



## **Village of McConnellsville**

Morgan County, Ohio

Regular Audit For the Year Ended December 31, 2003

Single Audit For the Year Ended December 31, 2002



America Counts on CPAs

**BALESTRA, HARR & SCHERER, CPAs, INC.**

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**Auditor of State  
Betty Montgomery**

Village Council  
Village of McConnellsville  
9 W. Main St.  
McConnellsville, OH 43756

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

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

*Betty Montgomery*

BETTY MONTGOMERY  
Auditor of State

June 8, 2005

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**VILLAGE OF MCCONNELSVILLE  
MORGAN COUNTY**

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Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

## Independent Auditors' Report

Village of McConnelsville  
Morgan County  
9 West Main Street  
McConnelsville, Ohio 43756

To the Village Council:

We have audited the accompanying financial statements of the Village of McConnelsville, Morgan County, Ohio (the Village), as of and for the years ended December 31, 2003 and 2002. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As discussed in Note 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 generally accepted accounting principles.

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 McConnelsville, Morgan County, as of December 31, 2003 and 2002, 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 March 4, 2005, 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 purposes of 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 financial statements taken as a whole.

Village of McConnelsville  
Morgan County  
Independent Auditor's Report  
Page 2

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

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in black ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.

March 4, 2005

VILLAGE OF MCCONNELSVILLE  
MORGAN COUNTY

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

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Property Tax and Other Local Taxes	\$ 296,573	\$ 76,386	\$ -	\$ 372,959
Intergovernmental Receipts	123,246	106,166	-	229,412
Charges for Services	20,895	-	-	20,895
Fines, Licenses, and Permits	25,630	970	-	26,600
Earnings on Investments	16,514	425	-	16,939
Miscellaneous	8,314	641	-	8,955
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	491,172	184,588	-	675,760
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	315,575	60,156	-	375,731
Public Health Services	10,895	-	-	10,895
Leisure Time Activities	4,633	-	-	4,633
Basic Utility Services	99	-	-	99
Transportation	18,851	113,764	-	132,615
General Government	193,288	28,135	-	221,423
Debt Service:				
Principal Payments	-	1,667	-	1,667
Interest Payments	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	543,341	203,722	-	747,063
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(52,169)</u>	<u>(19,134)</u>	<u>-</u>	<u>(71,303)</u>
<b>Other Financing Receipts/(Disbursements):</b>				
Transfers-In	2,185	3,970	-	6,155
Transfers-Out	<u>(6,500)</u>	<u>(6,520)</u>	<u>(2,119)</u>	<u>(15,139)</u>
	<hr/>	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts/(Disbursements)	<u>(4,315)</u>	<u>(2,550)</u>	<u>(2,119)</u>	<u>(8,984)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(56,484)	(21,684)	(2,119)	(80,287)
Fund Cash Balances, January 1	<u>92,459</u>	<u>60,929</u>	<u>2,119</u>	<u>155,507</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$ 35,975</u></b>	<b><u>\$ 39,245</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 75,220</u></b>
Reserves for Encumbrances, December 31	<u>\$ 5,634</u>	<u>\$ -</u>	<u>\$ 82,878</u>	<u>\$ 88,512</u>

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



VILLAGE OF MCCONNELSVILLE  
MORGAN COUNTY

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

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$ 568,440	\$ -	\$ 568,440
Total Operating Cash Receipts	<u>568,440</u>	<u>-</u>	<u>568,440</u>
<b>Operating Cash Disbursements:</b>			
Personal Services	218,028	-	218,028
Fringe Benefits	85,656	-	85,656
Contractual Services	119,901	-	119,901
Supplies and Materials	81,771	-	81,771
Capital Outlay	39,570	-	39,570
Total Operating Cash Disbursements	<u>544,926</u>	<u>-</u>	<u>544,926</u>
Operating Income/(Loss)	<u>23,514</u>	<u>-</u>	<u>23,514</u>
<b>Non-Operating Cash Receipts:</b>			
Other Non-Operating Cash Receipts	200	33,844	34,044
Total Non-Operating Cash Receipts	<u>200</u>	<u>33,844</u>	<u>34,044</u>
<b>Non-Operating Cash Disbursements:</b>			
Debt Service:			
Principal Payments	26,514	-	26,514
Interest Payments	23,960	-	23,960
Other Non-Operating Cash Disbursements	-	30,694	30,694
Total Non-Operating Cash Disbursements	<u>50,474</u>	<u>30,694</u>	<u>81,168</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Advances	<u>(26,760)</u>	<u>3,150</u>	<u>(23,610)</u>
Transfers-In	8,984	-	8,984
Excess of Receipts Over/(Under) Disbursements	<u>(17,776)</u>	<u>3,150</u>	<u>(14,626)</u>
Fund Cash Balances, January 1	<u>351,543</u>	<u>(3,415)</u>	<u>348,128</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$ 333,767</u></b>	<b><u>\$ (265)</u></b>	<b><u>\$ 333,502</u></b>
Reserve for Encumbrances, December 31	<u>\$ 17,813</u>	<u>\$ -</u>	<u>\$ 17,813</u>

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

VILLAGE OF MCCONNELSVILLE  
MORGAN COUNTY

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

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Property Tax and Other Local Taxes	\$ 339,534	\$ 76,708	\$ -	\$ 416,242
Intergovernmental Receipts	181,481	98,431	671,905	951,817
Charges for Services	21,100	-	-	21,100
Fines, Licenses, and Permits	23,382	692	-	24,074
Earnings on Investments	19,975	667	-	20,642
Miscellaneous	25,180	3,146	-	28,326
<b>Total Cash Receipts</b>	<u>610,652</u>	<u>179,644</u>	<u>671,905</u>	<u>1,462,201</u>
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	277,936	69,689	-	347,625
Public Health Services	10,493	-	-	10,493
Leisure Time Activities	55,920	-	37,466	93,386
Basic Utility Services	73,439	-	401,111	474,550
Transportation	102,895	86,036	-	188,931
General Government	188,910	34,006	-	222,916
Debt Service:				
Principal Payments	-	1,667	-	1,667
Interest Payments	-	-	-	-
Financing and Other Debt-Service Related	-	-	-	-
Capital Outlay	-	-	268,432	268,432
<b>Total Cash Disbursements</b>	<u>709,593</u>	<u>191,398</u>	<u>707,009</u>	<u>1,608,000</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(98,941)</u>	<u>(11,754)</u>	<u>(35,104)</u>	<u>(145,799)</u>
<b>Other Financing Receipts/(Disbursements):</b>				
Transfers-Out	(5,000)	-	-	(5,000)
<b>Total Other Financing Receipts/(Disbursements)</b>	<u>(5,000)</u>	<u>-</u>	<u>-</u>	<u>(5,000)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(103,941)	(11,754)	(35,104)	(150,799)
Fund Cash Balances, January 1	196,400	72,683	37,223	306,306
<b>Fund Cash Balances, December 31</b>	<u><b>\$ 92,459</b></u>	<u><b>\$ 60,929</b></u>	<u><b>\$ 2,119</b></u>	<u><b>\$ 155,507</b></u>
Reserves for Encumbrances, December 31	<u>\$ 4,179</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,179</u>

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

VILLAGE OF MCCONNELSVILLE  
MORGAN COUNTY

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

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$ 547,785	\$ -	\$ 547,785
Miscellaneous	5,200	-	5,200
Total Operating Cash Receipts	<u>552,985</u>	<u>-</u>	<u>552,985</u>
<b>Operating Cash Disbursements:</b>			
Personal Services	206,938	-	206,938
Fringe Benefits	65,562	-	65,562
Contractual Services	125,609	-	125,609
Supplies and Materials	108,144	-	108,144
Capital Outlay	19,875	-	19,875
Total Operating Cash Disbursements	<u>526,128</u>	<u>-</u>	<u>526,128</u>
Operating Income/(Loss)	<u>26,857</u>	<u>-</u>	<u>26,857</u>
<b>Non-Operating Cash Receipts:</b>			
Other Non-Operating Cash Receipts	-	23,811	23,811
Total Non-Operating Cash Receipts	<u>-</u>	<u>23,811</u>	<u>23,811</u>
<b>Non-Operating Cash Disbursements:</b>			
Debt Service:			
Principal Payments	25,232	-	25,232
Interest Payments	23,575	-	23,575
Other Non-Operating Cash Disbursements	-	29,066	29,066
Total Non-Operating Cash Disbursements	<u>48,807</u>	<u>29,066</u>	<u>77,873</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Advances	<u>(21,950)</u>	<u>(5,255)</u>	<u>(27,205)</u>
Transfers-In	<u>5,000</u>	<u>-</u>	<u>5,000</u>
Excess of Receipts Over/(Under) Disbursements	(16,950)	(5,255)	(22,205)
Fund Cash Balances, January 1	<u>368,493</u>	<u>1,840</u>	<u>370,333</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$ 351,543</u></b>	<b><u>\$ (3,415)</u></b>	<b><u>\$ 348,128</u></b>
Reserve for Encumbrances, December 31	<u>\$ 22,600</u>	<u>\$ -</u>	<u>\$ 22,600</u>

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

**VILLAGE OF MCCONNELSVILLE  
MORGAN COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Village of McConnelsville, Morgan 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, and an elected Mayor and Clerk. The Village provides general governmental services, including water and sewer utilities, park operations (leisure time activities), and police and fire protection services.

The Village has a financial relationship with the Village of Malta for joint ownership and operation of a swimming pool. This relationship is classified as a joint venture. Additional information concerning this relationship is presented in Note 8.

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. 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 Funds**

These funds are used to account for proceeds from specific sources (other than 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 license tax money to construct, maintain and repair Village streets.

*Fire Levy Fund* - This fund receives property tax monies to provide fire protection to the residents of the Village.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**VILLAGE OF MCCONNELSVILLE  
MORGAN COUNTY**

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

**C. Fund Accounting (Continued)**

**2. Special Revenue Funds (Continued)**

*Street Levy Fund* - This fund receives property tax monies to construct, maintain and repair Village streets.

*Income Tax Fund* - This fund receives local income taxes in amounts sufficient to pay the costs of administering the income tax department. Excess income tax receipts are placed in the Village's General Fund.

**3. 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 funds). The Village had the following significant Capital Project Fund:

*Downtown Revitalization Project* - This fund receives Community Development Block Grant funding for the renovation of downtown buildings and streets.

**4. 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.

**5. Fiduciary Fund**

Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following Fiduciary Fund:

*Mayor's Court Fund* - This fund accounts for the financial activity of the Mayor's Court and is classified as an Agency Fund.

**D. Budgetary Process**

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

**VILLAGE OF MCCONNELSVILLE  
MORGAN COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Budgetary Process (Continued)**

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund and function 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.

A summary of 2003 and 2002 budgetary activity appears in Note 3.

**E. 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.

**F. Unpaid Vacation and Sick Leave**

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

**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:

	<b>2003</b>	<b>2002</b>
Demand Deposits	\$ 408,722	\$ 503,635

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

**VILLAGE OF MCCONNELSVILLE  
MORGAN COUNTY**

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

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2003 and 2002, were as follows:

2003 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$568,829	\$493,357	\$(75,472)
Special Revenue	183,247	188,558	5,311
Capital Projects	82,878	0	(82,878)
Enterprise	608,712	577,624	(31,088)
<b>Total</b>	<b>\$1,443,666</b>	<b>\$1,259,539</b>	<b>\$(184,127)</b>

2003 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$661,905	\$555,475	\$106,430
Special Revenue	238,105	210,242	27,863
Capital Projects	84,997	84,997	0
Enterprise	867,755	613,213	254,542
<b>Total</b>	<b>\$1,852,762</b>	<b>\$1,463,927</b>	<b>\$388,835</b>

2002 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$578,219	\$610,652	\$(32,433)
Special Revenue	187,229	179,644	(7,585)
Capital Projects	1,045,463	671,905	(373,558)
Enterprise	528,488	557,985	28,497
<b>Total</b>	<b>\$2,340,399</b>	<b>\$2,020,186</b>	<b>\$(320,213)</b>

2002 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$905,377	\$718,772	\$186,605
Special Revenue	268,071	191,398	76,673
Capital Projects	1,182,982	707,009	475,973
Enterprise	887,944	597,535	290,409
<b>Total</b>	<b>\$3,244,374</b>	<b>\$2,214,714</b>	<b>\$1,029,660</b>

Contrary to Ohio Law, the governmental funds appropriations exceeded estimated resources by \$175,000 in the general fund, \$4,040 in the special revenue funds, and \$62,832 in the capital project funds.

**VILLAGE OF MCCONNELSVILLE  
MORGAN COUNTY**

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

**4. DEBT**

Debt outstanding at December 31, 2003, was as follows:

	Principal	Interest Rates
Ohio Water Development Authority Loans	\$ 297,500	7.59%
Promissory Notes	8,333	0.00%
<b>Total</b>	<b>\$ 305,833</b>	

The Ohio Water Development Authority (OWDA) loan relates to a water and sewer plant expansion project that was mandated by the Ohio Environmental Protection Agency. The OWDA approved up to \$500,000 for this project, but the Village borrowed only \$466,063. The loan will be repaid in semiannual installments over the remaining life of the loan. The loan is collateralized by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

In 2001 the Village issued promissory notes with General Motors Acceptance Corporation for the purchase of two Chevrolet trucks. The original note amounts were for \$14,999 and \$14,999. There is a 0% interest rate on these notes. The full faith and credit of the Village has been pledged to repay this debt.

Amortization of the above debt, including interest of \$133,714, is scheduled as follows:

Year ending December 31:	OWDA Loans	Promissory Notes
2004	\$ 20,165	\$ 8,333
2005	40,442	
2006	40,561	
2007	40,690	
2008	40,829	
Subsequent	248,527	
<b>Total</b>	<b>\$ 431,214</b>	<b>\$ 8,333</b>

**5. 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.

Public utilities are also taxed on personal and real property located within the Village.



**VILLAGE OF MCCONNELSVILLE  
MORGAN COUNTY**

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

**5. PROPERTY TAX (Continued)**

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

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

**6. 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 income of residents earned outside of the Village.

Employers within the Village are required to withhold income tax on employee compensation and remit the tax to the Village quarterly, as required. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually. Income tax proceeds are distributed to funds in the following manner: First, in the Income Tax Fund, an amount necessary to defray the cost of the operations of the Income Tax Department; secondly, the remainder to the General Fund. During 2003, total income taxes collected equaled \$300,293. Of this amount, \$33,000 was credited to the Income Tax Fund and \$267,293 to the General Fund. During 2002, total income taxes collected equaled \$338,334. Of this amount, \$30,000 was credited to the Income Tax Fund and \$308,334 to the General Fund.

**7. RETIREMENT SYSTEMS**

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. OP&F and PERS 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 2003 and 2002, PERS members contributed 8.5% of their gross salaries. For 2003 and 2002, the Village contributed an amount equal to 13.55% of participants' gross salaries for PERS members. For 2003 and 2002, members of OP&F contributed 10% of their gross salaries to the OP&F. The Village contributed an amount equal to 19.5% of police participant wages for both years. The Village has paid all contributions required through December 31, 2003.

Effective July 1, 1991, elected officials not otherwise covered by a State Retirement System have an option to choose Social Security or the appropriate state system. As of December 31, 2001, no elected officials have elected to choose Social Security.

**VILLAGE OF MCCONNELSVILLE  
MORGAN COUNTY**

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

**8. RISK MANAGEMENT**

The Village has obtained commercial insurance coverage for the following risks:

- General liability and casualty
- Public official's liability
- Vehicle

The Village also provides health insurance and dental and vision coverage to full-time employees through a private carrier.

**9. JOINT VENTURE**

The Village of McConnelsville and the Village of Malta established a Recreation Committee under the provisions of Ohio Rev. Code Section 755.16 to provide organized recreational programs for the citizens of both Villages and to construct, operate and maintain a swimming pool. The Committee consists of three Council Members from each Village appointed by the respective Village Councils and the Mayor of the Villages in alternating two year terms.

Revenue and expenditures are budgeted and accounted for by the Villages in alternative two year terms. The Committee can be dissolved only by mutual consent of both Village Councils. If the Committee would be dissolved, original start up assets revert to the contributing Village or if acquired jointly, would be split equally. The financial activity of the Recreation Committee is included in the annual report of the Village which budgets and accounts for revenue and expenditures. The accompanying financial statements of the Village of McConnelsville do not include the activity of the recreation Committee for 2003 and 2002. The activity for 2003 and 2002 was accounted for and reported by the Village of Malta as part of their Enterprise Fund Type.

**10. CONTINGENCIES**

**Grants**

The Village received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Village at December 31, 2003.

**VILLAGE OF MCCONNELSVILLE  
MORGAN COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2002**

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Pass Through Entity Number	Disbursements
<b>UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			
<i>Pass through State Department of Development:</i>			
Community Development Block Grant - State's Program	14.228	C-T-277-1	305,898
Total United States Department of Housing and Urban Development			305,898
<b>UNITED STATES DEPARTMENT OF JUSTICE</b>			
<i>Pass through Office of Criminal Justice Services</i>			
Violence Against Women Formula Grant	16.588	WF-VA2-8423	35,291
Total United States Department of Justice			35,291
<b>Total Federal Awards Expenditures</b>			<b>\$ 341,189</b>

*The notes to the Schedule of Federal Awards Expenditures are an integral part of this Schedule.*

**VILLAGE OF MCCONNELSVILLE  
MORGAN COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2002**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**BALESTRA, HARR & SCHERER, CPAs, INC.**

528 South West Street, P.O. Box 687

Piketon, Ohio 45661

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Ohio Society of Certified Public Accountants

**Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit  
Performed in Accordance with *Government Auditing Standards***

Village of McConnelsville  
Morgan County  
9 West Main Street  
McConnelsville, Ohio 43756

To the Village Council:

We have audited the accompanying financial statements of the Village of McConnelsville, Morgan County, Ohio (the Village), as of and for the years ending December 31, 2003 and 2002, and have issued our report thereon dated March 4, 2005. 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 one instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2002-001. We noted certain other immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated March 4, 2005.

**Internal Control Over Financial Reporting**

In planning and performing our audits, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal over financial reporting, which we have reported to the management of the Village in a separate letter dated March 4, 2005.

Village of  
McConnellsville  
Morgan County  
Report of Independent Accountants on Compliance and on Internal Control  
Required by *Government Auditing Standards*  
Page 2

This report is intended solely for the information and use of management and the 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.

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in black ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.

March 4, 2005

# BALESTRA, HARR & SCHERER, CPAs, INC.

528 South West Street, P.O. Box 687  
Piketon, Ohio 45661

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## **Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133**

Village of McConnelsville  
Morgan County  
9 West Main Street  
McConnelsville, Ohio 43756

To Village Council:

### **Compliance**

We have audited the compliance of the Village of McConnelsville (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, 2002. The Village's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. 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 with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. 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 of the Village's compliance with those requirements.

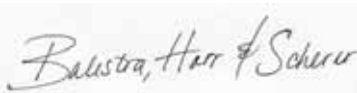
In our opinion, the Village complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2002.

### 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 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.

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 reportable 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, regulation, contracts and grants caused by error or fraud 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. However, we noted other matters involving the internal control over compliance and its operation which we have reported to the management of the Village in a separate letter dated 3/4/05.

This report is intended solely for the information and use of management, the 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.



Balestra, Harr & Scherer  
March 4, 2005



**VILLAGE OF MCCONNELSVILLE  
MORGAN COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 §.505  
FOR THE YEARS ENDED DECEMBER 31, 2002**

**1. SUMMARY OF AUDITOR'S RESULTS**

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

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

**FINDING NUMBER 2002-001**

**Noncompliance Citation**

Ohio Revised Code Section 5705.39 States that the total appropriation from each fund shall not exceed the total estimated resources. Appropriations exceeded estimated resources in the General fund by \$175,000 in 2002. The Village should properly monitor appropriations throughout the year to ensure they do not exceed estimated revenue.

Corrective Action Plan:

Kathy Thompson, Clerk has indicated that she monitored budgetary activity more closely in the subsequent years. The corrective action was completed before the close of the 2003 audit period.

VILLAGE OF MCCONNELSVILLE  
MORGAN COUNTY

SCHEDULE OF FINDINGS  
*OMB CIRCULAR A-133 §.505*  
FOR THE YEAR ENDED DECEMBER 31, 2002  
(Continued)

**3. FINDINGS FOR FEDERAL AWARDS**

There were no findings related to federal awards.



**Auditor of State  
Betty Montgomery**

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**VILLAGE OF McCONNELSVILLE**

**MORGAN 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 21, 2005**