

***VILLAGE OF MCCONNELSVILLE  
MORGAN COUNTY, OHIO***

***AUDIT REPORT***

***FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006***

***Charles E. Harris and Associates, Inc.***  
**Certified Public Accountants and Government Consultants**





Mary Taylor, CPA  
Auditor of State

Village Council  
Village of McConnellsville  
9 West Main Street  
McConnellsville, Ohio 43756

We have reviewed the *Report of Independent Accountants* of the Village of McConnellsville, Morgan County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2006 through December 31, 2007. 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.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

May 27, 2008

**This Page is Intentionally Left Blank.**

**VILLAGE OF MCCONNELSVILLE  
MORGAN COUNTY  
AUDIT REPORT  
For Years Ending December 31, 2007 and 2006**

**TABLE OF CONTENTS**

<u>Title</u>	<u>Page</u>
<b>Report of Independent Accountants</b>	<b>1-2</b>
<b>Management Discussion &amp; Analysis</b>	<b>3-13</b>
<b>Statement of Net Assets – Cash Basis, as of December 31, 2007</b>	<b>14</b>
<b>Statement of Activities – Cash Basis, For the Year Ended December 31, 2007</b>	<b>15</b>
<b>Statement of Cash Basis Assets and Fund Balances, as of December 31, 2007</b>	<b>16</b>
<b>Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Basis Fund Balances – Governmental Funds, For the Year Ended December 31, 2007</b>	<b>17</b>
<b>Statement of Receipts, Disbursements and Changes in Fund Balance - Budget and Actual - (Budget Basis) – General Fund, For the Year Ended December 31, 2007</b>	<b>18</b>
<b>Statement of Receipts, Disbursements and Changes in Fund Balance - Budget and Actual - (Budget Basis) – Street Construction, Maintenance, Repair Fund, For the Year Ended December 31, 2007</b>	<b>19</b>
<b>Statement of Fund Net Assets – Cash Basis – Enterprise Funds – as of December 31, 2007</b>	<b>20</b>
<b>Statement of Cash Receipts, Disbursements, and Changes in Fund Net Assets – Cash Basis - Enterprise Funds – For the Year Ended December 31, 2007</b>	<b>21</b>
<b>Statement of Fiduciary Fund Net Assets – Fiduciary Fund – as of December 31, 2007</b>	<b>22</b>
<b>Statement of Net Assets – Cash Basis, as of December 31, 2006</b>	<b>23</b>
<b>Statement of Activities – Cash Basis, For the Year Ended December 31, 2006</b>	<b>24</b>
<b>Statement of Cash Basis Assets and Fund Balances, as of December 31, 2006</b>	<b>25</b>
<b>Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Basis Fund Balances – Governmental Funds, For the Year Ended December 31, 2006</b>	<b>26</b>
<b>Statement of Receipts, Disbursements and Changes in Fund Balance - Budget and Actual - (Budget Basis) – General Fund, For the Year Ended December 31, 2006</b>	<b>27</b>

**This Page is Intentionally Left Blank.**

**VILLAGE OF MCCONNELSVILLE  
MORGAN COUNTY  
AUDIT REPORT  
For Years Ending December 31, 2007 and 2006**

**TABLE OF CONTENTS  
(Continued)**

<u>Title</u>	<u>Page</u>
<b>Statement of Receipts, Disbursements and Changes in Fund Balance - Budget and Actual - (Budget Basis) – Street Construction, Maintenance &amp; Repair Fund, For the Year Ended December 31, 2006</b>	<b>28</b>
<b>Statement of Fund Net Assets – Cash Basis – Enterprise Funds – as of December 31, 2006</b>	<b>29</b>
<b>Statement of Cash Receipts, Disbursements, and Changes in Fund Net Assets – Cash Basis - Enterprise Funds – For the Year Ended December 31, 2006</b>	<b>30</b>
<b>Notes to the Financial Statements</b>	<b>31-44</b>
<b>Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i></b>	<b>45-46</b>
<b>Schedule of Findings</b>	<b>47-48</b>
<b>Schedule of Prior Audit Findings</b>	<b>49</b>

Rockefeller Building  
614 W Superior Ave Ste 1242  
Cleveland OH 44113-1306  
Office phone - (216) 575-1630  
Fax - (216) 436-2411

***Charles E. Harris & Associates, Inc.***  
***Certified Public Accountants***

---

REPORT OF INDEPENDENT ACCOUNTANTS

Village of McConnellsville, Morgan County  
Village Hall  
9 West Main Street  
McConnellsville, Ohio 43756

To the Village Council:

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Village of McConnellsville, Morgan County (the Village), as of and for the years ended December 31, 2007 and 2006, which collectively comprise the Village's basic financial statements 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Village as of December 31, 2007 and 2006, and the respective changes in cash basis financial position and the respective budgetary comparison for the General Fund and Street Construction, Maintenance & Repair Fund thereof for the years then ended in conformity with accounting basis Note 2 describes.

The management's discussion and analysis on pages 3 to 13 is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2008 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, grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

***Charles E. Harris & Associates, Inc.***

March 15, 2008

**VILLAGE OF MCCONNELSVILLE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED DECEMBER 31, 2006 & 2007  
UNAUDITED**

The discussion and analysis of the Village of McConnelsville's financial performance provides an overall review of the Village's financial activities for the years ended December 31, 2006 and 2007, within the limitations of the Village's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Village's financial performance.

**Highlights**

Key highlights for 2006 are as follows:

Net cash assets of governmental activities increased \$144,991, or 51%, a significant change from the prior year. The fund most affected by the increase in cash and cash equivalents was the General Fund, which increased due to unanticipated inheritance tax, self-imposed budgeting restraints, employee attrition and job restructuring.

The Village's general receipts are primarily property and income taxes. These receipts represent respectively 10 and 37 percent of the total cash received for governmental activities during the year. Property and income tax receipts for 2006 changed very little compared to 2005 as development within the Village has slowed.

The Village has three business-type activities, water operations, sewer operations, and the Joint Swimming Pool.

The net cash of the water operations decreased \$44,841, or 33%, a significant change from the prior year. The decrease in cash assets primarily occurred because of capital improvements made to the water system. For example, the old well system was serviced so it can be used as a back up source of water, and the Oakwood Drive water main was replaced.

Net cash assets of the sewer operations increased \$39,390, or 26%, a significant change from the prior year. A sewer rate increase was made to generate additional income to prepare the Village's share of the pending sewer separation project.

Net cash assets of the swimming pool operations increased \$1,455 for the year. The swimming pool is a joint operation with the Village of Malta. Each year, both villages transfer \$5,000 to open the pool. To keep from going in the red during 2006, the Recreation Committee received a \$2,000 donation from the Outdoor Extravaganza; thus, creating an increase in income.

Key highlights for 2007 are as follows:

Net cash assets of governmental activities increased \$54,562, or 13%, a significant change from the prior year. The fund most affected by the increase in cash was the General Fund, which increased by a growth in local taxes due to the decrease of credit given to taxes paid to another municipality and self-imposed budgeting restraints.

**VILLAGE OF MCCONNELSVILLE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED DECEMBER 31, 2006 & 2007  
UNAUDITED**

The Village's general receipts are primarily property and income taxes. These receipts represent respectively 8 and 33 percent of the total cash received for governmental activities during the year. Property tax receipts for 2007 changed very little compared to 2006 as development within the Village has slowed.

The Village had two business-type activities, water operations and sewer operations during 2007.

Net cash assets of the water operations increased \$17,660, or 19%, a significant change from the prior year. The increase in cash assets primarily occurred because of increased water rates.

Net cash assets of the sewer operations increased \$40,456, or 21%, a significant change from the prior year. The increase in cash assets primarily occurred due to budgeting restraints.

**Using the Basic Financial Statements**

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

**Report Components**

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

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

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

**Basis of Accounting**

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

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

**VILLAGE OF MCCONNELSVILLE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED DECEMBER 31, 2006 & 2007  
UNAUDITED**

**Reporting the Village as a Whole**

The reporting entity is comprised of all funds, departments, boards, and agencies that are not legally separate from the Village.

The statement of net assets and the statement of activities reflect how the Village did financially during 2006 and 2007, within the limitations of cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental and business-type activities of the Village at year end. The statement of activities compares cash disbursements with program receipts for each governmental program and business-type activity. Program receipts include charges paid by the recipient of the program's goods and services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function or business-type activity draws from the Village's general receipts.

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

In the statement of net assets and the statement of activities, we divide the Village into two types of activities:

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

Business-type activities. The Village has two business-type activities the provision of water and sewer. Business-type activities are financed by a fee charged to the customers receiving the service. During 2007, since the operations were financed by the Village of McConnelsville, the Village accounted for the swimming pool activities within the General Fund.

**Reporting the Village's Most Significant Funds**

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

**VILLAGE OF MCCONNELSVILLE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEARS ENDED DECEMBER 31, 2006 & 2007**  
**UNAUDITED**

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

Proprietary Funds – When the Village charges customers for the services it provides, these services are generally reported in proprietary funds. When the services are provided to the general public, the activity is reported as an enterprise fund. The Village has three enterprise funds, the water fund, the sewer fund and the swimming pool fund.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the Village. The Mayor's Court Agency Fund is the only fiduciary fund of the Village. Fiduciary funds are not reflected on the government-wide financial statements because the resources of these funds are not available to support the Village's programs. The Mayor's Court Agency fund had no fund balance at December 31, 2006.

**VILLAGE OF MCCONNELSVILLE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED DECEMBER 31, 2006 & 2007  
UNAUDITED**

**The Village as a Whole**

Table 1 provides a summary of the Village's net assets for 2007 compared to 2006 on a cash basis:

(Table 1)  
**Net Assets**

	Governmental Activities	Governmental Activities	Business- Type Activities	Business- Type Activities	Total	Total
	2007	2006	2007	2006	2007	2006
Assets						
Cash	<u>\$483,256</u>	<u>\$428,694</u>	<u>\$340,549</u>	<u>\$282,433</u>	<u>\$823,805</u>	<u>\$711,127</u>
Total Assets	<u>\$483,256</u>	<u>\$428,694</u>	<u>\$340,549</u>	<u>\$282,433</u>	<u>\$823,805</u>	<u>\$711,127</u>
Net Assets						
Restricted for:						
Capital Projects	\$12,779	\$ -0-	\$ -0-	\$ -0-	\$ 12,779	\$ -0-
Other Purposes	135,791	138,971	-0-	-0-	135,791	138,971
Unrestricted	<u>334,686</u>	<u>289,903</u>	<u>340,549</u>	<u>282,433</u>	<u>675,235</u>	<u>572,336</u>
Total Net Assets	<u>\$483,256</u>	<u>\$428,694</u>	<u>\$340,549</u>	<u>\$282,433</u>	<u>\$823,805</u>	<u>\$711,127</u>

As mentioned previously, net cash assets of governmental activities increased \$54,562 or 13% during 2007. The primary reasons contributing to the increases in cash balances are as follows:

- Growth in local taxes due to decreasing the amount of credit given for taxes paid to other municipalities
- Budgeting restraints

**VILLAGE OF MCCONNELSVILLE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED DECEMBER 31, 2006 & 2007  
UNAUDITED**

Table 1a provides a summary of the Village's net assets for 2006 compared to 2005 on a cash basis:

(Table 1a)  
**Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Assets						
Cash	<u>\$428,694</u>	<u>\$286,477</u>	<u>\$282,433</u>	<u>\$283,655</u>	<u>\$711,127</u>	<u>\$570,132</u>
Total Assets	<u>\$428,694</u>	<u>\$286,477</u>	<u>\$282,433</u>	<u>\$283,655</u>	<u>\$711,127</u>	<u>\$570,132</u>
Net Assets						
Restricted for:						
Capital Projects	\$ -0-	\$ 2,774	\$ -0-	\$ -0-	\$ -0-	\$ 2,774
Other Purposes	138,971	113,861	-0-	-0-	138,971	113,971
Unrestricted	<u>289,903</u>	<u>169,842</u>	<u>282,433</u>	<u>283,655</u>	<u>572,336</u>	<u>453,497</u>
Total Net Assets	<u>\$428,694</u>	<u>\$286,477</u>	<u>\$282,433</u>	<u>\$282,433</u>	<u>\$711,127</u>	<u>\$570,132</u>

As mentioned previously, net cash assets of governmental activities increased \$144,753 or 51% during 2006. The primary reasons contributing to the increases in cash balances are as follows:

- Unanticipated inheritance tax received
- Decrease of expenses in Security of Persons and Property due to an employee leaving.
- Decrease of expenses in General Government due to employee leaving and job restructuring.

Table 2 on the next page reflects the changes in net assets on a cash basis in 2007 as compared to 2006 for governmental activities and total primary government. Table 2a on page 10 reflects the changes in net assets on a cash basis in 2006 as compared to 2005 for governmental activities and total primary government.

**VILLAGE OF MCCONNELSVILLE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEARS ENDED DECEMBER 31, 2006 & 2007**  
**UNAUDITED**

(Table 2)  
**Changes in Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Receipts:						
Program Receipts:						
Charges for Services And Sales	\$ 75,798	\$ 46,785	\$716,360	\$747,364	\$ 792,158	\$ 794,149
Operating Grants and Contributions	339,594	248,547	-0-	2,000	339,594	250,547
Capital Grants and Contributions	93,288	-0-	-0-	-0-	93,288	-0-
Total Program Receipts	<u>508,680</u>	<u>295,332</u>	<u>716,360</u>	<u>749,364</u>	<u>1,225,040</u>	<u>1,044,696</u>
General Receipts:						
Property and Other Local Taxes	87,198	92,965	-0-	-0-	87,198	92,965
Income Taxes	363,103	340,871	-0-	-0-	363,103	340,871
Grants and Entitlements Not Restricted to Specific Programs	108,700	147,218	9,658	18,387	118,358	165,605
Notes Issued	-0-	-0-	45,000	-0-	45,000	-0-
Interest	27,606	22,253	-0-	-0-	27,606	22,253
Miscellaneous	7,357	11,886	10,790	8,576	18,147	20,462
Total General Receipts	<u>593,964</u>	<u>615,193</u>	<u>65,448</u>	<u>26,963</u>	<u>659,412</u>	<u>642,156</u>
Total Receipts	<u>1,102,644</u>	<u>910,525</u>	<u>781,808</u>	<u>776,327</u>	<u>1,884,452</u>	<u>1,686,852</u>
Disbursements:						
General Government	172,379	168,475	-0-	-0-	172,379	168,475
Security of Persons And Property	305,140	301,021	-0-	-0-	305,140	301,021
Public Health Services	12,050	12,183	-0-	-0-	12,050	12,183
Leisure Time Activities	197,216	39,461	-0-	-0-	197,216	39,461
Transportation	261,821	227,058	-0-	-0-	261,821	227,058
Capital Outlay	99,476	11,500	-0-	-0-	99,476	11,500
Other	-0-	836	-0-	-0-	-0-	836
Water	-0-	-0-	342,326	362,681	342,326	362,681
Sewer	-0-	-0-	381,366	374,277	381,366	374,277
Swimming Pool	-0-	-0-	-0-	48,365	-0-	48,365
Total Disbursements	<u>1,048,082</u>	<u>760,534</u>	<u>723,692</u>	<u>785,323</u>	<u>1,771,774</u>	<u>1,545,857</u>
Excess(Deficiency) Before Transfers	54,562	149,991	58,116	(8,996)	112,678	140,995
Transfers	-0-	(5,000)	-0-	5,000	-0-	-0-
Increase (Decrease) In Net Assets	54,562	144,991	58,116	(3,996)	112,678	140,995
Net Assets Beginning of Year	<u>428,694</u>	<u>283,703</u>	<u>282,433</u>	<u>286,429</u>	<u>711,127</u>	<u>570,132</u>
Net Assets End of Year	<u>\$ 483,256</u>	<u>\$ 428,694</u>	<u>\$340,549</u>	<u>\$282,433</u>	<u>\$823,805</u>	<u>\$711,127</u>



**VILLAGE OF MCCONNELSVILLE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEARS ENDED DECEMBER 31, 2006 & 2007**  
**UNAUDITED**

(Table 2a)  
**Changes in Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Receipts:						
Program Receipts:						
Charges for Services And Sales	\$ 46,785	\$ 46,312	\$747,364	\$740,086	\$ 794,149	\$ 786,398
Operating Grants and Contributions	248,547	156,778	2,000	-0-	250,547	156,778
Capital Grants and Contributions	<u>-0-</u>	<u>100,000</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>100,000</u>
Total Program Receipts	<u>295,332</u>	<u>303,090</u>	<u>749,364</u>	<u>740,086</u>	<u>1,044,696</u>	<u>1,043,176</u>
General Receipts:						
Property and Other Local Taxes	92,965	79,764	-0-	-0-	92,965	79,764
Income Taxes	340,871	351,775	-0-	-0-	340,871	351,775
Grants and Entitlements Not Restricted to Specific Programs	147,218	169,989	18,387	-0-	165,605	169,989
Interest	22,253	20,245	-0-	-0-	22,253	20,245
Miscellaneous	<u>11,886</u>	<u>6,368</u>	<u>8,576</u>	<u>911</u>	<u>20,462</u>	<u>7,279</u>
Total General Receipts	<u>615,193</u>	<u>628,141</u>	<u>26,963</u>	<u>911</u>	<u>642,156</u>	<u>629,052</u>
Total Receipts	<u>910,525</u>	<u>931,231</u>	<u>776,327</u>	<u>740,997</u>	<u>1,686,852</u>	<u>1,672,228</u>
Disbursements:						
General Government	168,475	177,875	-0-	-0-	168,475	177,875
Security of Persons And Property	301,021	373,423	-0-	-0-	301,021	373,423
Public Health Services	12,183	12,868	-0-	-0-	12,183	12,868
Leisure Time Activities	39,461	3,279	-0-	-0-	39,461	3,279
Basic Utilities	-0-	97,226	-0-	-0-	-0-	97,226
Transportation	227,058	74,494	-0-	-0-	227,058	74,494
Capital Outlay	11,500	-0-	-0-	-0-	11,500	-0-
Other	836	-0-	-0-	-0-	836	-0-
Water	-0-	-0-	362,681	380,681	362,681	380,681
Sewer	-0-	-0-	374,277	375,255	374,277	375,255
Swimming Pool	<u>-0-</u>	<u>-0-</u>	<u>48,365</u>	<u>-0-</u>	<u>48,365</u>	<u>-0-</u>
Total Disbursements	<u>760,534</u>	<u>739,165</u>	<u>785,323</u>	<u>755,936</u>	<u>1,545,857</u>	<u>1,495,101</u>
Excess(Deficiency) Before Transfers	149,991	192,066	(8,996)	(14,939)	140,995	177,127
Transfers	<u>(5,000)</u>	<u>-0-</u>	<u>5,000</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Increase (Decrease) In Net Assets	144,991	192,066	(3,996)	(14,939)	140,995	177,127
Net Assets Beginning of Year	<u>283,703</u>	<u>94,411</u>	<u>286,429</u>	<u>298,594</u>	<u>570,132</u>	<u>393,005</u>
Net Assets End of Year	<u>\$ 428,694</u>	<u>\$ 286,477</u>	<u>\$282,433</u>	<u>\$283,655</u>	<u>\$711,127</u>	<u>\$570,132</u>

Program receipts during 2007 and 2006 represent 46 and 32 percent, respectively of total receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money, grants, building permits and inspection fees.

**VILLAGE OF MCCONNELSVILLE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED DECEMBER 31, 2006 & 2007  
UNAUDITED**

General receipts during 2007 and 2006 represent 54 and 68 percent, respectively of the Village's total receipts, and of this amount, over 75 and 70 percent, respectively are local taxes. State and federal grants and entitlements during 2007 and 2006 make up the balance of the Village's general receipts at 18 and 24 percent, respectively. Other receipts are very insignificant and somewhat unpredictable revenue sources.

Disbursements for General Government represent the overhead costs of running the Village and the support services provided for the other Village activities. These include the costs of council, and the auditor, treasurer, and income tax departments, as well as internal services such as payroll and purchasing. Since these costs do not represent direct services to residents, during 2007 and 2006 we try to limit these costs to 29 and 27 percent, respectively of General Fund unrestricted receipts.

Security of Persons and Property is the cost of police protection; Public Health Services is the health department; Leisure Time Activities are the costs of maintaining the parks and playing fields; and Transportation is the cost of maintaining the roads.

**Governmental Activities**

If you look at the Statement of Activities, you will see that the first column lists the major services provided by the Village. The next column identifies the costs of providing these services. During 2007 and 2006, the major program disbursements for governmental activities were for transportation which accounted for 25 and 29 percent of all governmental disbursements, respectively and security of persons and property, which accounted for 29 and 40 percent of all governmental disbursements, respectively. General government also represents a significant cost during 2007 and 2006 at 16 and 22 percent, respectively. The next three columns of the Statement entitled Program Cash Receipts identify amounts paid by people who are directly charged for the service and grants received by the Village that must be used to provide a specific service. The net Receipt (Disbursement) column compares program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of the services and the net cost is presented in Table 3.

(Table 3)

**Governmental Activities**

	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2007	2007	2006	2006	2005	2005
General Government	\$ 172,379	\$ 155,206	\$ 168,475	\$ 148,681	\$ 177,875	\$ 157,329
Security of Persons and Property	305,140	257,095	301,021	249,033	373,423	270,429
Public Health Services	12,050	12,050	12,183	12,183	12,868	12,868
Leisure Time Activities	197,216	67,304	39,461	12,475	3,279	3,279
Community Environment	-0-	-0-	-0-	-0-	97,226	(2,774)
Transportation	261,821	33,745	227,058	30,494	74,494	(5,056)
Capital Outlay	99,476	14,002	11,500	11,500	-0-	-0-
Other	-0-	-0-	836	836	-0-	-0-
Total Expenses	\$ 1,048,082	\$ 539,402	\$ 760,534	\$ 465,202	\$ 739,165	\$ 436,075

**VILLAGE OF MCCONNELSVILLE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEARS ENDED DECEMBER 31, 2006 & 2007**  
**UNAUDITED**

The dependence upon property and income tax receipts, during 2007 and 2006, is apparent as over 43 and 57 percent, respectively, of governmental activities are supported through these receipts.

**Business-Type Activities**

The water and sewer operations of the Village routinely report receipts and cash disbursements that are relatively equal. The infrastructure is beginning to age and the Village has begun discussing the need for major repairs and how these will be funded. The Village received notification from the Ohio EPA that improvements must be made in separation of sewer and storm sewer, and is being funded through Ohio Water Development Authority (OWDA) loans, and an Army Corp of Engineers Grant.

**The Village's Funds**

Total governmental funds, during 2007 and 2006, had receipts of \$1,102,644 and \$910,287, respectively and had disbursements of \$1,048,082 and \$765,534 respectively. The greatest change, during 2007 and 2006, within governmental funds occurred within the General Fund. The fund balance, during 2007, increased \$49,171 as a result of increased income tax receipts due to reduced credits given for payments to other municipalities and self-imposed budgeting restraints. The fund balance, during 2006, increased \$119,866 as a result of increased inheritance tax receipts.

**General Fund Budgeting Highlights**

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

During 2007, the Village amended its General Fund budget several times to reflect changing circumstances. Final budgeted receipts were above original budgeted receipts due to increase in Municipal Income Tax revenue. The difference between final budgeted receipts and actual receipts was (\$7,592) due to not receiving charges for services, fines-licenses and permits, earned interest, and full grant reimbursement as expected.

Final disbursements were budgeted at \$970,797 while actual disbursements were \$637,283. Appropriations were not reduced. The Village kept spending under budgeted amounts. The result is the increase in the general fund balance of \$44,784.

During 2006, the Village amended its General Fund budget several times to reflect changing circumstances. Final budgeted receipts were above original budgeted receipts due to unexpected inheritance tax receipts. The difference between final budgeted receipts and actual receipts was \$9,219, however the Village did not receive full grant reimbursement as budgeted in Other.

Final disbursements were budgeted at \$571,322 while actual disbursements were \$477,003. Appropriations were not reduced. The Village kept spending well under budgeted amounts as demonstrated by reported positive variances. The result is the increase in the general fund balance of \$102,154.

**VILLAGE OF MCCONNELSVILLE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED DECEMBER 31, 2006 & 2007  
UNAUDITED**

**Capital Assets and Debt Administration**

**Capital Assets**

The Village does not report capital assets & infrastructure under the cash basis of accounting.

**Debt**

At December 31, 2007, the Village's outstanding debt included \$209,889 in an OWDA loan, and \$43,842 in a local bank loan, both for improvements to the Sewer Treatment Plant as mandated by the Ohio Environmental Protection Agency.

**Current Issues**

The challenge for all governments is to provide quality service to the public while staying within the restrictions imposed by limited, and in some cases shrinking funding. We rely heavily on local taxes and have very little industry to support the tax base. EPA mandates are forcing increases in the sewer rates to pay for long-term combined sewer overflow control plan. The administration is researching the issue of installing water meters village-wide for the long-term development and maintenance of the water system.

**Contacting the Village's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Village's finances and to reflect the Village's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Ellen Henry, Fiscal Officer, Village of McConnelville, 9 West Main St., McConnelville, Ohio 43756.

VILLAGE OF MCCONNELSVILLE, MORGAN COUNTY, OHIO  
STATEMENT OF NET ASSETS - CASH BASIS  
DECEMBER 31, 2007

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$ 483,256	\$ 340,549	\$ 823,805
Total Assets	<u>\$ 483,256</u>	<u>\$ 340,549</u>	<u>\$ 823,805</u>
<b>Net Assets</b>			
Restricted for:			
Capital Projects	\$ 12,779	\$ -	\$ 12,779
Other Purposes	135,791	-	135,791
Unrestricted	334,686	340,549	675,235
Total Net Assets	<u>\$ 483,256</u>	<u>\$ 340,549</u>	<u>\$ 823,805</u>

See accompanying notes to the financial statements

VILLAGE OF MCCONNELSVILLE  
MORGAN COUNTY, OHIO  
STATEMENT OF ACTIVITIES - CASH BASIS  
For the Year Ended December 31, 2007

	Program Cash Receipts				Net (Disbursements) Receipts and Changes in Net Assets		
	Cash Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General Government	\$ 172,379	\$ 17,173	\$ -	-	\$ (155,206)	-	\$ (155,206)
Security of Persons and Property	305,140	22,001	26,044	-	(257,095)	-	(257,095)
Public Health Services	12,050	-	-	-	(12,050)	-	(12,050)
Transportation	261,821	-	228,076	-	(33,745)	-	(33,745)
Leisure Time Activities	197,216	36,624	-	93,288	(67,304)	-	(67,304)
Capital Outlay	99,476	-	85,474	-	(14,002)	-	(14,002)
Total Governmental Activities	<u>1,048,082</u>	<u>75,798</u>	<u>339,594</u>	<u>93,288</u>	<u>(539,402)</u>	<u>-</u>	<u>(539,402)</u>
Business-Type Activities:							
Water	342,326	348,008	-	-	-	5,682	5,682
Sewer	381,366	368,352	-	-	-	(13,014)	(13,014)
Total Business-Type Activities	<u>723,692</u>	<u>716,360</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(7,332)</u>	<u>(7,332)</u>
Total Government	<u>\$ 1,771,774</u>	<u>\$ 792,158</u>	<u>\$ 339,594</u>	<u>\$ 93,288</u>	<u>-</u>	<u>-</u>	<u>(546,734)</u>
General Receipts							
Property Taxes levied for:							
General purposes					87,198	-	87,198
Municipal Income Taxes					363,103	-	363,103
Grants and entitlements not restricted to a specific program					108,700	9,658	118,358
Notes Issued					-	45,000	45,000
Earnings on Investments					27,606	-	27,606
Other					7,357	10,790	18,147
Total General Receipts					<u>593,964</u>	<u>65,448</u>	<u>659,412</u>
Change in Net Assets					54,562	58,116	112,678
Net Assets Beginning of Year					428,694	282,433	711,127
Net Assets End of Year					<u>\$ 483,256</u>	<u>\$ 340,549</u>	<u>\$ 823,805</u>

See accompanying notes to the financial statements

VILLAGE OF MCCONNELSVILLE  
MORGAN COUNTY, OHIO  
STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES  
ALL GOVERNMENTAL FUND TYPES  
DECEMBER 31, 2007

	<u>General</u>	<u>Street Construction Maintenance Repair</u>	<u>Grant Construction</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$ 339,073	\$ 41,246	\$ -	\$ 102,937	\$ 483,256
Total Assets	<u>\$ 339,073</u>	<u>\$ 41,246</u>	<u>\$ -</u>	<u>\$ 102,937</u>	<u>\$ 483,256</u>
Fund Balances:					
Reserved:					
Reserved for Encumbrances	\$ 4,387	\$ 294	\$ -	\$ 778,700	\$ 783,381
Unreserved:					
Undesignated, Reported in:					
General Fund	334,686	-	-	-	334,686
Special Revenue Funds	-	40,952	-	94,839	135,791
Capital Projects Funds	-	-	-	(770,602)	(770,602)
Total Fund Balances	<u>\$ 339,073</u>	<u>\$ 41,246</u>	<u>\$ -</u>	<u>\$ 102,937</u>	<u>\$ 483,256</u>

See accompanying notes to the financial statements

VILLAGE OF MCCONNELSVILLE  
MORGAN COUNTY, OHIO  
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>General</u>	<u>Street Construction Maintenance Repair</u>	<u>Grant Construction</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Receipts</b>					
Property and Other Local Taxes	\$ 38,366	\$ -	\$ -	\$ 48,832	\$ 87,198
Municipal Income Taxes	363,103	-	-	-	363,103
Charges for Services	53,797	-	-	-	53,797
Fines and Forfeitures	20,732	-	-	1,269	22,001
Intergovernmental	127,222	71,968	235,748	32,045	466,983
Interest	23,730	2,938	-	938	27,606
Donations	52,500	-	-	-	52,500
Other	2,617	4,729	-	22,110	29,456
Total Receipts	<u>682,067</u>	<u>79,635</u>	<u>235,748</u>	<u>105,194</u>	<u>1,102,644</u>
<b>Disbursements</b>					
Current:					
General Government	158,644	-	-	13,735	172,379
Security of Persons and Property	252,228	-	-	52,912	305,140
Public Health Services	12,050	-	-	-	12,050
Transportation	12,758	85,676	150,274	13,113	261,821
Leisure Time Activities	197,216	-	-	-	197,216
Capital Outlay	-	-	85,474	14,002	99,476
Total Disbursements	<u>632,896</u>	<u>85,676</u>	<u>235,748</u>	<u>93,762</u>	<u>1,048,082</u>
Net Change in Fund Balances	49,171	(6,041)	-	11,432	54,562
Fund Balances Beginning of Year	<u>289,902</u>	<u>47,287</u>	<u>-</u>	<u>91,505</u>	<u>428,694</u>
Fund Balances End of Year	<u>\$ 339,073</u>	<u>\$ 41,246</u>	<u>\$ -</u>	<u>\$ 102,937</u>	<u>\$ 483,256</u>

See accompanying notes to the financial statements



VILLAGE OF MCCONNELSVILLE  
MORGAN COUNTY, OHIO  
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive Negative
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts				
Property and Other Local Taxes	\$ 35,123	\$ 35,108	\$ 38,366	\$ 3,258
Municipal Income Taxes	322,000	361,310	363,103	1,793
Charges for Services	55,250	55,424	53,797	(1,627)
Fines and Forfeitures	27,790	25,000	20,732	(4,268)
Intergovernmental	72,665	112,160	108,534	(3,626)
Interest	16,554	24,054	23,730	(324)
Other	9,436	75,907	73,805	(2,102)
<b>Total Receipts</b>	<b><u>538,818</u></b>	<b><u>688,963</u></b>	<b><u>682,067</u></b>	<b><u>(6,896)</u></b>
Disbursements				
Current:				
General Government	317,850	267,850	163,031	104,819
Security of Persons and Property	307,177	309,677	252,228	57,449
Leisure Time Activities	148,570	346,070	197,216	148,854
Transportation	34,150	34,150	12,758	21,392
Public Health Services	12,050	12,050	12,050	-
<b>Total Disbursements</b>	<b><u>819,797</u></b>	<b><u>969,797</u></b>	<b><u>637,283</u></b>	<b><u>332,514</u></b>
Receipts Over (Under) Disbursements	<u>(280,979)</u>	<u>(280,834)</u>	<u>44,784</u>	<u>325,618</u>
Other Financing Sources (Uses)				
Other Financing Sources	696	696	-	(696)
Other Financing (Uses)	(1,000)	(1,000)	-	1,000
<b>Total Other Financing Sources (Uses)</b>	<b><u>(304)</u></b>	<b><u>(304)</u></b>	<b><u>-</u></b>	<b><u>304</u></b>
Net Change in Fund Balance	(281,283)	(281,138)	44,784	325,922
Fund Balance Beginning of Year	271,996	271,996	271,996	-
Prior Year Encumbrances Appropriated	17,906	17,906	17,906	-
<b>Fund Balance End of Year</b>	<b><u>\$ 8,619</u></b>	<b><u>\$ 8,764</u></b>	<b><u>\$ 334,686</u></b>	<b><u>\$ 325,922</u></b>

See accompanying notes to the financial statements

VILLAGE OF MCCONNELSVILLE  
MORGAN COUNTY, OHIO  
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS  
STREET CONSTRUCTION MAINTENANCE REPAIR FUND  
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive Negative
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts				
Intergovernmental	\$ 73,500	\$ 73,500	\$ 71,968	\$ (1,532)
Interest	2,600	2,600	2,938	338
Other	1,000	1,000	4,729	3,729
Total Receipts	<u>77,100</u>	<u>77,100</u>	<u>79,635</u>	<u>2,535</u>
Disbursements				
Current:				
Transportation	123,250	123,481	85,970	37,511
Total Disbursements	<u>123,250</u>	<u>123,481</u>	<u>85,970</u>	<u>37,511</u>
Net Change in Fund Balance	(46,150)	(46,381)	(6,335)	(34,976)
Fund Balance Beginning of Year	47,055	47,055	47,055	-
Prior Year Encumbrances Appropriated	<u>232</u>	<u>232</u>	<u>232</u>	<u>-</u>
Fund Balance End of Year	<u>\$ 1,137</u>	<u>\$ 906</u>	<u>\$ 40,952</u>	<u>\$ 40,046</u>

See accompanying notes to the financial statements

VILLAGE OF MCCONNELSVILLE, MORGAN COUNTY, OHIO  
 STATEMENT OF FUND NET ASSETS - CASH BASIS  
 PROPRIETARY FUNDS  
 DECEMBER 31, 2007

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Swimming Pool Fund</u>	<u>Total Enterprise Funds</u>
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$ 110,260	\$ 228,834	\$ 1,455	\$ 340,549
Total Assets	<u>\$ 110,260</u>	<u>\$ 228,834</u>	<u>\$ 1,455</u>	<u>\$ 340,549</u>
<b>Net Assets</b>				
Unrestricted	\$ 110,260	\$ 228,834	\$ 1,455	\$ 340,549
Total Net Assets	<u>\$ 110,260</u>	<u>\$ 228,834</u>	<u>\$ 1,455</u>	<u>\$ 340,549</u>

See accompanying notes to the financial statements

VILLAGE OF MCCONNELSVILLE  
MORGAN COUNTY, OHIO  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN  
FUND NET ASSETS - CASH BASIS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Swimming Pool Fund</u>	<u>Enterprise Total</u>
Operating Receipts				
Charges for Services	\$ 348,008	\$ 368,352	\$ -	\$ 716,360
Total Operating Receipts	<u>348,008</u>	<u>368,352</u>	<u>-</u>	<u>716,360</u>
Operating Disbursements				
Personal Services	68,262	136,915	-	205,177
Fringe Benefits	27,830	38,718	-	66,548
Contractual Services	191,962	89,165	-	281,127
Supplies and Materials	33,910	31,706	-	65,616
Capital Outlay	20,362	42,209	-	62,571
Total Operating Disbursements	<u>342,326</u>	<u>338,713</u>	<u>-</u>	<u>681,039</u>
Operating Income (Loss)	<u>5,682</u>	<u>29,639</u>	<u>-</u>	<u>35,321</u>
Non-Operating Receipts (Disbursements)				
Intergovernmental	9,658	-	-	9,658
Notes Issued	-	45,000	-	45,000
Miscellaneous Receipts	2,320	8,470	-	10,790
Principal Redemption	-	(25,520)	-	(25,520)
Interest and Fiscal Charges	-	(17,133)	-	(17,133)
Total Non-Operating Receipts (Disbursements)	<u>11,978</u>	<u>10,817</u>	<u>-</u>	<u>22,795</u>
Change in Net Assets	<u>17,660</u>	<u>40,456</u>	<u>-</u>	<u>58,116</u>
Net Assets Beginning of Year	<u>92,600</u>	<u>188,378</u>	<u>1,455</u>	<u>282,433</u>
Net Assets End of Year	<u>\$ 110,260</u>	<u>\$ 228,834</u>	<u>\$ 1,455</u>	<u>\$ 340,549</u>

See accompanying notes to the financial statements

VILLAGE OF MCCONNELSVILLE  
MORGAN COUNTY, OHIO  
STATEMENT OF FIDUCIARY NET ASSETS  
DECEMBER 31, 2007

	<u>Agency</u>
<b>Assets</b>	
Cash	\$2,113
<i>Total Assets</i>	<u>\$2,113</u>
<b>Net Assets</b>	
Unrestricted	<u>\$2,113</u>

See accompanying notes to the basic financial statements

VILLAGE OF MCCONNELSVILLE, MORGAN COUNTY, OHIO  
STATEMENT OF NET ASSETS - CASH BASIS  
DECEMBER 31, 2006

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$ 428,694	\$ 282,433	\$ 711,127
Total Assets	<u>\$ 428,694</u>	<u>\$ 282,433</u>	<u>\$ 711,127</u>
<b>Net Assets</b>			
Restricted for:			
Other Purposes	\$ 138,791	\$ -	\$ 138,791
Unrestricted	289,903	282,433	572,336
Total Net Assets	<u>\$ 428,694</u>	<u>\$ 282,433</u>	<u>\$ 711,127</u>

See accompanying notes to the financial statements

VILLAGE OF MCCONNELSVILLE  
MORGAN COUNTY, OHIO  
STATEMENT OF ACTIVITIES - CASH BASIS  
For the Year Ended December 31, 2006

	<u>Program Cash Receipts</u>			<u>Net (Disbursements) Receipts and Changes in Net Assets</u>		
	<u>Cash Disbursements</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Governmental Activities:</b>						
General Government	\$ 168,475	\$ 19,794	\$ -	\$ (148,681)	-	\$ (148,681)
Security of Persons and Property	301,021	26,991	24,997	(249,033)	-	(249,033)
Public Health Services	12,183	-	-	(12,183)	-	(12,183)
Transportation	227,058	-	196,564	(30,494)	-	(30,494)
Leisure Time Activities	39,461	-	26,986	(12,475)	-	(12,475)
Capital Outlay	11,500	-	-	(11,500)	-	(11,500)
Other	836	-	-	(836)	-	(836)
<b>Total Governmental Activities</b>	<u>760,534</u>	<u>46,785</u>	<u>248,547</u>	<u>(465,202)</u>	<u>-</u>	<u>(465,202)</u>
<b>Business-Type Activities:</b>						
Water	362,681	298,537	-	-	(64,144)	(64,144)
Sewer	374,277	412,939	-	-	38,662	38,662
Swimming Pool	48,365	35,888	2,000	-	(10,477)	(10,477)
<b>Total Business-Type Activities</b>	<u>785,323</u>	<u>747,364</u>	<u>2,000</u>	<u>-</u>	<u>(35,959)</u>	<u>(35,959)</u>
<b>Total Government</b>	<u>\$ 1,545,857</u>	<u>\$ 794,149</u>	<u>\$ 250,547</u>			<u>(501,161)</u>
<b>General Receipts</b>						
Property Taxes levied for:						
General purposes				92,965	-	92,965
Municipal Income Taxes				340,871	-	340,871
Grants and entitlements not restricted to a specific program				147,218	18,387	165,605
Earnings on Investments				22,253	-	22,253
Other				11,886	8,576	20,462
<b>Total General Receipts</b>				<u>615,193</u>	<u>26,963</u>	<u>642,156</u>
Transfers				(5,000)	5,000	-
<b>Total General Receipts and transfers</b>				<u>610,193</u>	<u>31,963</u>	<u>642,156</u>
Change in Net Assets				144,991	(3,996)	140,995
Net Assets Beginning of Year, as Adjusted (Note 18)				283,703	286,429	570,132
Net Assets End of Year				<u>\$ 428,694</u>	<u>\$ 282,433</u>	<u>\$ 711,127</u>

See accompanying notes to the financial statements

VILLAGE OF MCCONNELSVILLE  
MORGAN COUNTY, OHIO  
STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES  
ALL GOVERNMENTAL FUND TYPES  
DECEMBER 31, 2006

	<u>General</u>	<u>Street Construction Maintenance Repair</u>	<u>Grant Construction</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$ 289,902	\$ 47,287	\$ -	\$ 91,505	\$ 428,694
Total Assets	<u>\$ 289,902</u>	<u>\$ 47,287</u>	<u>\$ -</u>	<u>\$ 91,505</u>	<u>\$ 428,694</u>
Fund Balances:					
Reserved:					
Reserved for Encumbrances	\$ 17,906	\$ 232	\$ 266,556	\$ 83	\$ 284,777
Unreserved:					
Undesignated, Reported in:					
General Fund	271,996	-	-	-	271,996
Special Revenue Funds	-	47,055	-	91,422	138,477
Capital Projects Funds	-	-	(266,556)	-	(266,556)
Total Fund Balances	<u>\$ 289,902</u>	<u>\$ 47,287</u>	<u>\$ -</u>	<u>\$ 91,505</u>	<u>\$ 428,694</u>

See accompanying notes to the financial statements



VILLAGE OF MCCONNELSVILLE  
MORGAN COUNTY, OHIO  
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>General</u>	<u>Street Construction Maintenance Repair</u>	<u>Grant Construction</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Receipts</b>					
Property and Other Local Taxes	\$ 39,123	\$ -	\$ -	\$ 53,842	\$ 92,965
Municipal Income Taxes	298,398	-	-	42,473	340,871
Charges for Services	19,794	-	-	-	19,794
Fines and Forfeitures	26,625	-	-	366	26,991
Intergovernmental	167,524	75,252	106,687	46,302	395,765
Interest	17,281	4,215	-	757	22,253
Other	10,412	1,374	-	100	11,886
Total Receipts	<u>579,157</u>	<u>80,841</u>	<u>106,687</u>	<u>143,840</u>	<u>910,525</u>
<b>Disbursements</b>					
Current:					
General Government	140,105	-	-	28,370	168,475
Security of Persons and Property	250,128	-	-	50,893	301,021
Public Health Services	12,183	-	-	-	12,183
Transportation	11,384	77,478	106,687	31,509	227,058
Leisure Time Activities	39,461	-	-	-	39,461
Capital Outlay	-	-	-	11,500	11,500
Total Disbursements	<u>453,261</u>	<u>77,478</u>	<u>106,687</u>	<u>122,272</u>	<u>759,698</u>
Receipts over (under) disbursements	125,896	3,363	-	21,568	150,827
Other Financing Sources (Uses)					
Transfers	(5,000)	-	-	-	(5,000)
Other Financing Uses	(836)	-	-	-	(836)
Total Other Financing Sources (Uses)	<u>(5,836)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,836)</u>
Net Change in Fund Balances	<u>120,060</u>	<u>3,363</u>	<u>-</u>	<u>21,568</u>	<u>144,991</u>
Fund Balances Beginning of Year	169,842	43,924	2,774	69,937	286,477
Prior Period Adjustment, (Note 18)	-	-	(2,774)	-	(2,774)
Fund Balances Beginning of Year, Adjusted	<u>169,842</u>	<u>43,924</u>	<u>-</u>	<u>69,937</u>	<u>283,703</u>
Fund Balances End of Year	<u>\$ 289,902</u>	<u>\$ 47,287</u>	<u>\$ -</u>	<u>\$ 91,505</u>	<u>\$ 428,694</u>

See accompanying notes to the financial statements

VILLAGE OF MCCONNELSVILLE  
MORGAN COUNTY, OHIO  
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive Negative
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts				
Property and Other Local Taxes	\$ 32,900	\$ 38,339	\$ 39,123	\$ 784
Municipal Income Taxes	293,526	291,452	298,398	6,946
Charges for Services	21,010	21,500	19,794	(1,706)
Fines and Forfeitures	28,219	28,450	26,625	(1,825)
Intergovernmental	72,584	151,126	167,524	16,398
Interest	15,500	15,500	17,281	1,781
Other	5,943	42,009	10,412	(31,597)
<b>Total Receipts</b>	<b><u>469,682</u></b>	<b><u>588,376</u></b>	<b><u>579,157</u></b>	<b><u>(9,219)</u></b>
Disbursements				
Current:				
General Government	159,023	174,202	158,011	16,191
Security of Persons and Property	286,399	287,799	250,128	37,671
Leisure Time Activities	47,000	77,685	39,461	38,224
Transportation	13,600	13,600	11,384	2,216
Public Health Services	12,200	12,200	12,183	17
<b>Total Disbursements</b>	<b><u>518,222</u></b>	<b><u>565,486</u></b>	<b><u>471,167</u></b>	<b><u>94,319</u></b>
Receipts Over (Under) Disbursements	<u>(48,540)</u>	<u>22,890</u>	<u>107,990</u>	<u>85,100</u>
Other Financing Sources (Uses)				
Transfers Out	-	(5,000)	(5,000)	-
Other Financing Sources (Uses)	<u>(150)</u>	<u>(836)</u>	<u>(836)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(150)</u>	<u>(5,836)</u>	<u>(5,836)</u>	<u>-</u>
Net Change in Fund Balance	(48,690)	17,054	102,154	85,100
Fund Balance Beginning of Year	167,852	167,852	167,852	-
Prior Year Encumbrances Appropriated	<u>1,990</u>	<u>1,990</u>	<u>1,990</u>	<u>-</u>
Fund Balance End of Year	<b><u>\$ 121,152</u></b>	<b><u>\$ 186,896</u></b>	<b><u>\$ 271,996</u></b>	<b><u>\$ 85,100</u></b>

See accompanying notes to the financial statements

VILLAGE OF MCCONNELSVILLE  
MORGAN COUNTY, OHIO  
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS  
STREET CONSTRUCTION MAINTENANCE REPAIR FUND  
FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive Negative
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts				
Intergovernmental	\$ 66,447	\$ 77,206	\$ 75,252	\$ (1,954)
Interest	2,503	3,915	4,215	300
Other	1,034	1,374	1,374	-
Total Receipts	<u>69,984</u>	<u>82,495</u>	<u>80,841</u>	<u>(1,654)</u>
Disbursements				
Current:				
Transportation	112,100	112,100	77,710	34,390
Total Disbursements	<u>112,100</u>	<u>112,100</u>	<u>77,710</u>	<u>34,390</u>
Net Change in Fund Balance	(42,116)	(29,605)	3,131	(36,044)
Fund Balance Beginning of Year	42,225	42,225	42,225	-
Prior Year Encumbrances Appropriated	<u>1,699</u>	<u>1,699</u>	<u>1,699</u>	<u>-</u>
Fund Balance End of Year	<u>\$ 1,808</u>	<u>\$ 14,319</u>	<u>\$ 47,055</u>	<u>\$ 32,736</u>

See accompanying notes to the financial statements

VILLAGE OF MCCONNELSVILLE, MORGAN COUNTY, OHIO  
 STATEMENT OF FUND NET ASSETS - CASH BASIS  
 PROPRIETARY FUNDS  
 DECEMBER 31, 2006

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Swimming Pool Fund</u>	<u>Total Enterprise Funds</u>
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$ 92,600	\$ 188,378	\$ 1,455	\$ 282,433
Total Assets	<u>\$ 92,600</u>	<u>\$ 188,378</u>	<u>\$ 1,455</u>	<u>\$ 282,433</u>
<b>Net Assets</b>				
Unrestricted	\$ 92,600	\$ 188,378	\$ 1,455	\$ 282,433
Total Net Assets	<u>\$ 92,600</u>	<u>\$ 188,378</u>	<u>\$ 1,455</u>	<u>\$ 282,433</u>

See accompanying notes to the financial statements

VILLAGE OF MCCONNELSVILLE  
MORGAN COUNTY, OHIO  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN  
FUND NET ASSETS - CASH BASIS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Swimming Pool Fund</u>	<u>Enterprise Total</u>
Operating Receipts				
Charges for Services	\$ 298,537	\$ 412,939	\$ 35,888	\$ 747,364
Total Operating Receipts	<u>298,537</u>	<u>412,939</u>	<u>35,888</u>	<u>747,364</u>
Operating Disbursements				
Personal Services	67,270	135,636	22,828	225,734
Fringe Benefits	25,587	46,613	3,458	75,658
Contractual Services	226,580	111,108	4,901	342,589
Supplies and Materials	26,694	27,301	17,178	71,173
Capital Outlay	16,551	12,993	-	29,544
Total Operating Disbursements	<u>362,682</u>	<u>333,651</u>	<u>48,365</u>	<u>744,698</u>
Operating Income (Loss)	<u>(64,145)</u>	<u>79,288</u>	<u>(12,477)</u>	<u>2,666</u>
Non-Operating Receipts (Disbursements)				
Intergovernmental	18,387	-	-	18,387
Miscellaneous Receipts	917	728	8,932	10,577
Principal Redemption	-	(22,642)	-	(22,642)
Interest and Fiscal Charges	-	(17,984)	-	(17,984)
Total Non-Operating Receipts (Disbursements)	<u>19,304</u>	<u>(39,898)</u>	<u>8,932</u>	<u>(11,662)</u>
Income (Loss) before Transfers	<u>(44,841)</u>	<u>39,390</u>	<u>(3,545)</u>	<u>(8,996)</u>
Transfers	<u>-</u>	<u>-</u>	<u>5,000</u>	<u>5,000</u>
Change in Net Assets	<u>(44,841)</u>	<u>39,390</u>	<u>1,455</u>	<u>(3,996)</u>
Net Assets Beginning of Year	134,667	148,988	-	283,655
Prior Period Adjustment, (Note 18)	<u>2,774</u>	<u>-</u>	<u>-</u>	<u>2,774</u>
Net Assets Beginning of Year, Adjusted	<u>137,441</u>	<u>148,988</u>	<u>-</u>	<u>286,429</u>
Net Assets End of Year	<u>\$ 92,600</u>	<u>\$ 188,378</u>	<u>\$ 1,455</u>	<u>\$ 282,433</u>

See accompanying notes to the financial statements

**Note 1 – Reporting Entity**

The McConnellsville Village, Morgan County, Ohio (the Village), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a six-member Council elected at large for four year terms. The Mayor is elected to a four-year term, serves as the President of Council and votes only to break a tie.

The reporting entity is comprised of the primary government, component units and other organizations that were included to ensure that the financial statements are not misleading.

**A. Primary Government**

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Village. The Village provides general government services, water and sewer utilities, maintenance of Village roads and bridges, park operations, and police services. The Village appropriates general fund money to support a volunteer fire department.

**B. Component Units**

Component units are legally separate organizations for which the Village is financially accountable. The Village is financially accountable for an organization if the Village appoints a voting majority of the organization's governing board and (1) the Village is able to significantly influence the programs or services performed or provided by the organization; or (2) the Village is legally entitled to or can otherwise access the organization's resources; the Village is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or the Village is obligated for the debt of the organization. The Village is also financially accountable for any organizations that are fiscally dependent on the Village in that the Village approves their budget, the issuance of their debt or the levying of their taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Village, are accessible to the Village and are significant in amount to the Village.

The Village has no component units.

**C. Joint Ventures, Jointly Governed Organizations and Public Entity Risk Pools**

A joint venture is a legal entity or other organization that results from a contractual arrangement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility. Under the cash basis of accounting, the Village does not report assets for equity interests in joint ventures.

The Village participates in 2 jointly governed organizations. Notes 15 to the financial statements provide additional information for these entities. These organizations are:

Jointly Governed Organizations:

*M & M Joint Recreation Swimming Pool*

*Community Recreational Park*

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

**Note 2 – Summary of Significant Accounting Policies**

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

**A. Basis of Presentation**

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

**Government-Wide Financial Statements**

The statement of net assets and the statement of activities display information about the Village as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the Village that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

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

**Fund Financial Statements**

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

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

### B. Fund Accounting

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

#### Governmental Funds

The Village classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The Village has three major governmental funds, the General Fund, Street, Construction, Maintenance & Repair Fund and the Grant Construction Fund. The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio. The Street Construction, Maintenance and Repair fund is used to account for proceeds restricted to the maintenance and upkeep of Village streets. The Grant Construction Fund receives Community Development Block Grant Funding for the renovation of downtown buildings and streets. The other governmental funds of the Village account for grants and other resources whose use is restricted to a particular purpose.

#### Proprietary Funds

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

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

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

Sewer Fund - The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

Swimming Pool Fund - This fund accounts for the operation of the M & M Joint Recreation Swimming Pool.

#### Agency Funds

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village's agency fund accounts for court monies received and disbursed to the Village, State and County.



C. Basis of Accounting

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

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

D. Budgetary Process

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

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

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

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

E. Cash and Investments

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

During 2007 and 2006, the Village invested all available funds in a SuperNow Checking Account.

Interest earnings are allocated to Village funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General and Street Construction, Maintenance and Repair funds during 2007 was \$23,730 and \$2,938 respectively, while interest posted to other funds within the Village totaled \$938. Interest receipts credited to the General and Street Construction, Maintenance and Repair funds during 2006 was \$17,281 and \$4,215 respectively, while interest posted to other funds within the Village totaled \$757.

F. Restricted Assets

Cash, cash equivalents and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation.

G. Inventory and Prepaid Items

The Village reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

H. Capital Assets

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

I. Interfund Receivables/Payables

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

J. Accumulated Leave

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

K. Employer Contributions to Cost-Sharing Pension Plans

The Village recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for postretirement health care benefits.

L. Long-Term Obligations

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

M. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for Street, Construction, State Highway, Violence Against Women, Income Tax, Drug Law Enforcement, Enforcement and Education, Street Levy, and Fire Levy. During 2007 and 2006 restricted Net Assets represent \$148,570 and \$138,791, respectively of a total fund balances of \$823,805 and \$711,127, respectively. The Village's policy is to first apply restricted resources when an obligation is incurred for

purposes for which both restricted and unrestricted net assets are available.

#### N. Fund Balance Reserves

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

#### O. Interfund Transactions

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

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

### **Note 3 – Compliance**

#### A. Compliance

Ohio Revised Code Section 5705.36(A)(4) requires obtaining a reduced amended certificate if the amount of the deficiency will reduce available resources below the current level of appropriation. During 2006, the Village's Special Revenue – Violence Against Women Fund had estimated receipts (\$31,250) greater than actual receipts (\$24,997). The shortage of actual compared to estimated receipts (\$6,253) reduced the total estimated resources to an amount lower than the appropriations.

### **Note 4 – Budgetary Basis of Accounting**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general and the street construction, maintenance & repair funds are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference(s) between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). During 2007 and 2006 the encumbrances outstanding at year end (budgetary basis) amounted to \$4,387 and \$17,906, respectively, for the general fund. During 2007 and 2006 the encumbrances outstanding at year end (budgetary basis) amounted to \$294 and \$232, respectively, for the street construction, maintenance and repair fund.

### **Note 5 – Deposits and Investments**

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

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

Village of McConnellsville  
Notes to the Financial Statements  
For the Year Ended December 31, 2006 & 2007

---

or in money market deposit accounts.

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

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

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

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

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

At year end 2007 and 2006, the Village had \$394 in undeposited cash on hand which is included as part of "Cash and Cash Equivalents" on the financial statements.

Village of McConnellsville  
Notes to the Financial Statements  
For the Year Ended December 31, 2006 & 2007

---

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, the Village's entire bank balance of \$815,063 was covered by FDIC insurance and a Letter of Credit issued by the Federal Home Loan Bank of Cincinnati.

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

The Village had no investments at either year-end.

**Note 6 – Income Taxes**

The Village levies a 1 percent income tax whose proceeds are placed into the General Fund. The Village levies and collects the tax on all income earned within the Village as well as on incomes of residents earned outside the Village. In the latter case, the Village allows a credit of the lesser of ½ percent of the taxes paid to another city or ½ percent of taxes due. Employers within the Village are required to withhold income tax on employee earnings and remit the tax to the Village at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually.

**Note 7 – Property Taxes**

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Village. Real property tax receipts received in 2007 represent the collection of 2006 taxes. Real property taxes received in 2007 were levied after October 1, 2006, on the assessed values as of January 1, 2006, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2007 represent the collection of 2006 taxes. Public utility real and tangible personal property taxes received in 2007 became a lien on December 31, 2006, were levied after October 1, 2006, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2007 (other than public utility property) represent the collection of 2006 taxes. Tangible personal property taxes received in 2007 were levied after October 1, 2006, on the true value as of December 31, 2006. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

Village of McConnellsville  
Notes to the Financial Statements  
For the Year Ended December 31, 2006 & 2007

---

The full tax rate for all Village operations for the year ended December 31, 2007, was \$5.2 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2006 and 2007 property tax receipts were based are as follows:

Real Property Tax Assessed Valuation	<u>2006</u>	<u>2005</u>
Residential & Agricultural	\$ 15,397,990	\$15,419,690
Other	4,480,380	5,589,470
Tangible Personal Property	815,200	1,585,440
Public Utility Tangible Pers. Prop.	839,080	1,009,090
Total Assessed Value	\$ 21,532,650	\$23,603,690

**Note 8 – Risk Management**

Risk Pool Membership

The Village belongs to the Ohio Government Risk Management Plan (the "Plan"), an unincorporated non-profit association with over 600 governmental entity members providing a formalized, jointly administered self-insurance risk management program and other administrative services. Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages, modified for each member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the member's deductible. The Plan uses conventional insurance coverages and reinsures these coverages 100%, rather than using a risk pool of member funds to pay individual and collective losses. Therefore, the individual members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

The Pool's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2006 and 2005 (the latest information available):

	2006	2005	
Assets	\$9,620,148	\$8,219,430	
Liabilities	<u>3,329,620</u>	<u>2,748,639</u>	
Member's Equity	<u>\$6,290,528</u>	<u>\$5,470,791</u>	

There were no significant reductions in coverage from prior years and claims have not exceeded insurance coverage in any of the past three years. The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is based on accident history and administrative costs.

**Note 9 – Defined Benefit Pension Plans**

**A. Ohio Public Employees Retirement System**

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

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

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the years ended December 31, 2007 and 2006, the members of all three plans were required to contribute 9.5 percent and 9.0 percent, respectively, of their annual covered salaries. The Village's contribution rate for pension benefits for 2007 and 2006 were 13.85 percent and 13.70 percent, respectively. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Village's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2007, 2006, and 2005 were \$48,674, \$42,672, and \$40,182 respectively. The full amount has been contributed for 2007, 2006 and 2005.

**B. Ohio Police and Fire Pension Fund**

The Village contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations while the Village is required to contribute 19.5 percent for police officers. Contributions are authorized by State statute. The Village's required contributions to the Fund for the years ended December 31, 2007, 2006, and 2005 were \$26,215, \$28,760, and \$30,473 respectively. The full amount has been contributed for 2007, 2006 and 2005. The Village has no firefighters.

**Note 10 - Postemployment Benefits**

**A. Ohio Public Employees Retirement System**

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2007 and 2006 local government employer contribution rate was 13.85 percent and 13.70 percent, respectively of covered payroll; 5.0 percent of covered payroll was the portion that was used to fund health care from January 1, 2007 through June 30, 2007, and 6.0 percent was the portion used to fund health care from July 1, 2007 through December 31, 2007; 4.5 percent was the portion used fund health care in 2006.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2006, include a rate of return on investments of 6.5 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.30 percent based on additional annual pay increases. Health care premiums were assumed to increase between .50 and 5.00 percent annually for the next eight years and 4.00 percent annually after eight years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12% corridor.

Based on the latest information available, the number of active contributing participants in the traditional and combined plans as of December 31, 2006 was 374,979. Actual employer contributions for 2007 and 2006 which were used to fund postemployment benefits were \$15,815 and \$13,864, respectively. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2006 (the latest information available), was \$12.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$30.7 billion and \$18.7 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

**B. Ohio Police and Fire Pension Fund**

The Ohio Police and Fire Pension Fund (OP&F) provides postretirement health care coverage to any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school full-time or on a 2/3 basis.

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in the latest available information, *GASB Statement No. 12*, dated January



Village of McConnellsville  
Notes to the Financial Statements  
For the Year Ended December 31, 2006 & 2007

---

25, 2007. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the funds of OP&F shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis.

The total police employer contribution rate is 19.5 percent of covered payroll, of which 7.75 percent of covered payroll was applied to the postemployment health care program during 2005 and 2006. In addition, since July 1, 1992, most retirees and survivors have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The Village's actual contributions for 2007 and 2006 that were used to fund postemployment benefits were \$10,418 and \$11,430, respectively for police. The OP&F's total health care expense for the year ended December 31, 2006 (the latest information available) was \$108,039,449, which was net of member contributions of \$55,271,881. The number of OP&F participants eligible to receive health care benefits as of December 31, 2006, was 13,922 for police.

**Note 11 – Debt**

The Village's long-term debt activity for the years ended December 31, 2007 and 2006 was as follows:

	Interest Rate	Balance at 1/1/2006	<u>Increase</u>	<u>Decrease</u>	Balance at 12/31/2006	Due Within One Year
<u>Business-type Activities</u>						
1990 OWDA Loan	7.59%	<u>\$256,893</u>	\$ -0-	\$ 22,642	<u>\$234,251</u>	<u>\$24,362</u>
Total Business-type Activities		<u>\$256,893</u>	\$ -0-	\$ 22,642	<u>\$234,251</u>	<u>\$24,362</u>

	Interest Rate	Balance at 1/1/2007	<u>Increase</u>	<u>Decrease</u>	Balance at 12/31/2007	Due Within One Year
<u>Business-type Activities</u>						
1990 OWDA Loan	7.59%	\$234,251	\$ -0-	\$ 24,362	\$ 209,889	\$ 26,210
2007 Citizen's Nat'l Bank Loan	4.79%	<u>-0-</u>	<u>45,000</u>	<u>1,158</u>	<u>43,842</u>	<u>3,583</u>
Total Business-type Activities		<u>\$234,251</u>	<u>\$ 45,000</u>	<u>\$ 25,520</u>	<u>\$253,731</u>	<u>\$ 29,793</u>

The Ohio Water Development Authority (OWDA) loan relates to a sewer system expansion project that was mandated by the Ohio Environmental Protection Agency. The loan will be repaid in semiannual installments over 25 years.

The Citizen's Nat'l Bank Loan relates to sewer system upgrade of pumps. The loan will be repaid in monthly installments over total of 10 years.

Both loans are secured by sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA and Citizen's Nat'l Bank debt service requirements.

Village of McConnellsville  
Notes to the Financial Statements  
For the Year Ended December 31, 2006 & 2007

---

The following is a summary of the Village's future annual debt service requirements:

Year	OWDA LOANS		BANK NOTE	
	Principal	Interest	Principal	Interest
2008	\$ 26,210	\$14,692	\$ 3,583	\$ 2,100
2009	28,200	12,857	3,754	1,929
2010	30,341	10,883	3,934	1,749
2011	32,644	8,759	4,114	1,569
2012	35,121	6,474	4,319	1,364
2013-2017	<u>57,373</u>	<u>5,384</u>	<u>24,138</u>	<u>2,382</u>
Totals	<u>\$209,889</u>	<u>\$59,049</u>	<u>43,842</u>	<u>11,093</u>

**Note 12 – Interfund Transfers**

During 2006 the Village made the following transfer:

To: Swimming Pool Fund	<u>\$ 5,000</u>
From: General Fund	<u>\$ 5,000</u>

The transfer represents the allocation of unrestricted receipts collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**Note 13 – Construction and Contractual Commitments**

The Village secured a bid for the Augusta-Button Drive water main replacement in 2007; however, due to weather conditions, the project will not begin until 2008. This project was funded through Ohio Public Works Commission. The Village has set aside \$22,300 in the Water Fund to pay the local share.

The Village has set aside \$13,504 in the Street Maintenance and Repair Fund and the Street Levy Fund to pay the local share of the 2008 Street Paving Project. This project will be funded through Ohio Public Works Commission and was acquired through a joint application with the County Engineer.

The first phase of the Storm Sewer Improvement Project began in 2007 in the Kennebec Avenue area. The total project bid was \$610,139, of which the Government's share will be \$475,000, and the Village's share as a non-Federal sponsor will be \$135,139. Funding for the Village's share will be provided through a loan from OWDA and Village monies. The Village will operate and maintain this project through collection of resident user fees. Estimated operation and maintenance costs for this project are projected to be \$5,000.

**Note 14 – Contingent Liabilities**

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

**Note 15 – Joint Ventures**

The Village of McConnellsville and the Village of Malta established a Recreation Committee under the provisions of Ohio Revised 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

Village of McConnellsville  
Notes to the Financial Statements  
For the Year Ended December 31, 2006 & 2007

---

consists of three Council Members from each Village appointed by the respective Village Councils and the Mayor of the Village in alternating two year terms.

Revenue and Expenditures are budgeted and accounted for by the villages in alternating 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 Village of McConnellsville and the Village of Malta jointly purchased 18 acres of real estate located in Malta, Ohio, to develop and construct a public park. Currently the park is being established through grants and donations. The Village of McConnellsville and Malta equally share the cost associated with park.

**Note 16 – Subsequent Events**

The 2 Mill Street Renewal Tax Levy passed and will commence with the tax year 2007 and will be renewed through tax year 2011.

**Note 17 – Prior Period Fund Balance Adjustment**

The Village had a prior period fund balance adjustment to the following funds:

- Grant Construction Fund           (\$ 2,774)
- Water Fund                               2,774

The adjustment was due to the Village recording a Water Fund receipt to the Grant Construction Fund during 2005.

Rockefeller Building  
614 W Superior Ave Ste 1242  
Cleveland OH 44113-1306  
Office phone - (216) 575-1630  
Fax - (216) 436-2411

***Charles E. Harris & Associates, Inc.***  
*Certified Public Accountants*

---

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

To the Village Council:

We have audited the financial statements of the Village of McConnelsville, Morgan County (the Village) as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated March 15, 2008, wherein we noted the Village followed the cash basis of accounting, a comprehensive accounting basis other than accounting principles generally accepted in the United States of America. 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 Controls Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of 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. We consider the deficiency described in the accompanying Schedule of Findings, item 2007-VMMC-001 to be a significant deficiency in internal control over financial reporting.

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 purpose 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. However, we believe the significant deficiency described above to be a material weakness.

#### Compliance and Other Matters

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, grants agreements and other matters, 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings as item 2007-VMMC-002.

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

This report is intended solely for the information and use of management and the Village Council. It is not intended to be and should not be used by anyone other than these specified parties.

***Charles E. Harris & Associates, Inc.***  
March 15, 2008

**VILLAGE OF MCCONNELSVILLE  
MORGAN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2007 & 2006**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
--

**FINDING NUMBER 2007-VMC-001  
Material Weakness**

**Incorrect Accounting Transactions**

During the audit of the Village's financial records for the years ended December 31, 2007 and 2006 we noted a number of transactions incorrectly recorded, a number of receipts and disbursements incorrectly reported in the annual financial reports and the incorrect transfer of a fund balance to the General Fund. The financial statements have been adjusted to present the accounting information correctly and the Village has agreed with the required reclassifications and adjustments. Below is a listing of the various erroneous accounting transactions:

- Debt Service, for year end 2007, was included in Capital Outlay;
- Debt Service, for 2007 and 2006, combined principal reduction with interest and fiscal charges;
- During 2007, the Village recorded and reported the proceeds of a Bank loan as miscellaneous revenue;
- During 2007, and 2006 the Village incorrectly reported program receipts on the Statement of Activities;
- During 2006, the beginning fund balances of the Grant Construction Fund and the Water Fund were adjusted due to an incorrect recording of receipt in 2005;
- During 2006 and 2007, the Village reported the incorrect original budget amount for appropriations in budgetary statements;
- During 2007 and 2006, the Village did not include the year end income tax checking account balance with Village's Cash and Cash Equivalents;
- At December 31, 2006, the Village's Mayor's Court wrote checks to the State of Ohio and the Village. The Mayor's Court Checking account reported these checks as outstanding, however the Village recorded the receipt of this check in January 2007. This check should have been recorded in December 2006 and accounted for as a deposit in transit.

We recommend that the Village closely follow the Village Officer's Handbook and the Ohio Revised Code when recording transactions. We also recommend that the Clerk-Treasurer contact the Auditor of State for additional guidance as needed.

**VILLAGE OF MCCONNELSVILLE  
MORGAN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2007 & 2006**

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

**FINDING NUMBER 2007-VMMC-001  
Material Weakness  
(Continued)**

**Village Response**

We will closely follow the Village Officer's Handbook and the Ohio Revised Code when recording transactions and will seek additional guidance as needed.

**FINDING NUMBER 2007-VMMC-002**

**Noncompliance Citation**

**Reduced Amended Certificate Not Obtained**

**Ohio Revised Code Section 5705.36(A)(2)** allows all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources. **Ohio Revised Code Section 5705.36(A)(4)** requires obtaining a reduced amended certificate if the amount of the deficiency will reduce available resources below the current level of appropriation.

In 2006, the Village's Special Revenue – Violence Against Women Fund had estimated receipts (\$31,250) greater than actual receipts (\$24,997). The shortage of actual compared to estimated receipts (\$6,253) reduced the total estimated resources to an amount lower than the appropriations.

We recommend that Council monitor estimated receipts against actual receipts so that the Village can avoid appropriating in excess of its total estimated resources.

**Village Response**

We will monitor actual receipts versus estimated receipts and obtain amended certificate of estimated resources when necessary and also amend appropriations as needed.

**VILLAGE OF MCCONNELSVILLE  
MORGAN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2007 AND 2006**

FINDING NUMBER	FUNDING SUMMARY	FULLY CORRECTED?	Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2005-001	Contrary to <b>Ohio Rev. Code § 5705.39</b> , Village had appropriations that exceeded estimated resources.	Yes	
2005-002	The Village did not follow <b>Ohio Rev. Code § 5705.41(B)</b> , the Village had expenditures that exceeded appropriations at the legal level of control.	Yes	





**Mary Taylor, CPA**  
Auditor of State

**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 10, 2008**