commission find the revised estimates to be reasonable. Prior to December 31, the Village must revise its budget so that the total contemplated expenditures from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure.

**VILLAGE OF MT. GILEAD
MORROW COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Appropriations:

A temporary appropriation measure to control cash disbursements may be passed on or about January 1 of each year for the period January to March 31. An annual appropriation measure must be passed by April 1 of each year for the period January 1 to December 31. The appropriations measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources. The Village legally adopted several supplemental appropriations during 2003 and 2002.

Encumbrances:

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation.

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated. The Village had outstanding encumbrances at December 31, 2003 and 2002.

D. CASH AND CASH EQUIVALENTS AND INVESTMENTS

For reporting purposes, the Village considers "Cash and Investments" to be cash on hand, demand deposits, and all investments in STAR Ohio held by the Village. Interest earned on monies held is credited to the General Fund and allocated amongst funds as required by Ohio law and Village policy. Interest income earned and received by the Village totaled \$35,650 and \$72,557, for the years ended December 31, 2003 and 2002, respectively.

E. INTERGOVERNMENTAL REVENUES

Intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursable basis are recorded when received in accordance with the Village's cash basis method of accounting.

**VILLAGE OF MT. GILEAD
MORROW COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

F. INTERFUND TRANSACTIONS

During the course of normal operations, the Village had transactions between funds. The most significant include:

Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers.

G. PROPERTY, PLANT AND EQUIPMENT

Fixed assets are not capitalized in any of the Village's funds. Instead, capital acquisition and construction costs are reflected as expenditures in the fund in the year expended. The costs of normal maintenance and repairs are also expended, along with improvements. Depreciation is not recorded.

H. 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.

I. TOTAL COLUMNS ON FINANCIAL STATEMENTS

Total columns on the financial statements are captioned "Total (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Interfund-type eliminations have not been made in the aggregation of this data.

**VILLAGE OF MT. GILEAD
MORROW COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLE

The Village has changed the fund type used to record Waste Compactor receipts and disbursements from a Special Revenue Fund to an Enterprise Fund during 2002. The fund reclassification more accurately reflects the activity of the Waste Compactor Fund. This change had the following effect on fund balance from 2001 to 2002.

| | <u>Special Revenue Fund Type</u> | <u>Enterprise Fund Type</u> |
|---|--------------------------------------|---------------------------------|
| Fund cash balances originally stated, December 31, 2001 | \$ 310,285 | \$ 1,121,830 |
| Fund reclassification | <u>(1,467)</u> | <u>1,467</u> |
| Restated fund cash balances, January 1, 2002 | <u>\$ 308,818</u> | <u>\$ 1,123,297</u> |

NOTE 4 - 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>2003</u> | <u>2002</u> |
|--------------------------------|---------------------|---------------------|
| Deposits: | | |
| Demand deposits | \$ 1,074,925 | \$ 937,138 |
| Investments: | | |
| STAR Ohio | <u>1,523,810</u> | <u>1,506,521</u> |
| Total deposits and investments | <u>\$ 2,598,735</u> | <u>\$ 2,443,659</u> |

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

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

**VILLAGE OF MT. GILEAD
MORROW COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002

NOTE 5 - COMPLIANCE

It was noted during the audit that the Village had appropriations in excess of estimated resources in the following funds for the years ending December 31, 2003 and 2002 in noncompliance with Ohio Revised Code Section 5705.39:

| <u>Fund Type/Fund</u> | <u>Estimated Resources</u> | <u>Appropriations</u> | <u>Excess</u> |
|------------------------------|--------------------------------|-----------------------|---------------|
| 2003: | | | |
| <u>Special Revenue Fund</u> | | | |
| Law Enforcement Trust Fund | \$ 10,166 | \$ 18,500 | \$ 8,334 |
| 2002: | | | |
| <u>Fund Type/Fund</u> | | | |
| General Fund | 1,564,567 | 1,594,991 | 30,424 |
| <u>Debt Service Fund</u> | | | |
| General Bond Obligations | 309,400 | 379,350 | 69,950 |
| <u>Capital Projects Fund</u> | | | |
| Capital Projects (Issue II) | 1,694 | 38,000 | 36,306 |
| <u>Enterprise Fund</u> | | | |
| Waste Compactor | 101,467 | 111,000 | 9,533 |

**VILLAGE OF MT. GILEAD
MORROW COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002

NOTE 5 - COMPLIANCE - (Continued)

It was noted during the audit that for the years ended December 31, 2003 and 2002 the Village had expenditures exceeding appropriations in noncompliance with Ohio Revised Code Section 5705.41(B) in the following funds:

| <u>Fund Type/Fund/Department Object</u> | <u>Appropriations</u> | <u>Expenditures</u> | <u>Excess</u> |
|---|-----------------------|---------------------|---------------|
| 2003: | | | |
| <u>General Fund</u> | | | |
| County Health District: | | | |
| Supplies and Materials | \$ 2,700 | \$ 3,414 | \$ 714 |
| Village Administrator: | | | |
| Personal Services | 14,865 | 15,061 | 196 |
| Transportation | 485 | 888 | 403 |
| Clerk/Treasurer: | | | |
| Contractual Services | 2,800 | 6,067 | 3,267 |
| <u>Special Revenue Funds</u> | | | |
| Street Maintenance & Repair: | | | |
| Supplies and Materials | 15,740 | 42,533 | 26,793 |
| Capital Outlay | 8,000 | - | 8,000 |
| Mayor's Computer: | | | |
| Supplies and Materials | 627 | 4,127 | 3,500 |
| <u>Enterprise Funds</u> | | | |
| Water Fund: | | | |
| Personal Services | 30,380 | 48,129 | 17,749 |
| Capital Outlay | 47,500 | 353,556 | 306,056 |
| Sewer Fund: | | | |
| Personal Services | 83,137 | 101,423 | 18,286 |
| Recreation Fund: | | | |
| Supplies and Materials | - | 41,836 | 41,836 |

**VILLAGE OF MT. GILEAD
MORROW COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002

NOTE 5 - COMPLIANCE - (Continued)

| <u>Fund Type/Fund/Department Object</u> | <u>Appropriations</u> | <u>Expenditures</u> | <u>Excess</u> |
|---|-----------------------|---------------------|---------------|
| 2002: | | | |
| <u>General Fund</u> | | | |
| Police Law Enforcement: | | | |
| Personal Services | \$ 377 | \$ 3,580 | \$ 3,203 |
| Contractual Services | 25,013 | 35,264 | 10,251 |
| Capital Outlay | 936 | 2,351 | 1,415 |
| Firefighting: | | | |
| Contractual Services | 4,568 | 27,563 | 22,995 |
| County Health District: | | | |
| Personal Services | 500 | 1,792 | 1,292 |
| Legislative Activities: | | | |
| Contractual Services | 84,655 | 92,951 | 8,296 |
| Mayor's Court: | | | |
| Contractual Services | 5,000 | 9,034 | 4,034 |
| Capital Outlay | 280 | 325 | 45 |
| Clerk/Treasurer: | | | |
| Contractual Services | 900 | 2,670 | 1,770 |
| Capital Outlay | 1,300 | 27,972 | 26,672 |
| <u>Special Revenue Fund</u> | | | |
| Street Maintenance & Repair: | | | |
| Capital Outlay | 7,500 | 64,368 | 56,868 |
| <u>Capital Project Funds</u> | | | |
| Capital Improvement: | | | |
| Capital Outlay | 13,500 | 51,339 | 37,839 |

**VILLAGE OF MT. GILEAD
MORROW COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002

NOTE 5 - COMPLIANCE - (Continued)

| <u>Fund Type/Fund/Department Object</u> | <u>Appropriations</u> | <u>Expenditures</u> | <u>Excess</u> |
|---|-----------------------|---------------------|---------------|
| 2002: | | | |
| <u>Enterprise Funds</u> | | | |
| Water Fund: | | | |
| Personal Services | \$ 73,700 | \$ 94,045 | \$ 20,345 |
| Contractual Services | 12,000 | 71,643 | 59,643 |
| Capital Outlay | 18,400 | 576,501 | 558,101 |
| Transfers | - | 107,690 | 107,690 |
| Sewer Fund: | | | |
| Contractual Services | 5,820 | 54,504 | 48,684 |
| Capital Outlay | 2,500 | 48,897 | 46,397 |
| Recreation Fund: | | | |
| Contractual Services | 350 | 5,438 | 5,088 |
| Materials and Supplies | 4,280 | 18,351 | 14,071 |

NOTE 6 - TAXES

A. PROPERTY TAXES

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.

**VILLAGE OF MT. GILEAD
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002**

NOTE 6 - TAXES - (Continued)

B. INCOME TAXES

The Regional Income Tax Agency (RITA) administers and collects income taxes for the Village of Mt. Gilead. Payments less a 3% administration fee for RITA, are remitted to the Village monthly for tax receipts received in the prior month. Income tax revenue is credited to the General fund at 95% and the Capital Improvements Fund at 5%. Income Tax Revenue totaled \$732,653 and \$719,356 in 2003 and 2002, respectively.

NOTE 7 - DEBT OBLIGATIONS

At December 31, 2003, debt obligations consisted of the following issuances:

| <u>Description</u> | <u>Balance at December 31, 2003</u> |
|---|---|
| 1999 Water System Mortgage Revenue Bonds for construction of water system, due in monthly installments of varying amounts through 2017 bearing a varying interest rate. | \$ 3,250,000 |
| 2002 Promissory Note for purchase of a new refuse truck, due in varying amounts through December 12, 2007, bearing an interest rate of 3.9%. | <u>74,616</u> |
| Total debt obligations at December 31,2003 | <u>\$ 3,324,616</u> |

**VILLAGE OF MT. GILEAD
MORROW COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002

NOTE 7 - DEBT OBLIGATIONS - (Continued)

Transactions for the years ended December 31, 2003 and 2002 are summarized as follows:

| <u>2003</u> | <u>Balance at December 31, 2002</u> | <u>Proceeds</u> | <u>Payments</u> | <u>Balance at December 31, 2003</u> |
|----------------------------------|--|------------------|---------------------|---|
| <u>Description</u> | | | | |
| Mortgage Revenue Refunding Bonds | \$ 3,410,000 | \$ - | \$ (160,000) | \$ 3,250,000 |
| Promissory Note | <u>93,270</u> | <u>-</u> | <u>(18,654)</u> | <u>74,616</u> |
| Total | <u>\$ 3,503,270</u> | <u>\$ -</u> | <u>\$ (178,654)</u> | <u>\$ 3,324,616</u> |
| 2002: | | | | |
| | <u>Restated Balance at December 31, 2001</u> | <u>Proceeds</u> | <u>Payments</u> | <u>Balance at December 31, 2002</u> |
| <u>Description</u> | | | | |
| Mortgage Revenue Refunding Bonds | \$ 3,560,000 | \$ - | \$ (150,000) | \$ 3,410,000 |
| Water Distribution Notes | 250,000 | - | (250,000) | - |
| Promissory Note | <u>-</u> | <u>93,270</u> | <u>-</u> | <u>93,270</u> |
| Total | <u>\$ 3,810,000</u> | <u>\$ 93,270</u> | <u>\$ (400,000)</u> | <u>\$ 3,503,270</u> |

The beginning balances at December 31, 2001 were restated based upon changes to repayment requirements.

The principal and interest requirements to retire the debt obligations outstanding at December 31, 2003, are as follows:

| <u>Year Ending December 31</u> | <u>Promissory Note</u> | | <u>Mortgage Revenue Bonds</u> | | <u>Totals</u> | |
|------------------------------------|------------------------|-----------------|-------------------------------|---------------------|---------------------|---------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> |
| 2004 | \$ 18,654 | \$ 2,910 | \$ 170,000 | \$ 161,283 | \$ 188,654 | \$ 164,193 |
| 2005 | 18,654 | 2,183 | 175,000 | 154,058 | 193,654 | 156,241 |
| 2006 | 18,654 | 1,455 | 185,000 | 146,445 | 203,654 | 147,900 |
| 2007 | 18,654 | 728 | 190,000 | 138,213 | 208,654 | 138,941 |
| 2008 | - | - | 200,000 | 129,568 | 200,000 | 129,568 |
| 2009 - 2013 | - | - | 1,160,000 | 494,553 | 1,160,000 | 494,553 |
| 2014 - 2017 | <u>-</u> | <u>-</u> | <u>1,170,000</u> | <u>161,760</u> | <u>1,170,000</u> | <u>161,760</u> |
| Total | <u>\$ 74,616</u> | <u>\$ 7,276</u> | <u>\$ 3,250,000</u> | <u>\$ 1,385,880</u> | <u>\$ 3,324,616</u> | <u>\$ 1,393,156</u> |

**VILLAGE OF MT. GILEAD
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002**

NOTE 8 - RETIREMENT SYSTEMS

The Village's full-time law enforcement officers belong to the Ohio Police & Fire Pension Funds (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including post-retirement 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 2003 and 2002, members of OP&F contributed 10% of their wages to the OP&F. The Village contributed an amount equal to 19.5% of their wages. OPERS 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 required contributions as of December 31, 2003.

NOTE 9 - RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

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

NOTE 10 - 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, 2003, the custodian held \$339,502 in Village assets. These assets and the related receipts and disbursements are not reflected in the accompanying financial statements.

NOTE 11 - LITIGATION

The Village is currently party to pending litigation. In management's opinion, this issue does not represent a potential significant financial impact on the Village.

**VILLAGE OF MT. GILEAD
MORROW COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002

NOTE 11 - INTERFUND TRANSACTIONS

The Village had the following interfund transactions for the year ended December 31, 2003:

| <u>Fund Type/Fund</u> | <u>Transfers In</u> | <u>Transfers Out</u> |
|---|---------------------|----------------------|
| General Fund | \$ - | \$ 325,479 |
| <u>SPECIAL REVENUE FUNDS:</u> | | |
| Street Construction, Maintenance & Repair | 200,000 | 10,000 |
| Street Equipment Reserve | 10,000 | - |
| Police Equipment Reserve | 15,000 | - |
| Police Disability Pension | <u>30,000</u> | <u>-</u> |
| Total Special Revenue Funds | <u>255,000</u> | <u>10,000</u> |
| <u>CAPITAL PROJECTS FUNDS:</u> | | |
| Capital Improvement | \$ 10,000 | \$ - |
| Water Works Capital Improvement | 58,575 | - |
| Sewer Capital Improvement | <u>31,444</u> | <u>-</u> |
| Total Capital Projects Funds | <u>100,019</u> | <u>-</u> |
| <u>ENTERPRISE FUNDS:</u> | | |
| Recreation Fund | 40,000 | - |
| Water Fund | - | 58,575 |
| Sewer Fund | <u>-</u> | <u>31,444</u> |
| Total Enterprise Funds | <u>40,000</u> | <u>90,019</u> |
| <u>EXPENDABLE TRUST FUND:</u> | | |
| Income Tax | <u>30,479</u> | <u>-</u> |
| Total | <u>\$ 425,498</u> | <u>\$ 425,498</u> |

**VILLAGE OF MT. GILEAD
MORROW COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002

NOTE 11 - INTERFUND TRANSACTIONS - (Continued)

The Village had the following interfund transactions for the year ended December 31, 2002:

| <u>Fund Type/Fund</u> | <u>Transfers In</u> | <u>Transfers Out</u> |
|---|---------------------|----------------------|
| General Fund | \$ <u> -</u> | \$ <u> 315,000</u> |
| <u>SPECIAL REVENUE FUNDS:</u> | | |
| Street Construction, Maintenance & Repair | 200,000 | 20,000 |
| Street Equipment Reserve | 20,000 | - |
| Police Equipment Reserve | 15,000 | - |
| Police Disability Pension | <u> 30,000</u> | <u> -</u> |
| Total Special Revenue Funds | <u> 265,000</u> | <u> 20,000</u> |
| <u>DEBT SERVICE FUNDS:</u> | | |
| General Obligation Debt | <u> 250,000</u> | <u> -</u> |
| Total Debt Service Funds | <u> 250,000</u> | <u> -</u> |
| <u>CAPITAL PROJECTS FUNDS:</u> | | |
| Water Works Capital Improvement | 58,690 | - |
| Sewer Capital Improvement | <u> 31,434</u> | <u> -</u> |
| Total Capital Projects Funds | <u> 90,124</u> | <u> -</u> |
| <u>ENTERPRISE FUNDS:</u> | | |
| Water System Reserve Fund | 25,000 | - |
| Replacement and Improvement Fund | 24,000 | - |
| Recreation Fund | 25,000 | - |
| Refuse Fund | 25,000 | - |
| Sewer Fund | - | 31,434 |
| Water Fund | <u> -</u> | <u> 357,690</u> |
| Total Enterprise Funds | <u> 99,000</u> | <u> 389,124</u> |
| <u>EXPENDABLE TRUST FUND:</u> | | |
| Income Tax | <u> 20,000</u> | <u> -</u> |
| Total | <u>\$ 724,124</u> | <u>\$ 724,124</u> |

TRIMBLE, JULIAN & GRUBE, INC.

“SERVING OHIO LOCAL GOVERNMENTS”

1445 Worthington Woods Boulevard
Suite B
Worthington, Ohio 43085

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Facsimile 614.846.2799

Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Members of Council
Village of Mt. Gilead
72 West High Street
Mt. Gilead, Ohio 43338

We have audited the financial statements of the Village of Mt. Gilead (the “Village”), Morrow County, Ohio, as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated May 3, 2004, wherein we noted the Village reclassified its Waste Compactor Fund. 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.

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 instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2003-VOMG-001 and 2003-VOMG-002. We also noted certain immaterial instances of noncompliance that we have reported to the management of the Village in a separate letter dated May 3, 2004.

Village of Mt. Gilead
Morrow County

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 May 3, 2004.

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

Trimble, Julian & Grube, Inc.
May 3, 2004

**VILLAGE OF MT. GILEAD
MORROW COUNTY, OHIO
DECEMBER 31, 2003 AND 2002**

SCHEDULE OF FINDINGS

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

| | |
|----------------|---------------|
| Finding Number | 2003-VOMG-001 |
|----------------|---------------|

Ohio Revised Code Section 5705.39 requires that no fund should have appropriations in excess of estimated resources.

It was noted during the audit that the Village had appropriations in excess of estimated resources in the following funds for the years ended December 31, 2003 and 2002:

| <u>Fund Type/Fund</u> | <u>Estimated Resources</u> | <u>Appropriations</u> | <u>Excess</u> |
|------------------------------|----------------------------|-----------------------|---------------|
| 2003: | | | |
| <u>Special Revenue Fund</u> | | | |
| Law Enforcement Trust Fund | \$ 10,166 | \$ 18,500 | \$ 8,334 |
| 2002: | | | |
| <u>Fund Type/Fund</u> | | | |
| General Fund | 1,564,567 | 1,594,991 | 30,424 |
| <u>Debt Service Fund</u> | | | |
| General Bond Obligations | 309,400 | 379,350 | 69,950 |
| <u>Capital Projects Fund</u> | | | |
| Capital Projects (Issue II) | 1,694 | 38,000 | 36,306 |
| <u>Enterprise Fund</u> | | | |
| Waste Compactor | 101,467 | 111,000 | 9,533 |

With appropriations exceeding estimated resources the Village may spend more funds than in the Treasury or process of collection and cause fund deficits.

We recommend that the Village comply with the Ohio Revised Code and Auditor of State Bulletin 97-010 by keeping more accurate appropriations versus estimated resources records and amending the budget prior to year end. If it is determined that estimated revenues will be greater than initially anticipated, the Village should amend its official estimate in order to provide for any additional appropriations; however, appropriations should not exceed estimated resources. In addition, the Village should monitor its budgetary process on a regular basis.

**VILLAGE OF MT. GILEAD
MORROW COUNTY, OHIO
DECEMBER 31, 2003 AND 2002**

SCHEDULE OF FINDINGS

**1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)**

| | |
|----------------|---------------|
| Finding Number | 2003-VOMG-002 |
|----------------|---------------|

Ohio Revised Code Section 5705.41 (B) requires that no subdivision is to expend money unless it has been appropriated.

It was noted during the audit that for the years ended December 31, 2003 and 2002 the Village had expenditures exceeding appropriations in the following funds:

| <u>Fund Type/Fund/Department Object</u> | <u>Appropriations</u> | <u>Expenditures</u> | <u>Excess</u> |
|---|-----------------------|---------------------|---------------|
| 2003: | | | |
| <u>General Fund</u> | | | |
| County Health District: | | | |
| Supplies and Materials | \$ 2,700 | \$ 3,414 | \$ 714 |
| Village Administrator: | | | |
| Personal Services | 14,865 | 15,061 | 196 |
| Transportation | 485 | 888 | 403 |
| Clerk/Treasurer: | | | |
| Contractual Services | 2,800 | 6,067 | 3,267 |
| <u>Special Revenue Fund</u> | | | |
| Street Maintenance & Repair: | | | |
| Supplies and Materials | 15,740 | 42,533 | 26,793 |
| Capital Outlay | 8,000 | - | 8,000 |
| Mayor's Computer: | | | |
| Supplies and Materials | 627 | 4,127 | 3,500 |
| <u>Enterprise Fund</u> | | | |
| Water Fund: | | | |
| Personal Services | 30,380 | 48,129 | 17,749 |
| Capital Outlay | 47,500 | 353,556 | 306,056 |
| Sewer Fund: | | | |
| Personal Services | 83,137 | 101,423 | 18,286 |
| Recreation Fund: | | | |
| Supplies and Materials | - | 41,836 | 41,836 |

**VILLAGE OF MT. GILEAD
MORROW COUNTY, OHIO
DECEMBER 31, 2003 AND 2002**

SCHEDULE OF FINDINGS

**1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)**

| Finding Number | 2003-VOMG-002 - (Continued) | | |
|---|-----------------------------|---------------------|---------------|
| <u>Fund Type/Fund/Department Object</u> | <u>Appropriations</u> | <u>Expenditures</u> | <u>Excess</u> |
| 2002: | | | |
| <u>General Fund</u> | | | |
| Police Law Enforcement: | | | |
| Personal Services | \$ 377 | \$ 3,580 | \$ 3,203 |
| Contractual Services | 25,013 | 35,264 | 10,251 |
| Capital Outlay | 936 | 2,351 | 1,415 |
| Firefighting: | | | |
| Contractual Services | 4,568 | 27,563 | 22,995 |
| County Health District: | | | |
| Personal Services | 500 | 1,792 | 1,292 |
| Legislative Activities: | | | |
| Contractual Services | 84,655 | 92,951 | 8,296 |
| Mayor's Court: | | | |
| Contractual Services | 5,000 | 9,034 | 4,034 |
| Capital Outlay | 280 | 325 | 45 |
| Clerk/Treasurer: | | | |
| Contractual Services | 900 | 2,670 | 1,770 |
| Capital Outlay | 1,300 | 27,972 | 26,672 |
| <u>Special Revenue Fund</u> | | | |
| Street Maintenance & Repair: | | | |
| Capital Outlay | 7,500 | 64,368 | 56,868 |
| <u>Capital Project Funds</u> | | | |
| Capital Improvement: | | | |
| Capital Outlay | 13,500 | 51,339 | 37,839 |

**VILLAGE OF MT. GILEAD
MORROW COUNTY, OHIO
DECEMBER 31, 2003 AND 2002**

SCHEDULE OF FINDINGS

**1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)**

| | |
|----------------|-----------------------------|
| Finding Number | 2003-VOMG-002 - (Continued) |
|----------------|-----------------------------|

| <u>Fund Type/Fund/Department Object</u> | <u>Appropriations</u> | <u>Expenditures</u> | <u>Excess</u> |
|---|-----------------------|---------------------|---------------|
| 2002: | | | |
| <u>Enterprise Funds</u> | | | |
| Water Fund: | | | |
| Personal Services | \$ 73,700 | \$ 94,045 | \$ 20,345 |
| Contractual Services | 12,000 | 71,643 | 59,643 |
| Capital Outlay | 18,400 | 576,501 | 558,101 |
| Transfers | - | 107,690 | 107,690 |
| Sewer Fund: | | | |
| Contractual Services | 5,820 | 54,504 | 48,684 |
| Capital Outlay | 2,500 | 48,897 | 46,397 |
| Recreation Fund: | | | |
| Contractual Services | 350 | 5,438 | 5,088 |
| Materials and Supplies | 4,280 | 18,351 | 14,071 |

The Village is expending monies that have not been approved by the Members of Council. This could result in unnecessary purchases or fund deficits.

We recommend that the Village comply with the Ohio Revised Code and Auditor of State Bulletin 97-010 by monitoring expenditures so they do not exceed lawful appropriations. This may be achieved by monitoring the budget more closely on a continual basis and making appropriation amendments as necessary.

**VILLAGE OF MT. GILEAD
MORROW COUNTY, OHIO
DECEMBER 31, 2003 AND 2002**

STATUS OF PRIOR AUDIT FINDINGS

| <u>Finding Number</u> | <u>Finding Summary</u> | <u>Fully Corrected?</u> | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain: |
|------------------------------|--|--------------------------------|--|
| 2001-VOMG-001 | Ohio Revised Code Section 5705.39 requires that no fund should have appropriations in excess of estimated resources. | No | Reissued as finding 2003-VOMG-001. |
| 2001-VOMG-002 | Ohio Revised Code Section 5705.41 (B) requires that no subdivision is to expend money unless it has been appropriated. | No | Reissued as finding 2003-VOMG-002. |



**Auditor of State
Betty Montgomery**

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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
JUNE 29, 2004**