

VILLAGE OF MILLERSBURG
AUDIT REPORT
JANUARY 1, 2007 - DECEMBER 31, 2008

Wolfe, Wilson, & Phillips, Inc.
37 South Seventh Street
Zanesville, Ohio 43701



Mary Taylor, CPA
Auditor of State

Members of Council
Village of Millersburg
18551 Jacksonville Road
P.O. Box 278
Jacksonville, Ohio 45740

We have reviewed the *Independent Auditors' Report* of the Village of Millersburg, Holmes County, prepared by Wolfe, Wilson & Phillips, Inc., for the audit period January 1, 2007 through December 31, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

July 6, 2009

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**VILLAGE OF MILLERSBURG
HOLMES COUNTY
JANUARY 1, 2007 - DECEMBER 31, 2008**

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WOLFE, WILSON, & PHILLIPS, INC.
37 SOUTH SEVENTH STREET
ZANESVILLE, OHIO 43701

INDEPENDENT AUDITORS' REPORT

Mayor and Village Council
Village of Millersburg
6 N. Washington Street
Millersburg, Ohio 44654

We have audited the accompanying financial statements of the Village of Millersburg, Holmes County, as of and for the years ended December 31, 2008 and 2007. These financial statements are the responsibility of the Village of Millersburg's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

Instead of the combined funds the accompanying financial statements present for 2008 and 2007, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2008 and 2007. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since this Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village of Millersburg's combined funds as of December 31, 2008 and 2007, and their changes in financial position or cash flows, where applicable for the years then ended..

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserve for encumbrances of the Village of Millersburg, Holmes County, as of December 31, 2008 and 2007, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

As discussed in Note 9, the Village restated fund balances effective January 1, 2007 as a result of reclassifying fund types.

The aforementioned revision to generally accepted accounting principles also require the Village to include Management's Discussion and Analysis for the year ended December 31, 2008 and 2007. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued a report dated April 17, 2009, on our consideration of the Village of Millersburg's internal control structure over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Wolfe, Wilson, & Phillips, Inc.
Zanesville, Ohio
April 17, 2009

**VILLAGE OF MILLERBURG
HOLMES COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008**

| | Governmental Fund Types | | | | Totals (Memorandum Only) |
|--|-------------------------|--------------------|-----------------|---------------------|--------------------------------|
| | General | Special Revenue | Debt Service | Capital Projects | |
| Cash Receipts: | | | | | |
| Property Taxes | \$ 159,910 | \$ 70,092 | \$ 3,031 | \$ - | \$ 233,033 |
| Income Taxes | 998,927 | - | - | - | 998,927 |
| Intergovernmental | 173,622 | 188,518 | 396 | 24,150 | 386,686 |
| Charges for Services | 22,050 | 16,915 | - | - | 38,965 |
| Fines, Licenses, and Permits | 15,203 | 1,326 | - | - | 16,529 |
| Earnings on Investments | 44,982 | 2,694 | - | 631 | 48,307 |
| Miscellaneous | 13,121 | 2,320 | - | - | 15,441 |
| Total Cash Receipts | <u>1,427,815</u> | <u>281,865</u> | <u>3,427</u> | <u>24,781</u> | <u>1,737,888</u> |
| Cash Disbursements: | | | | | |
| Current: | | | | | |
| Security of Persons and Property | 716,615 | 63,974 | - | - | 780,589 |
| Public Health Services | 15,189 | 46,089 | - | - | 61,278 |
| Leisure Time Activities | 106,258 | - | - | - | 106,258 |
| Community Environment | 37,383 | 19,329 | - | - | 56,712 |
| Transportation | 98,351 | 405,498 | - | - | 503,849 |
| General Government | 377,505 | - | - | - | 377,505 |
| Debt Service: | | | | | |
| Principal Payments | - | - | 3,319 | - | 3,319 |
| Interest Payments | - | - | - | - | - |
| Capital Outlay | - | 29,383 | - | 25,537 | 54,920 |
| Total Cash Disbursements | <u>1,351,301</u> | <u>564,273</u> | <u>3,319</u> | <u>25,537</u> | <u>1,944,430</u> |
| Total Cash Receipts Over/(Under) Cash Disbursements | 76,514 | (282,408) | 108 | (756) | (206,542) |
| Other Financing Receipts and (Disbursements): | | | | | |
| Sale of Assets | - | 558 | - | - | 558 |
| Transfer In | - | 230,000 | - | - | 230,000 |
| Transfer Out | (230,000) | - | - | - | (230,000) |
| Total Other Financing Receipts/(Disbursements) | <u>(230,000)</u> | <u>230,558</u> | <u>-</u> | <u>-</u> | <u>558</u> |
| Excess/(Deficiency) of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements | (153,486) | (51,850) | 108 | (756) | (205,984) |
| Fund Cash Balances, January 1, | <u>451,215</u> | <u>300,665</u> | <u>1,672</u> | <u>27,374</u> | <u>780,926</u> |
| Fund Cash Balances, December 31 | <u>\$ 297,729</u> | <u>\$ 248,815</u> | <u>\$ 1,780</u> | <u>\$ 26,618</u> | <u>\$ 574,942</u> |
| Reserves for Encumbrances, December 31 | <u>\$ 21,529</u> | <u>\$ 1,176</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 22,705</u> |

See notes to financial statements.

**VILLAGE OF MILLERBURG
HOLMES COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007**

| | Governmental Fund Types | | | | Totals (Memorandum Only) |
|--|-------------------------|--------------------|-----------------|---------------------|--------------------------------|
| | General | Special Revenue | Debt Service | Capital Projects | |
| Cash Receipts: | | | | | |
| Property Taxes | \$ 185,468 | \$ 72,534 | \$ 2,654 | \$ - | \$ 260,656 |
| Income Taxes | 988,246 | - | - | - | 988,246 |
| Intergovernmental | 240,001 | 186,590 | 519 | 275,511 | 702,621 |
| Charges for Services | 21,833 | 22,800 | - | - | 44,633 |
| Fines, Licenses, and Permits | 21,806 | 697 | - | - | 22,503 |
| Earnings on Investments | 68,955 | 9,028 | - | 926 | 78,909 |
| Miscellaneous | 6,775 | 3,256 | - | - | 10,031 |
| Total Cash Receipts | <u>1,533,084</u> | <u>294,905</u> | <u>3,173</u> | <u>276,437</u> | <u>2,107,599</u> |
| Cash Disbursements: | | | | | |
| Current: | | | | | |
| Security of Persons and Property | 673,677 | 59,504 | - | - | 733,181 |
| Public Health Services | 15,189 | 51,879 | - | - | 67,068 |
| Leisure Time Activities | 124,718 | - | - | - | 124,718 |
| Community Environment | 4,616 | 12,466 | - | - | 17,082 |
| Transportation | 97,914 | 345,445 | - | - | 443,359 |
| General Government | 344,985 | - | - | - | 344,985 |
| Debt Service: | | | | | |
| Principal Payments | - | - | 3,319 | - | 3,319 |
| Interest Payments | - | - | - | - | - |
| Capital Outlay | - | 15,767 | - | 382,842 | 398,609 |
| Total Cash Disbursements | <u>1,261,099</u> | <u>485,061</u> | <u>3,319</u> | <u>382,842</u> | <u>2,132,321</u> |
| Total Cash Receipts Over/(Under) Cash Disbursements | 271,985 | (190,156) | (146) | (106,405) | (24,722) |
| Other Financing Receipts and (Disbursements): | | | | | |
| Debt Proceeds | - | - | - | 100,016 | 100,016 |
| Transfer In | 18,877 | 237,000 | - | - | 255,877 |
| Transfer Out | (237,000) | (8,530) | (1,414) | (8,933) | (255,877) |
| Total Other Financing Receipts/(Disbursements) | <u>(218,123)</u> | <u>228,470</u> | <u>(1,414)</u> | <u>91,083</u> | <u>100,016</u> |
| Excess/(Deficiency) of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements | 53,862 | 38,314 | (1,560) | (15,322) | 75,294 |
| Fund Cash Balances, January 1, restated | <u>397,353</u> | <u>262,351</u> | <u>3,232</u> | <u>42,696</u> | <u>705,632</u> |
| Fund Cash Balances, December 31 | <u>\$ 451,215</u> | <u>\$ 300,665</u> | <u>\$ 1,672</u> | <u>\$ 27,374</u> | <u>\$ 780,926</u> |
| Reserves for Encumbrances, December 31 | <u>\$ 52,510</u> | <u>\$ 3,790</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 56,300</u> |

See notes to financial statements.

**VILLAGE OF MILLERSBURG
HOLMES COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

| | Enterprise Fund | |
|---|-----------------|--------------|
| | 2008 | 2007 |
| Operating Cash Receipts: | | |
| Charges for Services | \$ 1,080,746 | \$ 1,125,797 |
| Operating Cash Disbursements: | | |
| Personal Services | 261,321 | 237,957 |
| Employee Fringe Benefits | 105,814 | 98,947 |
| Contractual Services | 222,997 | 232,588 |
| Supplies and Materials | 123,175 | 84,254 |
| Other | 66 | 103 |
| Total Operating Cash Disbursements | 713,373 | 653,849 |
| Operating Income | 367,373 | 471,948 |
| Non-Operating Cash Receipts: | | |
| Intergovernmental | - | 200 |
| Special Assessments | - | 12,210 |
| Total Non-Operating Cash Receipts | - | 12,410 |
| Non-Operating Cash Disbursements: | | |
| Debt Service: | | |
| Principal Payments | 311,236 | 310,614 |
| Interest Payments | 10,597 | 11,219 |
| Capital Outlay | 144,661 | 89,010 |
| Total Non-Operating Cash Disbursements | 466,494 | 410,843 |
| Net Receipts Over Disbursements | (99,121) | 73,515 |
| Fund Cash Balances, January 1 | 1,254,288 | 1,180,773 |
| Fund Cash Balances, December 31 | \$ 1,155,167 | \$ 1,254,288 |
| Reserve for Encumbrances, December 31 | \$ 56,546 | \$ 36,808 |

See notes to financial statements.

**VILLAGE OF MILLERSBURG
HOLMES COUNTY**

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Millersburg, Holmes County, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general government services including water and sewer utilities, road and bridge maintenance, park operations, cemetery operations and police services.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Cash and Investments

All funds are maintained in an interest-bearing checking account along with a corresponding sweep account which is recorded at cost.

D. Fund Accounting

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

General Fund

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

Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

Street Construction, Maintenance and Repair Fund – This fund is used to account for gasoline tax and motor vehicle tax monies for constructing, maintaining and repairing Village streets.

Police Disability Pension Tax Fund – This fund collects property tax receipts which are used to pay the village portion of retirement for police and firemen.

**VILLAGE OF MILLERSBURG
HOLMES COUNTY**

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

Special Revenue Funds (Continued)

Cemetery Fund – This fund receives revenue from charges for services which are expended for the maintenance of the cemetery.

Debt Service Funds

These funds are used to accumulate resources for the payment of debt. The Village had the following Debt Service Funds:

Clay-Monroe Fund – This fund receives proceeds used to repay the Ohio Public Works Commission for a loan for a street improvement project.

Capital Projects Funds

This fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise funds). The Village had the following Capital Projects Fund.

Elm Drive Emergency Fund – This fund is used to account for proceeds to be used for a street improvement project.

Enterprise Funds

These funds account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges. The Village had the following significant Enterprise Funds:

Water Fund – This fund is used to account for charges for services from residents to cover the cost of providing water services.

Sewer Fund – This fund is used to account for charges for services from residents to cover the cost of providing sewer services.

WWTP Debt Service Fund – This fund is used to account for monies used to repay a loan with the Ohio Water Development Authority for a wastewater treatment plant project.

**VILLAGE OF MILLERSBURG
HOLMES COUNTY**

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

Appropriations

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

Estimated Resources

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

Encumbrances

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

A summary of 2008 and 2007 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as capital outlay disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. Accumulated Leave

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Village maintains a cash pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash at December 31 was as follows:

| | <u>2008</u> | <u>2007</u> |
|-----------------|---------------------|---------------------|
| Demand deposits | \$ 1,730,109 | \$ 2,035,214 |
| Total Deposits | <u>\$ 1,730,109</u> | <u>\$ 2,035,214</u> |

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

**VILLAGE OF MILLERSBURG
HOLMES COUNTY**

NOTES TO FINANCIAL STATEMENTS

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2008 and 2007 follows:

| 2008 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|---------------------|---------------------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$ 1,465,615 | \$ 1,427,815 | \$ (37,800) |
| Special Revenue | 602,750 | 512,423 | (90,327) |
| Debt Service | 3,225 | 3,427 | 202 |
| Capital Projects | 25,150 | 24,781 | (369) |
| Enterprise | 1,151,300 | 1,080,746 | (70,554) |
| Total | <u>\$ 3,248,040</u> | <u>\$ 3,049,192</u> | <u>\$ (198,848)</u> |

| 2008 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|-------------------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$ 1,702,285 | \$ 1,602,830 | \$ 99,455 |
| Special Revenue | 617,018 | 565,449 | 51,569 |
| Debt Service | 3,319 | 3,319 | - |
| Capital projects | 34,150 | 25,537 | 8,613 |
| Enterprise | 1,501,860 | 1,236,413 | 265,447 |
| Total | <u>\$ 3,858,632</u> | <u>\$ 3,433,548</u> | <u>\$ 425,084</u> |

| 2007 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|---------------------|---------------------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$ 1,406,264 | \$ 1,551,961 | \$ 145,697 |
| Special Revenue | 500,450 | 531,905 | 31,455 |
| Debt Service | 3,300 | 3,173 | (127) |
| Capital Projects | 971,563 | 376,453 | (595,110) |
| Enterprise | 1,138,550 | 1,138,207 | (343) |
| Total | <u>\$ 4,020,127</u> | <u>\$ 3,601,699</u> | <u>\$ (418,428)</u> |

| 2007 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|-------------------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$ 1,589,982 | \$ 1,550,609 | \$ 39,373 |
| Special Revenue | 517,863 | 497,381 | 20,482 |
| Debt Service | 4,733 | 3,319 | 1,414 |
| Capital projects | 987,863 | 391,775 | 596,088 |
| Enterprise | 1,243,684 | 1,101,500 | 142,184 |
| Total | <u>\$ 4,344,125</u> | <u>\$ 3,544,584</u> | <u>\$ 799,541</u> |

Contrary to Ohio Revised Code Section 5705.36, appropriations exceeded actual receipts for one fund in 2007.

Contrary to Ohio Revised Code Section 5705.41(D), there were several expenditures that were not properly certified.

**VILLAGE OF MILLERSBURG
HOLMES COUNTY**

NOTES TO FINANCIAL STATEMENTS

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as intergovernmental receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due the following June 20.

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

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

5. LOCAL INCOME TAX

The Village levies a municipal income tax of 1 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

6. DEBT

Debt outstanding at December 31, 2008 was as follows:

| | <u>Principal</u> | <u>Interest rate</u> |
|--|---------------------|----------------------|
| Ohio Public Works Commission Loan CN631 | \$ 19,913 | 0.0% |
| Ohio Water Development Authority Loan 3992 | 4,487,290 | 0.2% |
| Total | <u>\$ 4,507,203</u> | |

The Village borrowed funds from the Ohio Public Works Commission for improvement of Clay and Monroe Streets. The loan is being repaid in an annual installment of \$3,319.

The Ohio water Development Authority (OWDA) loan relates to a water and sewer plant expansion project the Ohio Environmental Protection Agency mandated. The OWDA approved up to \$6,306,541 in loans to the Village for this project. As this project is still under construction there has been no set repayment amount at this time. It is assumed the Village will borrow the full loan amount of \$6,306,541. However, as of to date \$5,109,140 has been spent on this project. The OWDA will adjust scheduled payments to reflect any revisions in amounts the Village actually borrows. Water and sewer receipts collateralize the loan.

**VILLAGE OF MILLERSBURG
HOLMES COUNTY**

NOTES TO FINANCIAL STATEMENTS

6. DEBT (Continued)

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

| Year | OPWC |
|-----------|------------------|
| 2009 | \$ 3,319 |
| 2010 | 3,319 |
| 2011 | 3,319 |
| 2012 | 3,319 |
| 2013 | 3,319 |
| 2014-2018 | 3,318 |
| Total | <u>\$ 19,913</u> |

7. RETIREMENT SYSTEMS

The Village's full time law enforcement officers belong to the Ohio Police and Fire Pension Funds (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2008 and 2007, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant wages. OPERS members contributed 10.0% and 9.5% of their wages in 2008 and 2007, respectively. The Village contributed an amount equal to 14.00% and 13.85% of participants gross salaries in 2008 and 2007, respectively. The Village has paid all required contributions through December 31, 2008.

8. RISK MANAGEMENT

The Village belongs to the Ohio Municipal Joint Self-Insurance Pool, (the "Pool"), an unincorporated non-profit association available to municipal corporations and their instrumentalities. Pursuant to Section 2744.081 of the Ohio Revised Code, the Pool is deemed a separate legal entity. The Pool provides a program of property and casualty insurance for its members. The Pool pays judgments, settlements and other expenses resulting for covered claims that exceed the members' deductible.

The Pool cedes certain premiums to reinsurers or excess reinsurers. The Pool is contingently liable should any reinsurer become unable to meet its obligations under the reinsurance obligations.

Members may withdraw at the end of any coverage period upon 60 days' prior notice to the Pool. A withdrawing member not providing the required notification remains responsible for its unpaid claims, and also remains liable for additional assessments (if any) for years during which they were members.

The Pool's financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained (deficit) earnings at December 31, 2007 and 2006 (the latest information available):

| | 2007 | 2006 |
|-----------------------------|---------------------|---------------------|
| Assets | \$ 2,405,834 | \$ 2,331,284 |
| Liabilities | (2,877,385) | (3,130,475) |
| Retained (deficit) earnings | <u>\$ (471,551)</u> | <u>\$ (799,191)</u> |

**VILLAGE OF MILLERSBURG
HOLMES COUNTY**

NOTES TO FINANCIAL STATEMENTS

9. FUND BALANCE RESTATEMENT

As of January 1, 2007, the Village moved the Dehass Estate Fund out of the General Fund and into a Capital Projects Fund, according to Board Resolution 89-21. As a result of the restatement, the beginning balance of the General Fund decreased by \$33,763 to \$397,353 and the beginning balance of the Capital Projects Fund increased by \$33,763 to \$42,696.

**WOLFE, WILSON, & PHILLIPS, INC.
37 SOUTH SEVENTH STREET
ZANESVILLE, OHIO 43701**

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Mayor and Village Council
Village of Millersburg
6 N. Washington Street
Millersburg, Ohio 44654

We have audited the financial statements of the Village of Millersburg, Holmes County, Ohio, as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated April 17, 2009, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. In addition, we noted the Village restated fund balances effective January 1, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that a misstatement of the Village's financial statements that is more than inconsequential will not be prevented or detected by the Village's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Village's internal control.

Our consideration of internal control over financial reporting was for the limited purposes described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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 noted other matters involving internal control over financial reporting, which we have reported to management of the Village of Millersburg in a separate letter dated April 17, 2009.

Independent Auditors' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by Government Auditing Standards
Page Two

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Village of Millersburg's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that we must report under *Government Auditing Standard*. However, we noted certain immaterial instances of noncompliance that we have reported to the management of Village of Millersburg in a separate letter dated April 17, 2009.

This report is intended for the information of the Village's management, fiscal officer, and Auditor of State, and is not intended to be and should not be used by anyone other than these specified parties.

Wolfe, Wilson, & Phillips, Inc.
Zanesville, Ohio
April 17, 2009



Mary Taylor, CPA
Auditor of State

VILLAGE OF MILLERSBURG

HOLMES 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
JULY 16, 2009**