



**VILLAGE OF MCGUFFEY
HARDIN COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2000

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

VILLAGE OF MCGUFFEY
HARDIN COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

Village of McGuffey
Hardin County
P. O. Box 304
404 Courtright Street
McGuffey, Ohio 45859

To the Village Council:

We have audited the accompanying financial statements of the Village of McGuffey, Hardin County, (the Village) as of and for the years ended December 31, 2000 and 1999, as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of McGuffey, Hardin County, as of December 31, 2000 and 1999, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 18, 2001 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

We performed our audit to form an opinion on the financial statements of the Village, taken as a whole. The accompanying schedule of federal awards expenditures is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. We subjected this information to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the December 31, 2000 financial statements taken as a whole.

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

Jim Petro
Auditor of State

July 18, 2001

**VILLAGE OF McGUFFEY
HARDIN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Local Taxes	\$41,558				\$41,558
Special Assessments		4,322			4,322
Intergovernmental Receipts	45,628	16,969		1,427,021	1,489,618
Charges for Services	1,716		17,724		19,440
Miscellaneous	25,211	1,949			27,160
Total Cash Receipts	<u>114,113</u>	<u>23,240</u>	<u>17,724</u>	<u>1,427,021</u>	<u>1,582,098</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	1				1
Public Health Services	1,082				1,082
Leisure Time Activities	7,218				7,218
Community Environment	250				250
Basic Utility Services	8,976	6,726			15,702
Transportation	9,870	12,217			22,087
General Government	63,082				63,082
Debt Service			105,575		105,575
Capital Outlay	3,305			1,717,140	1,720,445
Total Disbursements	<u>93,784</u>	<u>18,943</u>	<u>105,575</u>	<u>1,717,140</u>	<u>1,935,442</u>
Total Receipts Over/(Under) Disbursements	<u>20,329</u>	<u>4,297</u>	<u>(87,851)</u>	<u>(290,119)</u>	<u>(353,344)</u>
Other Financing Receipts/(Disbursements):					
Sale of Fixed Assets	7,550				7,550
Loan Proceeds			92,500	290,119	382,619
Total Other Financing Receipts/(Disbursements)	<u>7,550</u>		<u>92,500</u>	<u>290,119</u>	<u>390,169</u>
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements	<u>27,879</u>	<u>4,297</u>	<u>4,649</u>	<u>0</u>	<u>36,825</u>
Fund Cash Balances January 1	<u>83,339</u>	<u>90,207</u>	<u>37,553</u>	<u>197</u>	<u>211,296</u>
Fund Cash Balances, December 31	<u>\$111,218</u>	<u>\$94,504</u>	<u>\$42,202</u>	<u>\$197</u>	<u>\$248,121</u>
Reserves for Encumbrances, December 31	<u>\$788</u>	<u>\$969</u>	<u>\$0</u>	<u>\$523,815</u>	<u>\$525,572</u>

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

**VILLAGE OF McGUFFEY
HARDIN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2000**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$151,565
Miscellaneous	4,545
Total Operating Cash Receipts	156,110
Operating Cash Disbursements:	
Personal Services	36,759
Travel Transportation	32
Contractual Services	62,213
Supplies and Materials	22,391
Total Operating Cash Disbursements	121,395
Operating Income	34,715
Fund Cash Balances, January 1	289,375
Fund Cash Balances, December 31	\$324,090
Reserve for Encumbrances, December 31	\$7,122

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

**VILLAGE OF McGUFFEY
HARDIN COUNTY**

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

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Local Taxes	\$42,559				\$42,559
Special Assessments		3,788			3,788
Intergovernmental Receipts	23,751	43,695			67,446
Charges for Services	2,188	330	19,500		22,018
Miscellaneous	18,978	1,110			20,088
Total Cash Receipts	<u>87,476</u>	<u>48,923</u>	<u>19,500</u>		<u>155,899</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	1				1
Public Health Services	964				964
Leisure Time Activities	3,880				3,880
Community Environment	65				65
Basic Utility Services	7,485	5,607			13,092
Transportation	8,496	12,202			20,698
General Government	75,998				75,998
Debt Service:			15,452		15,452
Capital Outlay	46,134	27,199		5,800	79,133
Total Disbursements	<u>143,023</u>	<u>45,008</u>	<u>15,452</u>	<u>5,800</u>	<u>209,283</u>
Total Receipts Over/(Under) Disbursements	(55,547)	3,915	4,048	(5,800)	(53,384)
Fund Cash Balances January 1	<u>138,886</u>	<u>86,292</u>	<u>33,505</u>	<u>5,997</u>	<u>264,680</u>
Fund Cash Balances, December 31	<u><u>\$83,339</u></u>	<u><u>\$90,207</u></u>	<u><u>\$37,553</u></u>	<u><u>\$197</u></u>	<u><u>\$211,296</u></u>
Reserves for Encumbrances, December 31	<u>\$1,634</u>	<u>\$781</u>	<u>\$0</u>	<u>\$0</u>	<u>\$2,415</u>

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

**VILLAGE OF McGUFFEY
HARDIN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 1999**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$128,286
Miscellaneous	3,899
	132,185
Total Operating Cash Receipts	132,185
Operating Cash Disbursements:	
Personal Services	33,159
Travel Transportation	627
Contractual Services	49,705
Supplies and Materials	15,172
Capital Outlay	6,648
	105,311
Total Operating Cash Disbursements	105,311
Operating Income	26,874
Fund Cash Balances, January 1	262,501
Fund Cash Balances, December 31	\$289,375
Reserve for Encumbrances, December 31	\$9,041

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

**VILLAGE OF MCGUFFEY
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of McGuffey, Hardin 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 governmental services, including water and sewer utilities. The Village contracts with the Hardin County Sheriff's department to provide security of persons and property.

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 prescribed or permitted by the Auditor of State.

C. Cash and Investments

Certificates of deposit are valued at cost. Investments are reported as fund cash balances. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively. The Village had one certificate of deposit which matured in 1999 and was not renewed.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Fund

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 receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village streets.

**VILLAGE OF MCGUFFEY
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Ohio Development National Resource Fund - This fund receives grant monies to fund the construction of the Park.

Lighting Assessment Fund - This fund receives special assessments for street lighting in the Village.

3. Debt Service Fund

These funds are used to accumulate resources for the payment of bonds and note indebtedness. The Village had the following significant debt service funds:

Sewer Bond Retirement Fund - Farmers Home Administration - This fund receives sewer revenue to re-pay a Farmers Home Administration Loan.

Sewer Debt - Ohio Public Works Commission (OPWC) Loan Fund - This fund receives sewer revenue to re-pay an OPWC Loan.

Sewer Debt - Ohio Water Development Authority (OWDA) Loan Fund - This fund receives sewer revenue to re-pay an OWDA Loan.

4. Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project funds:

Sewer Construction - Ohio Water Development Authority (OWDA) #2 - This fund receives loan money from the OWDA.

Sewer Construction - Issue II - This fund receives money from the Ohio Public Works Commission to fund the sewer construction project.

Sewer Construction - Community Development Block Grant (CDBG) - This fund received grant money to fund the sewer construction project.

5. Enterprise Funds

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

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

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

**VILLAGE OF MCGUFFEY
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2000 and 1999 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

G. Unpaid Vacation Leave

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

2. EQUITY IN POOLED CASH

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

	<u>2000</u>	<u>1999</u>
Demand deposits	\$ 572,211	\$ 500,671

Deposits: Deposits are either 1) insured by the Federal Depository Insurance Corporation, or 2) collateralized by the financial institution's public entity deposit pool.

**VILLAGE OF MCGUFFEY
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2000 and 1999 follows:

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 90,192	\$ 121,663	\$ 31,471
Special Revenue	26,275	23,240	(3,035)
Debt Service	109,689	110,224	535
Capital Projects	2,561,960	1,717,140	(844,820)
Enterprise	156,741	156,110	(631)
Total	<u>\$2,944,857</u>	<u>\$2,128,377</u>	<u>(\$816,480)</u>

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 151,135	\$ 94,572	\$ 56,563
Special Revenue	26,131	19,912	6,219
Debt Service	194,745	105,575	89,170
Capital Projects	2,461,960	2,240,955	221,005
Enterprise	199,592	128,517	71,075
Total	<u>\$3,033,563</u>	<u>\$2,589,531</u>	<u>\$444,032</u>

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 98,455	\$ 87,476	(\$ 10,979)
Special Revenue	23,025	48,923	25,898
Debt Service	12,000	19,500	7,500
Capital Projects	1,739,950	0	(1,739,950)
Enterprise	120,090	132,185	12,095
Total	<u>\$1,993,520</u>	<u>\$288,084</u>	<u>(\$1,705,436)</u>

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 156,096	\$144,657	\$ 11,439
Special Revenue	57,313	45,789	11,524
Debt Service	10,452	15,452	(5,000)
Capital Projects	1,745,946	5,800	1,740,146
Enterprise	126,736	114,352	12,384
Total	<u>\$2,096,543</u>	<u>\$326,050</u>	<u>\$1,770,493</u>

**VILLAGE OF MCGUFFEY
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

The Clerk/Treasurer did not prior certify all expenditures which violated the requirements of Ohio Rev. Code Section 5705.41(D).

Ohio Rev. Code Section 5705.36 requires subdivisions to amend estimated revenues when it is determined that anticipated revenues will not be received. During 2000, the shortage in actual revenue is due to grant and loan money that has not been received for work completed on sewer plant project. During 1999, expenditures were not incurred, therefore no grant or loan money was received. Due to these exceptions there was no violation of Ohio Rev. Code Section 5705.36.

Expenditures exceeded appropriations at the legal level which violated the requirements of Ohio Revised Code Section 5705.41(B).

The Village did allocate interest to the required funds in proportion to the fund balances which violated Ohio Rev. Code Section 5705.10.

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 payment, 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. DEBT

Debt outstanding at December 31, 2000 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Farmers Home Administration (Sewer Improvement Bonds)	\$ 88,200	5.88%
Ohio Public Works Commission	133,054	0.00%
Ohio Water Development Authority Loan (WPCLF)	<u>249,565</u>	2.20%
Total	<u>\$ 470,819</u>	

The Farmer's Home Administration bonds relate to constructing sanitary sewer improvements. The bonds are for \$121,000 and will be paid in 20 years ending in 2012.

**VILLAGE OF MCGUFFEY
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

5. DEBT (Continued)

The Ohio Public Works Commission and Ohio Water Development Authority loans relate to a sewer plant expansion project that was mandated by the Ohio Environmental Protection Agency. The total amount of these loans have not been fully received by the Village, therefore an estimated amortization schedule has been established which includes the anticipated additional revenue to be received over the next two years.

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

Year ending December 31:	Sewer Improvement Bonds	OPWC Loan	OWDA Loan
2001	10,482	12,500	15,808
2002	10,470	25,000	31,617
2003	10,441	25,000	31,617
2004	10,495	25,000	31,617
2005	10,425	25,000	31,617
Subsequent	73,041	387,500	490,056
Total	<u>\$ 125,354</u>	<u>\$ 500,000</u>	<u>\$ 632,332</u>

6. RETIREMENT SYSTEMS

The Village's employee belongs to the Public Employees Retirement System (PERS) of Ohio. PERS are cost-sharing, multiple-employer plans. This plan provides 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 2000 and 1999, PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries during the period January 1, 1999 through June 30, 2000. During the period of July 2000 through December 31, 2000 there was a temporary reduction which reduced the employer rate to 8.13%. The Village has paid all contributions required through December 31, 2000.

7. RISK MANAGEMENT

The Village is a member of the Ohio Municipal League Joint Self Insurance Pool (the Pool). The Pool assumes the risk of loss up to the limits of the Village's policy. The Pool may assess supplemental premiums. The following risks are covered by the Pool:

- General liability and casualty
- Public Officials liability
- Vehicles

**VILLAGE OF MCGUFFEY
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

8. CONTRACT OBLIGATIONS

The Village has outstanding contracts on the Waste Water Treatment Improvement Project with Kirk Brothers for \$491,369 and Sallies Wholesale Supply for \$32,446 for a total outstanding contract obligation at year end of \$523,815. The revenue to meet the contract obligations is in the process of collection at year end.

9. CONTINGENT LIABILITIES

The Village has been a defendant in a consent decree since 1990 with the State of Ohio for the violation of the National Pollution Discharge Elimination System permit. Management has taken steps to correct the noncompliance and is in the process of a waste water treatment improvement project. The Village believes any fine associated with this consent decree will be minimal. All required improvements to the sewer system that are not covered by grants will be passed onto the users. If the users cannot pay the increased costs the debt obligation will be an obligation of the Village.

VILLAGE OF MCGUFFEY
HARDIN COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR YEAR ENDED DECEMBER 31, 2000

Federal Grantor/ Pass Through Grantor Program Title	Federal CFDA Number	Disbursements
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>		
<i>(Passed through Ohio Department of Development)</i>		
Small Cities Community Development Block Grant: Entitlement Grant	14.228	<u>\$474,600</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE		<u><u>\$474,600</u></u>

The accompanying notes to this schedule are an integral part of this schedule.

**VILLAGE OF MCGUFFEY
HARDIN COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
DECEMBER 31, 2000**

NOTE A SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the Village's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG)

The Village has received a Community Development Block Grant for the Waste Water Treatment Improvement project during 2000. The entire amount of the grant was received and disbursed during 2000.

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STATE OF OHIO
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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND
ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Village of McGuffey
Hardin County
P. O. Box 304
404 Courtright Street
McGuffey, Ohio 45859

To the Village Council:

We have audited the financial statements of the Village of McGuffey, Hardin County (the Village) as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated July 18, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2000-30233-001, 2000-30233-002, and 2000-30233-003. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated July 18, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the Village in a separate letter dated July 18, 2001.

Village of McGuffey
Hardin County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Governmental Auditing Standards*
Page 2

This report is intended for the information and use of the Finance Committee, management, Village Council, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

July 18, 2001



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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
FEDERAL PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Village of McGuffey
Hardin County
P. O. Box 304
404 Courtright Street
McGuffey, Ohio 45859

To the Village Council:

Compliance

We have audited the compliance of the Village of McGuffey, Hardin County (the Village) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2000. The Village's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Village's management. Our responsibility is to express an opinion on the Village's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the Village's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Village's compliance with those requirements.

In our opinion, the Village of McGuffey, Hardin County complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2000.

Internal Control Over Compliance

The management of the Village is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Village's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

**Internal Control Over Compliance
(Continued)**

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the finance committee, management, Village Council, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

July 18, 2001

VILLAGE OF MCGUFFEY
HARDIN COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2000 AND 1999

**1. SUMMARY OF AUDITOR'S RESULTS
DECEMBER 31, 2000**

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	CFDA #14.228, Community Development Block Grant
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

VILLAGE OF MCGUFFEY
HARDIN COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2000 AND 1999
(Continued)

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
DECEMBER 31, 2000 AND 1999

FINDING NUMBER 2000-30233-001

Noncompliance Citation

Ohio Rev. Code Section 5705.41 (D) states that no order or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

The following exceptions to this basic requirement are provided by statute:

Then and Now Certificate: This exception provides that, if the fiscal officer can certify that both at the time that the contract or order was made and at the time that he is completing his certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from an any previous encumbrance, the taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

Amounts less than \$1,000 for Villages may be paid by the fiscal officer without such certificate of the taxing authority upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

Seventy-eight percent of the transactions tested were not certified by the Clerk/Treasurer prior to making orders for the expenditures of Village funds. In addition, neither of the two exceptions above were utilized for these transactions. Procedures should be implemented not only to help assure compliance with this requirement, but to help prevent the unauthorized obligation of Village funds.

FINDING NUMBER 2000-30233-002

Noncompliance Citation

Ohio Rev. Code Section 5705.41 (B) states that no subdivision or taxing unit is to expend money unless it has been appropriated. During 2000, the Village had expenditures and commitments that exceeded appropriations at the legal level for the following funds and line items: Street Construction, Maintenance, and Repair Fund Supplies and Material Line item in the amount of \$1,375, and in the General Fund Supplies and Material line item in the amount of \$2,961. During 1999, violations occurred in th Sewer Debt #2 Fund debt service line item in the amount of \$5,000, in the Garbage Fund capital outlay line item in the amount of \$1,091, and in the Water Fund personal services line item in the amount of \$1,050.

The Village should implement procedures to help ensure that funds are properly appropriated to help prevent possible deficit spending and to help avoid noncompliance with this Ohio Revised Code Section

**VILLAGE OF MCGUFFEY
HARDIN COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2000 AND 1999
(Continued)**

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
DECEMBER 31, 2000 AND 1999**

FINDING NUMBER 2000-30233-003

Noncompliance Citation

Ohio Rev. Code Sections 135.21 and 5705.10, states that all interest earned is required to be credited to the General Fund, although specific exceptions may exist. One of these exceptions is Article XII, Section 5a, Ohio Const and 1982 Op. Atty Gen. No. 82-031 which requires that the interest earned on motor vehicle license or fuel tax must follow the principal.

The Village credited interest to the Sewer Replacement Fund and did not allocate interest to the General Fund, Street Construction Maintenance and Repair Fund, State Highway Fund, and Permissive Motor Vehicle License Fund in a manner that was consistent with the respective fund balances.

The Village has made the necessary adjustments to increase/decrease fund balances to properly reflect these amounts. The financial statements in this report reflect these adjustments. These adjustments had the following effect upon the respective fund type balances:

	General Fund	Street Construction Maintenance and Repair Fund	State Highway Fund	Permissive Motor Vehicle License Fund	Enterprise Sewer Replacement Fund
2000	\$1,455	(623)	(445)	214	(601)
1999	\$1,049	(445)	(305)	82	(381)

Procedures should be implemented to help assure that interest is allocated according to the requirements of the Ohio Rev. Code and the allocation should be monitored by the Finance Committee.

**3. FINDINGS FOR FEDERAL AWARDS
DECEMBER 31, 2000**

None

**VILLAGE OF MCGUFFEY
HARDIN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2000 AND 1999**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected; Partially Corrected; Significantly Different Corrective Action Taken; or Finding No <u>Longer Valid</u> : <u>Explain:</u>
1998-30233-001	Prior Certification of Expenditures	No	Not corrected. Repeated in this report
1998-30233-002	Appropriation Ledgers	Yes	
1998-30233-003	Income Tax Administration	No	Partially corrected, reported in the management letter for the current audit period



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VILLAGE OF MCGUFFEY

HARDIN COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 14, 2001**