

VILLAGE OF MENDON

MERCER COUNTY

REGULAR AUDIT

JANUARY 1, 2010 THROUGH DECEMBER 31, 2011

FISCAL YEARS AUDITED UNDER GAGAS: 2011 & 2010



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Dave Yost • Auditor of State

Village Council
Village of Mendon
P.O. Box 167
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Mendon, Ohio 45862

We have reviewed the *Independent Auditor's Report* of the Village of Mendon, Mercer County, prepared by Caudill & Associates, CPAs, 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.

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 Mendon is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

June 6, 2013

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Mercer County, Ohio
For the Years Ended December 31, 2011 and 2010
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Independent Auditor's Report

Village of Mendon
Mercer County
P.O. Box 167
102 South Main Street
Mendon, Ohio 45862

To the Village Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the Village of Mendon, Mercer County, Ohio, (the Village) as of and for the years ended December 31, 2011 and 2010 which collectively comprise the Village's basic financial statements. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audits 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 opinions.

As discussed in Note 2, the Village has prepared these financial statements and notes using the cash basis of accounting. This is a comprehensive accounting basis 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 respective cash basis financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the Village of Mendon, Mercer County, Ohio as of December 31, 2011 and 2010, and the respective changes in cash basis financial position and the respective budgetary comparisons for the General Fund, State Highway Fund (2011 only) and the Park Addition Fund (2010 only), thereof for the years then ended in conformity with the basis of accounting Note 2 describes.

Village of Mendon
Mercer County
Independent Auditors' Report

As described in note 13, during 2011 the Village of Mendon adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 26, 2013, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing.

We conducted our audit to opine on the Village's financial statements taken as a whole. Management's Discussion & Analysis includes tables of net assets, changes in net assets, analysis of program expenditures of governmental activities and long-term debt. These tables provide additional information, but are not part of the basic financial statements. However, these tables are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. These tables were subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in the Management's Discussion & Analysis, and we express no opinion or any other assurance on it.

Caudill & Associates, CPA

Caudill & Associates, CPA
April 26, 2013

Village of Mendon
Management's Discussion and Analysis
For the Years Ended December 31, 2011 and 2010
Unaudited

This management discussion and analysis of the Village of Mendon's financial performance provides an overall review of the Village's financial activities for the year ended December 31, 2011, and 2010, within the limitations of the Village's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Village's financial performance.

Highlights

Key highlights for 2011 are as follows:

The Government's general receipts are primarily property taxes and intergovernmental. These receipts represent 85.8 percent of the total cash received for governmental activities. Property tax receipts and Intergovernmental receipts for 2011 decreased insignificantly compared to 2010 as development within the Government decreased slightly.

In 2011, the Village received a government grant in the amount of \$242,018 to make improvements to its utility infrastructure for the utility services the Village provides

Key highlights for 2010 are as follows:

The Government's general receipts are primarily property taxes and intergovernmental. These receipts represent 83.1 percent of the total cash received for governmental activities.

At the end of 2010, the Village was still looking into grant monies for community projects, sewer upgrades, and other funding that will benefit the citizens of the Village.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Village's cash basis of accounting.

Report Components

The statement of net assets and the statement of activities provide information about the cash activities of the Village as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Village as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Village of Mendon
Management's Discussion and Analysis
For the Years Ended December 31, 2011 and 2010
Unaudited

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Village has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Village's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting the Village as a Whole

The Statement of Net Assets and the Statement of Activities reflect how the Village did financially during 2011 and 2010, within the limitations of cash basis accounting. The Statement of Net Assets presents the cash balances of the governmental and business-type activities of the Village at year end. The Statement of Activities compares cash disbursements with program receipts for each governmental program and business type activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function or business-type activity draws from the Village's general receipts.

These statements report the Village's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Village's financial health. Over time, increases or decreases in the Village's cash position is one indicator of whether the Village's financial health is improving or deteriorating. When evaluating the Village's financial condition, you should also consider other non-financial factors as well such as the Village's property tax base, the condition of the Village's capital assets and infrastructure, the extent of the Village's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property and income taxes.

In the Statement of Net Assets and the statement of activities, we divide the Village into two types of activities:

Governmental activities: Most of the Village's basic services are reported here, including police, fire, streets and parks. State and federal grants and income and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Business-type activity: The Village has two business-type activities, the provisions of water and sewer services. Business-type activities are financed by a fee charged to the customers receiving the service.

Village of Mendon
Management's Discussion and Analysis
For the Years Ended December 31, 2011 and 2010
Unaudited

Reporting the Village's Most Significant Funds

Fund financial statements provide detailed information about the Village's major funds – not the Village as a whole. The Village establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Village are split into two categories: governmental and proprietary.

Governmental Funds - Most of the Village's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Village's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Village's programs. The Village's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Village's major governmental funds are the General Fund, State Highway Fund (2011 only) and Park Addition Fund (2010 only). These programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

Proprietary Funds – When the Village charges customers for the services it provides, these services are generally reported in proprietary funds. When the services are provided to the general public, the activity is reported as an enterprise fund. The Village had four major enterprise funds in 2011, Water, Electric, Water Debt Service, and Sewer Debt Service funds. The Village had five major enterprise funds in 2010, Water, Electric, Water Debt Service, Sewer Debt Service and Water Replacement. When the services are provided to other departments of the Village, the service is reported as an internal service fund. The Village has no internal service funds.

The Village as a Whole

Table 1 provides a summary of the Village's net assets for years 2011 and 2010 on the cash basis of accounting:

Table 1
Net Assets

	Governmental Activities		
	2011	2010	2009
Assets			
Cash and Cash Equivalents	\$58,927	\$44,790	\$42,432
Investments	12,979	12,971	12,503
Total Assets	\$71,906	\$57,761	\$54,935
Net Assets			
Restricted for:			
Other Purposes	\$59,857	\$48,939	\$50,363
Cemetery Endowment			
Expendable	\$294	\$473	\$473
Non-expendable	\$2,500	\$2,500	\$2,500
Unrestricted	\$9,255	\$5,849	\$1,599
Total Net Assets	\$71,906	\$57,761	\$54,935

Village of Mendon
Management's Discussion and Analysis
For the Years Ended December 31, 2011 and 2010
Unaudited

Table 1 (Continued)
Net Assets

	Business-Type Activities		
	2011	2010	2009
Assets			
Cash and Cash Equivalents	\$ 147,669	\$ 220,542	\$ 163,936
Investments	149,253	149,170	149,449
Total Assets	\$ 296,922	\$ 369,712	\$ 313,385
Net Assets			
Restricted for:			
Debt Service	76,943	209,777	167,542
Capital Outlay	-	50,037	54,801
Other Purposes	36,394	7,180	11,392
Unrestricted	183,585	102,718	79,650
Total Net Assets	\$ 296,922	\$ 369,712	\$ 313,385
Assets			
	Total		
	2011	2010	2009
Cash and Cash Equivalents	\$ 206,596	\$ 265,332	\$ 206,368
Investments	162,232	162,141	161,952
Total Assets	\$ 368,828	\$ 427,473	\$ 368,320
Net Assets			
Restricted for:			
Debt Service	76,943	209,777	167,542
Capital Outlay	-	50,037	54,801
Other Purposes	96,251	56,119	61,755
Cemetery Endowment			
Expendable	294	473	473
Non-expendable	2,500	2,500	2,500
Unrestricted	192,840	108,567	81,249
Total Net Assets	\$ 368,828	\$ 427,473	\$ 368,320

As noted, net assets of governmental activities increased \$14,145 or 24.49% during 2011. The primary reason contributing to the increase in the cash balance is as follows:

- Disbursements decreased over the prior year as the Village continues to monitor its expenses closely.

As mentioned previously, net assets of governmental activities increased \$2,826 or 5.1% during 2010. The primary reasons contributing to the increases in cash balances are as follows:

Village of Mendon
Management's Discussion and Analysis
For the Years Ended December 31, 2011 and 2010
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- Disbursements decreased over the prior year as the Village continues to monitor its expenses closely.

Table 2 reflects the changes in net assets in 2011 and 2010.

Table 2- Change in Net Assets

	Governmental Activities		
	2011	2010	2009
Receipts:			
Program Receipts:			
Charges for Services and Sales	\$16,457	\$13,311	\$11,876
Operating Grants and Contribution	68,521	27,100	26,872
Capital Grants and Contribution	-	50,000	-
Total Program Receipts	84,978	90,411	\$38,748
General Receipts:			
Property and Other Local Taxes	33,956	35,785	38,410
Grants Not Restricted and Contributions	15,993	14,563	14,249
Interest	222	426	1,237
Miscellaneous	7,430	9,821	5,268
Sale of Notes	-	-	62,285
Total General Receipts	57,601	60,595	121,449
Total Receipts	142,579	151,006	160,197
Disbursements:			
General Government	27,593	17,407	45,841
Security of Persons and Property	11,746	14,387	18,623
Public Health	11,749	9,654	7,913
Basic Utilities	940	1,500	2,643
Leisure Time Activities	2,011	1,713	73,944
Transportation	40,786	40,491	37,777
Capital Outlay	29,829	7,203	12,285
Principal Retirement	3,650	54,822	-
Interest and Fiscal Charges	130	1,003	-
Other Financing Uses	-	-	80
Total Disbursements	128,434	148,180	199,106
Increase/(Decrease) in Net Assets	14,145	2,826	(38,909)
Net Assets Beginning of Year	57,761	54,935	93,844
Net Assets End of Year	\$71,906	\$57,761	\$54,935

Village of Mendon
Management's Discussion and Analysis
For the Years Ended December 31, 2011 and 2010
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Table 2- Change in Net Assets (Continued)

	Business Type Activities		
	2011	2010	2009
Receipts:			
Program Receipts:			
Charges for Services and Sales	\$760,754	\$723,079	\$675,955
Capital Grants and Contributions	242,018	-	-
Total Program Receipts	<u>1,002,772</u>	<u>723,079</u>	<u>\$675,955</u>
General Receipts:			
Interest	7	70	257
Advance In	-	-	4,484
Total General Receipts	<u>7</u>	<u>70</u>	<u>4,741</u>
<i>Total Receipts</i>	<u>1,002,779</u>	<u>723,149</u>	<u>680,686</u>
Disbursements:			
Water	291,724	114,329	127,859
Sewer	307,883	72,932	60,736
Electric	465,158	462,061	467,884
Utility Deposits	10,804	17,500	10,804
Advance Out	-	-	4,484
<i>Total Disbursements</i>	<u>1,075,569</u>	<u>666,822</u>	<u>671,767</u>
Increase/(Decrease) in Net Assets	(72,790)	56,327	8,929
Net Assets Beginning of Year	<u>369,712</u>	<u>313,385</u>	<u>304,456</u>
Net Assets End of Year	<u>\$296,922</u>	<u>\$369,712</u>	<u>\$313,385</u>

Village of Mendon
Management's Discussion and Analysis
For the Years Ended December 31, 2011 and 2010
Unaudited

Table 2- Change in Net Assets (Continued)

	2011	TOTAL 2010	2009
Receipts:			
Program Receipts:			
Charges for Services and Sales	\$777,211	\$736,390	\$687,831
Operating Grants and Contributions	68,521	27,100	26,872
Capital Grants and Contributions	242,018	50,000	-
Total Program Receipts	<u>1,087,750</u>	<u>813,490</u>	<u>714,703</u>
General Receipts:			
Property and Other Local Taxes	\$33,956	35,785	38,410
Grants Not Restricted and Contributions	15,993	14,563	14,249
Interest	229	496	1,494
Miscellaneous	7,430	9,821	5,268
Advance In	-	-	4,484
Sale of Notes	-	-	62,285
Total General Receipts	<u>57,608</u>	<u>60,665</u>	<u>126,190</u>
<i>Total Receipts</i>	<u>1,145,358</u>	<u>874,155</u>	<u>840,893</u>
Disbursements:			
General Government	27,593	17,407	45,841
Security of Persons and Property	11,746	14,387	18,623
Public Health	11,749	9,654	7,913
Basic Utilities	940	1,500	2,643
Leisure Time Activities	2,011	1,713	73,944
Transportation	40,786	40,491	37,777
Capital Outlay	29,829	7,203	12,285
Water	291,724	114,329	127,859
Sewer	307,883	72,932	60,736
Electric	465,158	462,061	467,884
Utility Deposits	10,804	17,500	10,804
Principal Retirement	3,650	54,822	-
Interest and Fiscal Charges	130	1,003	-
Advance Out	-	-	4,484
Other Financing Uses	-	-	80
<i>Total Disbursements</i>	<u>1,204,003</u>	<u>815,002</u>	<u>870,873</u>
Increase/(Decrease) in Net Assets	(58,645)	59,153	(29,980)
Net Assets – Beginning of Year	<u>427,473</u>	<u>368,320</u>	<u>398,300</u>
Net Assets End of Year	<u>368,828</u>	<u>427,473</u>	<u>\$368,320</u>

Village of Mendon
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Program receipts represent 95.0 percent and 93.1 percent for 2011 and 2010, respectively of total receipts and are primarily comprised of charges for services for water, sewer and electric and grants.

General receipts represent 5.0 percent and 6.9 percent for 2011 and 2010, respectively of total receipts, and of this amount, over 58.0 percent for 2011 and 59.0 percent for 2010 are property taxes. State and Federal Grants and entitlements make up approximately 27.8 and 24.0 percent in 2011 and 2010, respectively of the general receipts. Other receipts are insignificant and somewhat unpredictable revenue sources.

Disbursements for General Government represent the overhead costs of running the Village and the support services provided for the other Village activities. These include the costs of council, Mayor and the Clerk-Treasurer.

Governmental Activities

If you look at the Statement of Activities on page 15 & 16 for 2011 and 2010, respectively, you will see that the first column lists the major services provided by the Village. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for general government and transportation, which account for 53.2 and 39.1 percent, respectively of all governmental disbursements, respectively. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Village that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

Table 3
Governmental Activities

	Total Cost of Services 2011	Net Cost of Services 2011	Total Cost of Services 2010	Net Cost of Services 2010
General Government	\$27,593	\$23,644	17,407	13,886
Public Health Services	11,749	(759)	9,654	(136)
Security of Persons and Property	11,746	11,746	14,387	14,387
Leisure Time Activities	2,011	2,011	1,713	(48,287)
Basic Utilities	940	940	1,500	1,500
Transportation	40,786	(27,735)	40,491	13,391
Principal Retirement	3,650	3,650	54,822	54,822
Interest and Fiscal Charges	130	130	1,003	1,003
Capital Outlay	29,829	29,829	7,203	7,203
Total Expenses	<u>\$128,434</u>	<u>\$43,456</u>	<u>148,180</u>	<u>57,769</u>

The dependence upon tax receipts and intergovernmental support is apparent as over 38.89 percent in 2011 and 33.98 percent in 2010 of governmental activities are supported through these general receipts.

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Business-type activities

The water, sewer and electric operations of the Village routinely report receipts and cash disbursements that are relatively equal. The excess receipts are being used to pay debt and saved for future capital improvements.

The Village's Funds

Total governmental funds had receipts of \$142,579 and \$151,006 and disbursements of \$128,434 and \$148,180 for 2011 and 2010, respectively. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund increased during 2011 and 2010 as the result of normal operation to maintain the Village.

General Fund Budgeting Highlights

The Village's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

For 2011, the General Fund Budget was set at \$56,391. Final budgeted receipts were the same as original budgeted receipts due to no amendments made in 2011. The difference between final budgeted receipts and actual receipts was \$(6,810). For 2010, the General Fund budget was set at \$63,027. Final budgeted receipts were the same as original budgeted receipts due to no amendments made in 2010. The difference between final budgeted receipts and actual receipts was \$(11,334).

Final disbursements were budgeted at \$62,240 for 2011 and \$64,626 for 2010 while actual disbursements were \$46,175 and \$47,443, respectively.

Capital Assets and Debt Administration

Capital Assets

The Village does not currently keep track of its capital assets and infrastructure.

Debt

At December 31, 2011, the Village's outstanding debt included \$95,456 for sanitary sewer system improvements and \$3,813 for the purchase of a truck. For further information regarding the Village's debt, refer to Note 10 of the financial statement.

Village of Mendon
Management's Discussion and Analysis
For the Years Ended December 31, 2011 and 2010
Unaudited

Current Issues

The challenge for all Governments is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on local taxes and have very little industry to support the tax base. The Council watches the budget very closely. We discuss spending in depth for each major purchase, such as street repair, tree planting, and alley repairs. We try to plan according to what we might want to do to improve the Village each year. We don't have a large budget, but we try to spend the money in a way that will most benefit the residents of our Village.

Contacting the Village's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Village's finances and to reflect the Village's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Kristina Boroff, Fiscal Officer, 102 S. Main Street, P.O. Box 167, Mendon, Ohio 45862.

Village of Mendon
Statement of Net Assets - Cash Basis
December 31, 2011

	Governmental Activities	Business - Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 58,927	\$ 147,669	\$ 206,596
Investments	12,979	149,253	162,232
<i>Total Assets</i>	<u>\$ 71,906</u>	<u>\$ 296,922</u>	<u>\$ 368,828</u>
Net Assets			
Restricted for:			
Capital Projects	\$ -	\$ -	\$ -
Debt Service	-	76,943	76,943
Cemetery			-
Expendable	294	-	294
Nonexpendable	2,500	-	2,500
Other Purposes	59,857	36,394	96,251
Unrestricted	<u>9,255</u>	<u>183,585</u>	<u>192,840</u>
<i>Total Net Assets</i>	<u>\$ 71,906</u>	<u>\$ 296,922</u>	<u>\$ 368,828</u>

See accompanying notes to the basic financial statements

Village of Mendon
Statement of Net Assets - Cash Basis
December 31, 2010

	Governmental Activities	Business - Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 44,790	\$ 220,542	\$ 265,332
Investments	12,971	149,170	162,141
<i>Total Assets</i>	<u>\$ 57,761</u>	<u>\$ 369,712</u>	<u>\$ 427,473</u>
Net Assets			
Restricted for:			
Capital Projects	\$ -	\$ 50,037	\$ 50,037
Debt Service	-	209,777	209,777
Cemetery			
Expendable	473	-	473
Nonexpendable	2,500	-	2,500
Other Purposes	48,939	7,180	56,119
Unrestricted	5,849	102,718	108,567
<i>Total Net Assets</i>	<u>\$ 57,761</u>	<u>\$ 369,712</u>	<u>\$ 427,473</u>

See accompanying notes to the basic financial statements

Village of Mendon
Statement of Activities - Cash Basis
For the Year Ended December 31, 2011

	Program Cash Receipts				Net (Disbursements) Receipts and Changes in Net Assets		
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
General Government	\$ 27,593	\$ 3,949	\$ -	\$ -	\$ (23,644)	\$ -	\$ (23,644)
Security of Persons and Property	11,746	-	-	-	(11,746)	-	(11,746)
Public Health Services	11,749	12,508	-	-	759	-	759
Leisure Time Activities	2,011	-	-	-	(2,011)	-	(2,011)
Basic Utility Services	940	-	-	-	(940)	-	(940)
Transportation	40,786	-	68,521	-	27,735	-	27,735
Capital Outlay	29,829	-	-	-	(29,829)	-	(29,829)
Debt Service:							
Principal Retirement	3,650	-	-	-	(3,650)	-	(3,650)
Interest and Fiscal Charges	130	-	-	-	(130)	-	(130)
<i>Total Governmental Activities</i>	<u>128,434</u>	<u>16,457</u>	<u>68,521</u>	<u>-</u>	<u>(43,456)</u>	<u>-</u>	<u>(43,456)</u>
Business Type Activity							
Water	291,724	164,791	-	242,018	-	115,085	115,085
Sewer	307,883	94,410	-	-	-	(213,473)	(213,473)
Electric	465,158	493,903	-	-	-	28,745	28,745
Utility Deposits	10,804	7,650	-	-	-	(3,154)	(3,154)
<i>Total Business Type Activities</i>	<u>1,075,569</u>	<u>760,754</u>	<u>-</u>	<u>242,018</u>	<u>-</u>	<u>(72,797)</u>	<u>(72,797)</u>
Total	<u>\$ 1,204,003</u>	<u>\$ 777,211</u>	<u>\$ 68,521</u>	<u>\$ 242,018</u>	<u>\$ (43,456)</u>	<u>\$ (72,797)</u>	<u>\$ (116,253)</u>
General Receipts							
Property Taxes Levied for:							
General Purposes							
				\$ 33,956	\$ -	\$ 33,956	
Grants and Entitlements not							
Restricted to Specific Programs							
				15,993	-	15,993	
				222	7	229	
				7,430	-	7,430	
<i>Total General Receipts</i>				<u>57,601</u>	<u>7</u>	<u>57,608</u>	
Change in Net Assets							
				14,145	(72,790)	(58,645)	
<i>Net Assets Beginning of Year</i>							
				<u>57,761</u>	<u>369,712</u>	<u>427,473</u>	
<i>Net Assets End of Year</i>							
				<u>\$ 71,906</u>	<u>\$ 296,922</u>	<u>\$ 368,828</u>	

See accompanying notes to the basic financial statements

Village of Mendon
Statement of Activities - Cash Basis
For the Year Ended December 31, 2010

	Program Cash Receipts				Net (Disbursements) Receipts and Changes in Net Assets		
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
General Government	\$ 17,407	\$ 3,521	\$ -	\$ -	\$ (13,886)	\$ -	\$ (13,886)
Security of Persons and Property	14,387	-	-	-	(14,387)	-	(14,387)
Public Health Services	9,654	9,790	-	-	136	-	136
Leisure Time Activities	1,713	-	-	50,000	48,287	-	48,287
Basic Utility Services	1,500	-	-	-	(1,500)	-	(1,500)
Transportation	40,491	-	27,100	-	(13,391)	-	(13,391)
Capital Outlay	7,203	-	-	-	(7,203)	-	(7,203)
Debt Service:							
Principal Retirement	54,822	-	-	-	(54,822)	-	(54,822)
Interest and Fiscal Charges	1,003	-	-	-	(1,003)	-	(1,003)
<i>Total Governmental Activities</i>	<u>148,180</u>	<u>13,311</u>	<u>27,100</u>	<u>50,000</u>	<u>(57,769)</u>	<u>-</u>	<u>(57,769)</u>
Business Type Activity							
Water	114,329	135,821	-	-	-	21,492	21,492
Sewer	72,932	102,786	-	-	-	29,854	29,854
Electric	462,061	474,997	-	-	-	12,936	12,936
Utility Deposits	17,500	9,475	-	-	-	(8,025)	(8,025)
<i>Total Business Type Activities</i>	<u>666,822</u>	<u>723,079</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>56,257</u>	<u>56,257</u>
Total	<u>\$ 815,002</u>	<u>\$ 736,390</u>	<u>\$ 27,100</u>	<u>\$ 50,000</u>	<u>\$ (57,769)</u>	<u>\$ 56,257</u>	<u>\$ (1,512)</u>
General Receipts							
Property Taxes Levied for:							
General Purposes							
					\$ 35,785	\$ -	\$ 35,785
Grants and Entitlements not							
Restricted to Specific Programs							
					14,563	-	14,563
					426	70	496
					9,821	-	9,821
<i>Total General Receipts</i>					<u>60,595</u>	<u>70</u>	<u>60,665</u>
Change in Net Assets							
					2,826	56,327	59,153
<i>Net Assets Beginning of Year</i>							
					<u>54,935</u>	<u>313,385</u>	<u>368,320</u>
<i>Net Assets End of Year</i>							
					<u>\$ 57,761</u>	<u>\$ 369,712</u>	<u>\$ 427,473</u>

See accompanying notes to the basic financial statements

Village of Mendon
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2011

	General	State Highway	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$ 7,308	\$ 18,848	\$ 32,771	\$ 58,927
Investments	1,947	-	11,032	12,979
<i>Total Assets</i>	<u>\$ 9,255</u>	<u>\$ 18,848</u>	<u>\$ 43,803</u>	<u>\$ 71,906</u>
Fund Balances				
Restricted for:				
Street Maintenance	\$ -	\$ 18,848	\$ 21,617	\$ 40,465
Other Purposes	-	-	22,186	22,186
Unassigned	9,255	-	-	9,255
<i>Total Fund Balances</i>	<u>\$ 9,255</u>	<u>\$ 18,848</u>	<u>\$ 43,803</u>	<u>\$ 71,906</u>

See accompanying notes to the basic financial statements

Village of Mendon
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2010

	General	Park Addition Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$ 4,233	\$ 3,712	\$ 36,845	\$ 44,790
Investments	1,616	-	11,355	12,971
<i>Total Assets</i>	<u>\$ 5,849</u>	<u>\$ 3,712</u>	<u>\$ 48,200</u>	<u>\$ 57,761</u>
Fund Balances				
Unreserved:				
Undesignated (Deficit), Reported in:				
General Fund	\$ 5,849	-	-	\$ 5,849
Special Revenue Funds	-	3,712	48,200	51,912
<i>Total Fund Balances</i>	<u>\$ 5,849</u>	<u>\$ 3,712</u>	<u>\$ 48,200</u>	<u>\$ 57,761</u>

See accompanying notes to the basic financial statements

Village of Mendon
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2011

	General	State Highway	Other Governmental Funds	Total Governmental Funds
Receipts				
Property and Other Local Taxes	\$ 27,656	\$ -	\$ 6,300	\$ 33,956
Charges for Services	-	-	12,508	12,508
Fines, Licenses and Permits	3,949	362	-	4,311
Intergovernmental	15,631	2,020	66,501	84,152
Interest	188	-	34	222
Miscellaneous	2,157	-	5,273	7,430
<i>Total Receipts</i>	<u>49,581</u>	<u>2,382</u>	<u>90,616</u>	<u>142,579</u>
Disbursements				
Current:				
General Government	18,017	863	8,713	27,593
Security of Persons and Property	11,746	-	-	11,746
Public Health Services	-	-	11,749	11,749
Leisure Time Activities	-	-	2,011	2,011
Basic Utility Services	940	-	-	940
Transportation	11,692	500	28,594	40,786
Capital Outlay	-	-	29,829	29,829
Debt Service:				
Principal Retirement	3,650	-	-	3,650
Interest and Fiscal Charges	130	-	-	130
<i>Total Disbursements</i>	<u>46,175</u>	<u>1,363</u>	<u>80,896</u>	<u>128,434</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>3,406</u>	<u>1,019</u>	<u>9,720</u>	<u>14,145</u>
<i>Net Change in Fund Balances</i>	3,406	1,019	9,720	14,145
<i>Fund Balances Beginning of Year</i>	<u>5,849</u>	<u>17,829</u>	<u>34,083</u>	<u>57,761</u>
<i>Fund Balances End of Year</i>	<u>\$ 9,255</u>	<u>\$ 18,848</u>	<u>\$ 43,803</u>	<u>\$ 71,906</u>

See accompanying notes to the basic financial statements

Village of Mendon
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2010

	General	Park Addition Fund	Other Governmental Funds	Total Governmental Funds
Receipts				
Property and Other Local Taxes	\$ 29,167	\$ -	\$ 6,618	\$ 35,785
Charges for Services	-	-	9,790	9,790
Fines, Licenses and Permits	3,521	-	-	3,521
Intergovernmental	14,563	50,000	27,100	91,663
Interest	331	-	95	426
Miscellaneous	4,111	5,425	285	9,821
<i>Total Receipts</i>	<u>51,693</u>	<u>55,425</u>	<u>43,888</u>	<u>151,006</u>
Disbursements				
Current:				
General Government	17,407	-	-	17,407
Security of Persons and Property	14,387	-	-	14,387
Public Health Services	-	-	9,654	9,654
Leisure Time Activities	-	1,713	-	1,713
Basic Utility Services	1,500	-	-	1,500
Transportation	7,824	-	32,667	40,491
Capital Outlay	500	-	6,703	7,203
Debt Service:				
Principal Retirement	4,822	50,000	-	54,822
Interest and Fiscal Charges	1,003	-	-	1,003
<i>Total Disbursements</i>	<u>47,443</u>	<u>51,713</u>	<u>49,024</u>	<u>148,180</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>4,250</u>	<u>3,712</u>	<u>(5,136)</u>	<u>2,826</u>
<i>Fund Balances Beginning of Year</i>	<u>1,599</u>	<u>-</u>	<u>53,336</u>	<u>54,935</u>
<i>Fund Balances End of Year</i>	<u>\$ 5,849</u>	<u>\$ 3,712</u>	<u>\$ 48,200</u>	<u>\$ 57,761</u>

See accompanying notes to the basic financial statements

Village of Mendon
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Year Ended December 31, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<i>Variance Positive (Negative)</i>
	<u>Original</u>	<u>Final</u>		
Receipts				
Property and Other Local Taxes	\$ 31,015	\$ 31,015	\$ 27,656	\$ (3,359)
Fines, Licenses and Permits	4,511	4,511	3,949	(562)
Intergovernmental	17,481	17,481	15,631	(1,850)
Interest	564	564	188	(376)
Miscellaneous	2,820	2,820	2,157	(663)
<i>Total receipts</i>	<u>56,391</u>	<u>56,391</u>	<u>49,581</u>	<u>(6,810)</u>
Disbursements				
Current:				
General Government	24,274	24,274	18,017	6,257
Security of Persons and Property	15,560	15,560	11,746	3,814
Basic Utility Services	2,490	2,490	940	1,550
Transportation	14,938	14,938	11,692	3,246
Capital Outlay	4,978	4,978	-	4,978
Debt Service:				
Principal Retirement	-	-	3,650	(3,650)
Interest	-	-	130	(130)
<i>Total Disbursements</i>	<u>62,240</u>	<u>62,240</u>	<u>46,175</u>	<u>16,065</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(5,849)</u>	<u>(5,849)</u>	<u>3,406</u>	<u>9,255</u>
<i>Net Change in Fund Balance</i>	(5,849)	(5,849)	3,406	9,255
<i>Fund Balance Beginning of Year</i>	<u>5,849</u>	<u>5,849</u>	<u>5,849</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u>\$ -</u>	<u>\$ 0</u>	<u>\$ 9,255</u>	<u>\$ 9,255</u>

See accompanying notes to the basic financial statements

Village of Mendon
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Year Ended December 31, 2010

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$ 33,075	\$ 33,075	\$ 29,167	\$ (3,908)
Fines, Licenses and Permits	100	100	3,521	3,421
Intergovernmental	15,988	15,988	14,563	(1,425)
Interest	4,814	4,814	331	(4,483)
Miscellaneous	9,050	9,050	4,111	(4,939)
<i>Total receipts</i>	<u>63,027</u>	<u>63,027</u>	<u>51,693</u>	<u>(11,334)</u>
Disbursements				
Current:				
General Government	31,927	31,927	17,407	14,520
Security of Persons and Property	19,249	19,249	14,387	4,862
Basic Utility Services	1,500	1,500	1,500	-
Transportation	11,450	11,450	7,824	3,626
Capital Outlay	500	500	500	-
Debt Service:				
Principal Retirement	-	-	4,822	(4,822)
Interest	-	-	1,003	(1,003)
<i>Total Disbursements</i>	<u>64,626</u>	<u>64,626</u>	<u>47,443</u>	<u>17,183</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(1,599)</u>	<u>(1,599)</u>	<u>4,250</u>	<u>5,849</u>
<i>Fund Balance Beginning of Year</i>	<u>1,599</u>	<u>1,599</u>	<u>1,599</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,849</u>	<u>\$ 5,849</u>

See accompanying notes to the basic financial statements

Village of Mendon
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
State Highway Fund
For the Year Ended December 31, 2011

	Budgeted Amounts		Actual	<i>Variance Positive (Negative)</i>
	Original	Final		
Receipts				
Fines Licenses and Permits	\$ 600	\$ 600	\$ 362	\$ (238)
Intergovernmental	2,000	2,000	2,020	20
<i>Total receipts</i>	<u>2,600</u>	<u>2,600</u>	<u>2,382</u>	<u>(218)</u>
Disbursements				
Current:				
General Government	-	-	863	(863)
Transportation	20,429	20,429	500	19,929
<i>Total Disbursements</i>	<u>20,429</u>	<u>20,429</u>	<u>1,363</u>	<u>19,066</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(17,829)</u>	<u>(17,829)</u>	<u>1,019</u>	<u>18,848</u>
<i>Fund Balance Beginning of Year</i>	<u>17,829</u>	<u>17,829</u>	<u>17,829</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 18,848</u></u>	<u><u>\$ 18,848</u></u>

See accompanying notes to the basic financial statements

Village of Mendon
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Park Addition Fund
For the Year Ended December 31, 2010

	Budgeted Amounts		Actual	<i>Variance Positive (Negative)</i>
	Original	Final		
Receipts				
Intergovernmental	\$ -	\$ -	\$ 50,000	\$ 50,000
Miscellaneous	70,000	70,000	5,425	(64,575)
<i>Total receipts</i>	<u>70,000</u>	<u>70,000</u>	<u>55,425</u>	<u>(14,575)</u>
Disbursements				
Current:				
Leisure Time Activities	70,000	70,000	1,713	68,287
Principal Retirement	-	-	50,000	(50,000)
<i>Total Disbursements</i>	<u>70,000</u>	<u>70,000</u>	<u>51,713</u>	<u>18,287</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>-</u>	<u>-</u>	<u>3,712</u>	<u>3,712</u>
<i>Fund Balance Beginning of Year</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,712</u>	<u>\$ 3,712</u>

See accompanying notes to the basic financial statements

Village of Mendon
Statement of Fund Net Assets - Cash Basis
Enterprise Funds
December 31, 2011

	Business Type Activities					Total Enterprise Funds
	Water Operating	Electric	Water Debt Service	Sewer Debt Service	Non-Major Enterprise	
Assets						
Equity in Pooled Cash and Cash Equivalents	\$ 83,387	\$ 23,414	\$ 22,837	\$ (894)	\$ 18,925	\$ 147,669
Investments	7,463	69,321	55,000	-	17,469	149,253
<i>Total Assets</i>	<u>\$ 90,850</u>	<u>\$ 92,735</u>	<u>\$ 77,837</u>	<u>\$ (894)</u>	<u>\$ 36,394</u>	<u>\$ 296,922</u>
Net Assets						
Restricted for:						
Debt Service	\$ -	\$ -	\$ 77,837	\$ (894)	\$ -	\$ 76,943
Other	-	-	-	-	36,394	36,394
Unrestricted	90,850	92,735	-	-	-	183,585
<i>Total Net Assets</i>	<u>\$ 90,850</u>	<u>\$ 92,735</u>	<u>\$ 77,837</u>	<u>\$ (894)</u>	<u>\$ 36,394</u>	<u>\$ 296,922</u>

See accompanying notes to the basic financial statements

Village of Mendon
Statement of Fund Net Assets - Cash Basis
Enterprise Funds
December 31, 2010

	Business Type Activities						Total Enterprise Funds
	Water Operating	Electric	Water Debt Service	Sewer Debt Service	Water Replacement	Non-Major Enterprise	
Assets							
Equity in Pooled Cash and Cash Equivalents	\$ 4,100	\$ 23,715	\$ 48,071	\$ 106,706	\$ 13,916	\$ 24,034	\$ 220,542
Investments	6,520	40,275		55,000	25,000	22,375	149,170
<i>Total Assets</i>	<u>\$ 10,620</u>	<u>\$ 63,990</u>	<u>\$ 48,071</u>	<u>\$ 161,706</u>	<u>\$ 38,916</u>	<u>\$ 46,409</u>	<u>\$ 369,712</u>
Net Assets							
Restricted for:							
Debt Service	\$ -	\$ -	\$ 48,071	\$ 161,706	\$ -	\$ -	\$ 209,777
Capital Outlay	-	-	-	-	38,916	11,121	50,037
Other	-	-	-	-	-	7,180	7,180
Unrestricted	10,620	63,990				28,108	102,718
<i>Total Net Assets</i>	<u>\$ 10,620</u>	<u>\$ 63,990</u>	<u>\$ 48,071</u>	<u>\$ 161,706</u>	<u>\$ 38,916</u>	<u>\$ 46,409</u>	<u>\$ 369,712</u>

See accompanying notes to the basic financial statements

Village of Mendon
Statement of Cash Receipts,
Disbursements and Changes in Fund Net Assets - Cash Basis
Enterprise Funds
For the Year Ended December 31, 2011

	Water Operating	Electric	Water Debt Service	Sewer Debt Service	Non-Major Enterprise	Total Enterprise Funds
Operating Receipts						
Charges for Services	\$ 94,731	\$ 493,903	\$ 70,060	\$ 41,768	\$ 60,292	\$ 760,754
<i>Total Operating Receipts</i>	<u>94,731</u>	<u>493,903</u>	<u>70,060</u>	<u>41,768</u>	<u>60,292</u>	<u>760,754</u>
Operating Disbursements						
Personal Services	7,888	86,264	-	-	7,879	102,031
Fringe Benefits	1,315	38,609	-	-	6,869	46,793
Contractual Services	33,390	325,614	-	-	59,895	418,899
Materials and Supplies	211,163	7,541	-	-	20,969	239,673
Other	2,763	4,634	-	-	13,618	21,015
<i>Total Operating Disbursements</i>	<u>256,519</u>	<u>462,662</u>	<u>-</u>	<u>-</u>	<u>109,230</u>	<u>828,411</u>
<i>Operating Income (Loss)</i>	<u>(161,788)</u>	<u>31,241</u>	<u>70,060</u>	<u>41,768</u>	<u>(48,938)</u>	<u>(67,657)</u>
Non-Operating Receipts (Disbursements)						
Intergovernmental	242,018	-	-	-	-	242,018
Interest	-	-	-	-	7	7
Capital Outlay	-	(2,496)	-	-	-	(2,496)
Principal Payments	-	-	(34,707)	(183,933)	-	(218,640)
Interest and Fiscal Charges	-	-	(5,587)	(20,435)	-	(26,022)
<i>Income (Loss) before Capital Contributions, Special Item, Extraordinary Item, Transfers and Advances</i>	<u>80,230</u>	<u>28,745</u>	<u>29,766</u>	<u>(162,600)</u>	<u>(48,931)</u>	<u>(72,790)</u>
<i>Change in Net Assets</i>	<u>80,230</u>	<u>28,745</u>	<u>29,766</u>	<u>(162,600)</u>	<u>(48,931)</u>	<u>(72,790)</u>
<i>Net Assets Beginning of Year</i>	<u>10,620</u>	<u>63,990</u>	<u>48,071</u>	<u>161,706</u>	<u>85,325</u>	<u>369,712</u>
<i>Net Assets End of Year</i>	<u>\$ 90,850</u>	<u>\$ 92,735</u>	<u>\$ 77,837</u>	<u>\$ (894)</u>	<u>\$ 36,394</u>	<u>\$ 296,922</u>

See accompanying notes to the basic financial statements

Village of Mendon
Statement of Cash Receipts,
Disbursements and Changes in Fund Net Assets - Cash Basis
Enterprise Funds
For the Year Ended December 31, 2010

	Water Operating	Electric	Water Debt Service	Sewer Debt Service	Water Replacement	Non-Major Enterprise	Total Enterprise Funds
Operating Receipts							
Charges for Services	\$ 77,870	\$ 474,997	\$ 54,458	\$ 51,827	\$ 3,493	\$ 60,434	\$ 723,079
<i>Total Operating Receipts</i>	<u>77,870</u>	<u>474,997</u>	<u>54,458</u>	<u>51,827</u>	<u>3,493</u>	<u>60,434</u>	<u>723,079</u>
Operating Disbursements							
Personal Services	6,464	78,057	-	-	-	6,498	91,019
Fringe Benefits	1,330	31,323	-	-	-	6,589	39,242
Contractual Services	24,518	335,639	-	-	-	13,793	373,950
Materials and Supplies	36,582	9,542	-	-	-	21,936	68,060
Other	4,714	7,500	-	-	-	17,410	29,624
<i>Total Operating Disbursements</i>	<u>73,608</u>	<u>462,061</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>66,226</u>	<u>601,895</u>
<i>Operating Income (Loss)</i>	<u>4,262</u>	<u>12,936</u>	<u>54,458</u>	<u>51,827</u>	<u>3,493</u>	<u>(5,792)</u>	<u>121,184</u>
Non-Operating Receipts (Disbursements)							
Interest	-	-	-	-	-	70	70
Capital Outlay	(427)	-	-	-	-	(450)	(877)
Principal Payments	-	-	(33,156)	(12,000)	-	-	(45,156)
Interest and Fiscal Charges	-	-	(7,138)	(11,756)	-	-	(18,894)
<i>Income (Loss) before Capital Contributions, Special Item, Extraordinary Item, Transfers and Advances</i>	<u>3,835</u>	<u>12,936</u>	<u>14,164</u>	<u>28,071</u>	<u>3,493</u>	<u>(6,172)</u>	<u>56,327</u>
<i>Change in Net Assets</i>	<u>3,835</u>	<u>12,936</u>	<u>14,164</u>	<u>28,071</u>	<u>3,493</u>	<u>(6,172)</u>	<u>56,327</u>
<i>Net Assets Beginning of Year</i>	<u>6,785</u>	<u>51,054</u>	<u>33,907</u>	<u>133,635</u>	<u>35,423</u>	<u>52,581</u>	<u>313,385</u>
<i>Net Assets End of Year</i>	<u>\$ 10,620</u>	<u>\$ 63,990</u>	<u>\$ 48,071</u>	<u>\$ 161,706</u>	<u>\$ 38,916</u>	<u>\$ 46,409</u>	<u>\$ 369,712</u>

See accompanying notes to the basic financial statements

Village of Mendon
Notes to the Basic Financial Statements
For the Years Ended December 31, 2011 and 2010

Note 1 – Reporting Entity

The Village of Mendon, Mercer 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 six-member Council elected at large for four year terms. The Mayor is elected to a four-year term and votes only to break a tie.

A. Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Village. The Village provides general government services, water, sewer, and electric utilities, maintenance of Village roads and bridges, and park operations.

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

Note 2 – Summary of Significant Accounting Policies

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The Village does not apply FASB statements issued after November 30, 1989, to its business-type activities and to its enterprise funds. Following are the more significant of the Village’s accounting policies.

A. Basis of Presentation

The Village’s basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net assets – cash basis and the statement of activities display information about the Village as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid “doubling up” receipts and disbursements. The statements distinguish between those activities of the Village that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Village of Mendon
Notes to the Basic Financial Statements
For the Years Ended December 31, 2011 and 2010

Note 2 – Summary of Significant Accounting Policies (continued)

The statement of net assets presents the cash balance of the governmental and business-type activities of the Village at year end. The statement of activities compares disbursements with program receipts for each of the Village's governmental and business-type activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Village is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function or business-type activity is self-financing on a cash basis or draws from the Village's general receipts.

Fund Financial Statements

During the year, the Village segregates transactions related to certain Village functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Village at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The internal service funds are presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by type.

Proprietary fund statements distinguish operating transactions from non-operating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the funds' principal services. Operating disbursements include costs of sales and services and administrative costs. The fund statements report all other receipts and disbursements as non-operating.

B. Fund Accounting

The Village uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. The funds of the Village are divided into two categories, governmental and proprietary.

Governmental Funds

The Village classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants, and other non-exchange transactions as governmental funds. The Village's major governmental funds are the General Fund, State Highway Fund, and the Park Addition Fund.

General Fund – The General Fund is used to account for all financial resources, except those required to be accounted for 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.

State Highway Fund (2011 Only) – The State Highway Fund restricted funds for constructing, maintaining, and repairing Village streets.

Park Addition Fund (2010 Only) – The Park Addition Fund receives Donations and Debt Proceeds used to improve the Village recreational facilities.

Village of Mendon
Notes to the Basic Financial Statements
For the Years Ended December 31, 2011 and 2010

Note 2 – Summary of Significant Accounting Policies (continued)

The other governmental funds of the Village account for grants and other resources whose use is restricted to a particular purpose.

Proprietary Funds

The Village classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds are classified as either enterprise or internal service.

Enterprise Funds – Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The Village's major enterprise funds are the water, electric, water debt, sewer debt, and water replacement funds.

Water Fund – The water fund accounts for the provision of water to the residents and commercial users located with the Village.

Electric Fund – The electric fund accounts for the provision of electric services to the residents and commercial users within the Village.

Water Debt Service Fund – This fund accounts for a portion of water usage charges and is set aside to retire debt associated with water improvements of the Village.

Sewer Debt Service Fund – This fund accounts for a portion of sewer usage charges and is set aside to retire debt associated with sewer improvements of the Village.

Water Replacement Fund – This fund has been established to make capital improvement to the water system of the Village.

C. Basis of Accounting

The Village's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the Village's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

D. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Village may appropriate.

Village of Mendon
Notes to the Basic Financial Statements
For the Years Ended December 31, 2011 and 2010

Note 2 – Summary of Significant Accounting Policies (continued)

The appropriations ordinance is the Village's authorization to spend resources and sets limits on disbursements plus encumbrances at the level of control selected by the Village. The legal level of control has been established at the fund, department, and object level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Village Clerk. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by the Village.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Village Council during the year.

E. Cash and Investments

To improve cash management, cash received by the Village is pooled and invested. Individual fund integrity is maintained through Village records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

Cash and cash equivalents that are held separately in accounts at a financial institution for retainage and bond reserves and debt service are reported as "Cash and Cash Equivalents with Fiscal Agents."

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During 2011 and 2010, the Village invested in STAR Ohio. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does not operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2011.

Interest earnings are allocated to Village funds according to State statutes, grant requirements, Village Council directives, or debt related restrictions. Interest receipts credited to the General Fund during 2011 and 2010 were \$188 and \$331 respectively.

Village of Mendon
Notes to the Basic Financial Statements
For the Years Ended December 31, 2011 and 2010

Note 2 – Summary of Significant Accounting Policies (continued)

F. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. Committed

Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Village of Mendon
Notes to the Basic Financial Statements
For the Years Ended December 31, 2011 and 2010

G. Interfund Receivables/Payables

The Village reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

H. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's cash basis of accounting.

I. Employer Contributions to Cost-Sharing Pension Plans

The Village recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

J. Long Term Obligations

The Village's cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither another financing source nor capital outlay disbursements are reported at inception. Lease payments are reported when paid.

K. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for capital projects and debt service obligations.

The Village's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

L. Fund Balance Reserves

The Village reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. The Village does not have any fund balance reserves.

M. Interfund Transactions

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general receipts.

Village of Mendon
Notes to the Basic Financial Statements
For the Years Ended December 31, 2011 and 2010

Note 2 – Summary of Significant Accounting Policies (continued)

Exchange transactions between funds are reported as cash receipts in the seller funds and as cash disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

N. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. During 2011 and 2010, there were no extraordinary and special items.

Note 3 – Compliance

The Village was in violation of the Ohio Revised Code Section 5705.36 due to estimated receipts exceeding actual receipts in the General, Street, Park Addition, Water, and Electric Funds at December 31, 2010 and General, Park Addition, Water, Sewer Debt Service, and Sewer Funds at December 31, 2011 causing actual resources to fall below the level of appropriations.

Note 4 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis is presented for the general fund, state highway fund (2011 only) and park addition fund (2010 only) and are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The difference(s) between the budgetary basis and the cash basis is (are) outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis) and outstanding year end advances are treated as an other financing source or use (cash basis) rather than as an interfund receivable or payable (budgetary basis). However, the Village cancels all encumbrances outstanding at year end (budgetary basis) and reappropriates them in the subsequent year.

Note 5 – Deposits and Investments

Monies held by the Village are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Village treasury. Active monies must be maintained either as cash in the Village treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Village of Mendon
Notes to the Basic Financial Statements
For the Years Ended December 31, 2011 and 2010

Note 5 – Deposits and Investments (Continued)

Inactive deposits are public deposits that the Trustees have identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Village can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

Protection of the Village's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by collateral pledged to the Village by the financial institution, or by a collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Village, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

Village of Mendon
Notes to the Basic Financial Statements
For the Years Ended December 31, 2011 and 2010

Note 5 – Deposits and Investments (Continued)

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. At December 31, 2011, the carrying amount of the Village's deposits was \$206,596 and the bank balance was \$210,272. Of the bank balance, \$210,272 was insured by the FDIC, and \$0 was collateralized with securities held by the pledging financial institution, but not in the Village's name.

At December 31, 2010, the carrying amount of the Village's deposits was \$265,332 and the bank balance was \$268,128. Of the bank balance, \$250,000 was insured by the FDIC, and the \$18,128 was collateralized with securities held by the pledging financial institution, but not in the Village's name.

The Village has no deposit policy for custodial credit risk beyond the requirements of State Statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Village or a qualified trustee by the financial institution as security of repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

As of December 31, 2011 and December 31, 2010, the Village had the following investments:

STAR OHIO:	
	<u>Carrying Value:</u>
December 31, 2011	\$162,232
December 31, 2010	\$162,141

STAR Ohio is an investment pool managed by the Treasurer of the State of Ohio. STAR Ohio is not registered with the Securities and Exchange Commission as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Act of 1940. STAR Ohio has obtained an AAA money market rating by Standard & Poor's. Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The Village's investment policy addresses interest rate risk by requiring that the Village's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding that need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments.

STAR Ohio carries a rating of AAA by Standard and Poor's. The Village has no investment policy dealing with investment credit risk beyond the requirements in state statutes. Ohio laws requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service.

Village of Mendon
Notes to the Basic Financial Statements
For the Years Ended December 31, 2011 and 2010

Note 6 – Property Taxes

Property taxes include amounts levied against all real and public utility property located in the Village. Property tax revenue received during 2011 for real and public utility property taxes represents collections of 2010 taxes.

2011 real property taxes are levied after October 1, 2011, on the assessed value as of January 1, 2011, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2011 real property taxes are collected in and intended to finance 2012.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2011 public utility property taxes which became a lien December 31, 2010, are levied after October 1, 2011, and are collected in 2012 with real property taxes.

The full tax rate for all Village operations for the year ended December 31, 2011, was \$68 per \$1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2011 property tax receipts were based are as follows:

Real Property	\$6,186,110
Public Utility Personal Property	<u>810</u>
Total	<u>\$6,186,920</u>

Note 7 – Risk Management

The Village maintains comprehensive insurance coverage with private insurers for all real and personal property, including automobile coverage for the following risks: general liability, auto liability, uninsured motorists, property damage, inland marine, crime, and public employee bonding.

The Village offers medical and life insurance for full-time employees through a commercial insurer. There were no significant reductions in coverage in any of the past three years. Settlement claims have not exceeded insurance coverage in any of the past three years.

Note 8– Defined Benefit Pension Plan

Ohio Public Employees Retirement System

The Village participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings.

Village of Mendon
Notes to the Basic Financial Statements
For the Years Ended December 31, 2011 and 2010

Note 8– Defined Benefit Pension Plan (Continued)

The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

For the year ended December 31, 2011 and 2010, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 10 percent, of their annual covered salaries. The Village's contribution rate for pension benefits for 2011 and 2010 was 14 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Village's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2011, 2010 and 2009, were \$31,960, \$28,605 and \$26,676 respectively. The full amount has been contributed for 2011, 2010, and 2009.

Note 9 – Post-employment Benefits

Ohio Public Employees Retirement System

Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan—a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan—a defined contribution plan; and the Combined Plan—a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing multiple-employer defined benefit post-employment health care plan for qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. The plan includes a medical plan, prescription drug program and Medicare Part B premium reimbursement.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not mandate, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Village of Mendon
Notes to the Basic Financial Statements
For the Years Ended December 31, 2011 and 2010

Note 9 – Post-employment Benefits (Continued)

Funding Policy – The post-employment health care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through contributions to OPERS. A portion of each employer’s contribution to OPERS is set aside for the funding of post-retirement health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2011 and 2010, state and local employers contributed at a rate of 14.0 percent of covered payroll, and public safety and law enforcement employers contributed at 17.87 percent. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units and 18.1 percent of covered payroll for law and public safety employer units.

Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 5.5 percent from January 1 through February 28, 2010, and 5 percent from March 1 through December 31, 2010. The portion of employer contributions allocated to health care for members in the Combined Plan was 4.73 percent from January 1 through February 28, 2010, and 4.23 percent from March 1 through December 31, 2010.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment health care plan.

The Village’s contributions allocated to fund post-employment health care benefits for the years ended December 31, 2011 and 2010 were \$1,026, and \$828, respectively; 100 percent has been contributed for 2011 and 100 percent for 2010.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased on January 1 of each year from 2006 to 2008. Rates for law enforcement and public safety employers increased over a six year period beginning on January 1, 2006, with a final rate increase on January 1, 2011. These rate increases allowed additional funds to be allocated to the health care plan.

Note 10 – Debt

Debt Outstanding at December 31, 2011, was as follows:

	<u>Principal</u>	<u>Interest Rates</u>	<u>Maturity Dates</u>
Ohio Water Development Authority Loan	\$ 95,456	4.61%	7/1/2014
Truck Loan	3,813	6.98%	9/17/2012
	<u>\$ 99,269</u>		

Village of Mendon
Notes to the Basic Financial Statements
For the Years Ended December 31, 2011 and 2010

Note 10 – Debt (Continued)

The Ohio Water Development Authority (OWDA) Loan was obtained in 1998 to make improvements to the water system in the Village. The loan is being repaid in semiannual installments of \$20,147, including Interest, over 15 years. The loan is secured by water receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The First Mortgage Revenue Bonds were issued in May of 1990 for sanitary sewer system improvements. Annual payments are being made in May of each year. The loan is being repaid over 30 years. Principal payments range from \$8,933 to \$22,000 annually, which results in total annual payments of \$9,469 to \$24,556 including interest. The Village established a sewer surcharge and a sewer debt fund in compliance with the debt covenant associated with this loan. This was paid in full on May 2, 2011.

On September 17, 2009, the Village obtained the Truck loan from Peoples Bank Co. in Coldwater Ohio. The Note was issued for the purchase a Dump Truck to be used for any Village purposes. The note is secured by the taxing authority of the Village. The Note carries and interest rate of 6.98% and will be repaid in three annual installments of \$4,664 including interest.

On October 31, 2009 the Village issued a Bond Anticipation Note. The Proceeds were used for a park improvement project. The Principle sum plus interest was due and paid in full on November 2010. The Note carried an interest rate of 4.50% and was held by Peoples Holding Co, Inc.

The Village’s long-term debt activity for the years ending December 31, 2010 and 2011 is as follows:

	Principal Outstanding 12/31/09	Additions	Deductions	Principal Outstanding 12/31/10
First Mortgage Revenue Bonds	\$ 195,933	\$ -	\$ (12,000)	\$ 183,933
OWDA Loan	163,319	-	(33,156)	130,163
Truck Loan	12,285	-	(4,822)	7,463
Park Project BAN	50,000	-	(50,000)	-
	<u>\$ 421,537</u>	<u>\$ -</u>	<u>\$ (99,978)</u>	<u>\$ 321,559</u>
				Principal Outstanding
	12/31/2010	Additions	Deductions	12/31/11
First Mortgage Revenue Bonds	\$ 183,933	\$ -	\$ (183,933)	\$ -
OWDA Loan	130,163	-	(34,707)	95,456
Truck Loan	7,463	-	(3,650)	3,813
	<u>\$ 321,559</u>	<u>\$ -</u>	<u>\$ (222,290)</u>	<u>\$ 99,269</u>

Village of Mendon
Notes to the Basic Financial Statements
For the Years Ended December 31, 2011 and 2010

Note 10 – Debt (Continued)

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

Year Ending December 31:	OWDA LOAN		Truck Loan	
	Principal	Interest	Principal	Interest
2012	\$ 35,511	\$ 4,783	\$ 3,813	\$ 297
2013	37,178	3,116	-	-
2014	22,767	459	-	-
Total	<u>\$ 95,456</u>	<u>\$ 8,358</u>	<u>\$ 3,813</u>	<u>\$ 297</u>

Note 11 – Related Organizations

The Village Council appoints members to the local Zoning Board.

Note 12 – Miscellaneous Receipts

The Miscellaneous revenues are primarily composed of water tower rental in the General Fund, donations and fundraisers for park improvements in the Park Addition Fund and stone hauling in the Street fund. Miscellaneous revenues for the years ended December 31, 2011 and 2010 were \$7,430 and \$9,821, respectively.

Note 13 – Change in Accounting Principles

For 2011, the Village implemented Governmental Accounting Standards Board (GASB) Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions.” GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of GASB Statement No. 54 had no effect on actual fund balances.

Note 14 – Contingent Liabilities

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

Village of Mendon
Notes to the Basic Financial Statements
For the Years Ended December 31, 2011 and 2010

Note 14 – Contingent Liabilities (Continued)

American Municipal Power Generating Station Project

The Village of Mendon is a participant in the American Municipal Power Generating Station Project (the "AMPGS Project"). The Village executed a take-or-pay contract on November 1, 2007 in order to participate in the AMPGS Project.

History of the AMPGS Project

In November 2009, the participants of the AMP Generating Station Project (the "AMPGS Project") voted to terminate the development of the pulverized coal power plant in Meigs County, Ohio. (Please see attached Joint Resolution No. 09-11-2891 dated November 24, 2009.) The AMPGS Project was to be a 1,000 MW base load, clean-coal technology plant scheduled to go on-line in 2014. This pulverized coal plant was estimated to be a \$3 billion project, but the project's estimated capital costs increased by 37% and the engineer, procure and construct ("EPC") contractor could not guarantee that the costs would not continue to escalate. At the termination date, minimal construction had been performed on the AMPGS Project at the Meigs County site.

At the same time, the participants voted to pursue conversion of the project to a Natural Gas Combined Cycle Plant (the "NGCC Plant") to be developed under a lump-sum-turn-key fixed-price contract that would be open to interested AMP members. The NGCC Plant was planned to be developed on the Meigs County site previously planned for the AMPGS project. In February 2011, development of the NGCC Plant was suspended due to the availability of purchasing the AMP Fremont Energy Center ("AFEC") at a favorable price. AMP intends to develop this site for the construction of a generating asset; however, at December 31, 2011, the type of generating asset has not been determined.

As mentioned above, the AMPGS project participants signed "take or pay" contracts with AMP. As such, the participants of the project are obligated to pay all costs incurred for the project. To date it has not been determined what those total final costs are for the project participants.

As a result of these decisions to date, the AMPGS Project costs have been reclassified out of construction work-in-progress and into plant held for future use or regulatory assets in the combined balance sheet. AMP has reclassified \$34,881,075 of costs to plant held for future use as these costs were determined to be associated with the undeveloped Meigs County site regardless of the determination of which type of generating asset will be developed on the site. The remaining costs previously incurred were determined to be impaired but reclassified as a regulatory asset which is fully recoverable from the AMPGS Project participants as part of their unconditional obligation under the "take or pay" contract. At December 31, 2011 AMP has a regulatory asset of \$86,548,349 for the recovery of these abandoned construction costs. AMP is currently working with the AMPGS project participants to establish a formal plan for the recovery on a participant by participant basis.

AMP has consistently communicated with the AMPGS participants as to the risks and uncertainties with respect to the outstanding potential liability the Village has as a result of the cancellation of the AMPGS Project. Meetings with AMPGS Project participants have been held as necessary to communicate any updates to both costs being incurred and ongoing litigation. At the request of the participants, on November 18, 2011 and December 13, 2011 AMP sent memos to AMPGS participants providing the participant's information identifying their potential AMPGS stranded cost liability and providing options for payment of those stranded costs, if the participant so chose.

Village of Mendon
Notes to the Basic Financial Statements
For the Years Ended December 31, 2011 and 2010

Note 14 – Contingent Liabilities (Continued)

These memos were not invoices, but provided the participants with information which they could utilize in determining if they wanted to pay down a portion or all of the identified maximum exposure. AMP is holding the AMPGS Project stranded costs on its revolving credit facility and is accruing interest in addition to legal fees being incurred in its case with the EPC contractor. AMP would hold any payments received as a deposit in order to cease interest accruals on that portion paid.

Based on an allocation to Mendon of 500 kW and the allocation methodology, both approved as the same by the AMP Board of Trustees, as of December 31, 2011 the Village of Mendon has a potential stranded cost obligation of \$81,778 for the AMPGS Project. The Village of Mendon does not have any payments on deposit with AMP at December 31, 2011.

AMP Fremont Energy Center (AFEC) Development Fee –

The AFEC Development Fee is the amount paid by AFEC participants to the AMPGS project as a Development Fee in August, 2011. AFEC participants are a separate group of AMP members that obtained financing for engineering, consulting and other development costs for expertise obtained by AMP for Natural Gas Combined Cycle power plants. This amount is financed by AMP, Inc. and is to be collected through debt service from AFEC participants. The Development Fee paid by all AFEC Participants is credited to the potential AMPGS costs of each AFEC participant that is also an AMPGS participant in proportion to their relative percentage of AFEC (but not less than zero) as approved by the AMP Board (please see attached Amended Minutes of May 3, 2011). The Village is a participant in the AFEC project and has received a credit to reduce its share of AMPGS potential stranded costs as noted below.

Based on the allocation methodology approved by the AMP Board of Trustees as mentioned above, the Village receives a credit of \$13,611 for being a participant in both projects. This credit is proportionate to its AFEC allocation kW share of 130 and the total kW share of those participating in both projects. The Village has not recorded this credit in its financial statements as of December 31, 2011.

Recording of Stranded Costs-

The Village has not recorded stranded costs for the AMPGS Project. The Village will not record an expense until the litigation with the contractor is finalized and payment is required by the Village.

Village Did not Request Invoice- The Village of Mendon has not requested an invoice from AMP for the potential stranded costs identified in the memos AMP sent in November and December of 2011. The Village is not intending to request an invoice from AMP until such time as the litigation with the EPC contractor is finalized.

Had the Village chosen to expense the potential stranded costs the Village believes it would not violate any potential covenant obligations for its Electric Fund.

The Village intends to finance these costs from accumulated earnings without adjusting rates.



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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

Village of Mendon
Mercer County
P.O. Box 167
102 South Main Street
Mendon, Ohio 45862

To the Village Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Mendon, Mercer County, Ohio, (the Village) as of and for the years ended December 31, 2011 and 2010, which collectively comprise the Village's basic financial statements and have issued our report thereon dated April 26, 2013, wherein, we noted the Village uses a comprehensive accounting basis other than generally accepted accounting principles. Also, we noted the Village adopted Governmental Accounting Standards Board 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 the Comptroller General of the United States' *Government Auditing Standards*.

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 the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

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 material financial statement misstatements will not be prevented, or detected and timely corrected.

Village of Mendon
Mercer County

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards (Continued)

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and responses that we consider a *significant deficiency* in internal control over financial reporting. We consider finding 2011-002 to be a significant deficiency. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards*, which is described in the accompanying schedule of findings and responses as item 2011-001.

The Village's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. We did not audit the Village's responses and, accordingly, we express no opinion on them.

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

Caudill & Associates, CPA

Caudill & Associates, CPA

April 26, 2013

**VILLAGE OF MENDON
MERCER COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2011 AND 2010**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2011-001

Noncompliance Citation – Ohio Rev. Code Section 5705.36

The Ohio Revised Code Section 5705.36 (A)(2) allows all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources. ORC 5705.36 requires the village to obtain an increased amended certificate of estimated resources from the budget commission if the legislative authority intends to appropriate and expend excess revenue. The Ohio Revised Code Section 5705.36(A)(4) requires the Village to obtain a reduced amended certificate if the amount of the deficiency will reduce available resources below the current level of appropriation.

In fiscal year 2011, appropriations for the General, Park Addition, Water, Sewer Debt Service and Sewer Funds exceeded available resources. In fiscal year 2010, appropriations for the General, Street, Park addition, Water and Electric Funds exceeded available resources.

The Village should establish procedures to ensure that reduced certificates of estimated resources are obtained and thereby that appropriations are reduced whenever revenues received will be less than the amount budgeted.

Village's Response:

The Village will watch the appropriations more closely and try to obtain a new certificate of estimated resources from the county auditor.

FINDING NUMBER 2011-002

Significant Deficiency – Misclassification of Disbursements

The AICPA establishes auditing standards generally accepted in the United States that certified public accountants and government auditors must follow in conducting audits of state and local governments. SAS No. 115 establishes standards, responsibilities and guidance for auditor during a financial statements audit engagement for identifying and evaluating a client's internal control over financial reporting. This new standard requires the audit to report *in writing* to management and the governing body any control deficiencies found during the audit that are considered significant deficiencies and/or material weaknesses.

During 2011 and 2010, the Village erroneously posted disbursements to incorrect line items. This required reclassifications to properly present the activity of the Village for both years.

We recommend the Village implement control procedures related to financial reporting that enable management to identify, prevent, detect, and correct potential misstatements in the financial statements and footnotes.

Village's Response:

The Village will be more careful when posting disbursements to line items so that they accurately reflect Village activity.

Village of Mendon
Mercer County
Schedule of Prior Audit Findings
For the Fiscal Years Ended December 31, 2011 and December 31, 2010

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2009-001	Ohio Revised Code 5705.36, Failure to secure an amended estimated resource when estimated receipts were less than actual receipts	No	Repeated As Finding 2011-001
2009-002	Ohio Revised Code 5705.39, Total appropriations exceeded estimated resources	Yes	Finding No Longer Valid
2009-003	Ohio Revised Code 5705.41 (B), Appropriation of Expenditures	Yes	Finding No Longer Valid
2009-004	Significant Deficiency – Misclassification of Receipts / Disbursements	No	Repeated as Finding 2011-002



Dave Yost • Auditor of State

VILLAGE OF MENDON

MERCER 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 18, 2013**