

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

AUDIT REPORT

FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

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



Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Report of Independent Accountants* of the Village of McConnelsville, Morgan County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2008 through December 31, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

June 4, 2010

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**VILLAGE OF MCCONNELSVILLE
MORGAN COUNTY
AUDIT REPORT
For Years Ending December 31, 2009 and 2008**

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

REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Village Council:

We have audited the accompanying financial statements of the Village of McConnelsville (Village), Morgan County, Ohio as and for the years ended December 31, 2009 and 2008. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2009 & 2008. Instead of the combined funds the accompanying financial statements present for 2009 & 2008, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2009 & 2008. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since the Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2009 & 2008, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2009 & 2008, or its changes in financial position or cash flows for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village as of December 31, 2009 & 2008, and its combined cash receipts and disbursements and changes in fund cash balances for the years then ended on the accounting basis Note 1 describes.

As described in Note 11, the Village changed their financial statement presentation from Governmental Accounting Standards Board Number 34 presentation to the Auditor of State regulatory basis.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the years ended December 31, 2009 & 2008. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 15, 2010, 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.

April 15, 2010

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, 2009

	Governmental Fund Types			Total Governmental Funds
	General	Special Revenue	Capital Projects	
Receipts				
Property and Other Local Taxes	\$ 30,504	\$ 38,298	\$ -	\$ 68,802
Municipal Income Taxes	380,526	-	-	380,526
Intergovernmental	69,314	113,972	363,616	546,902
Charges for Services	21,108	-	-	21,108
Fines and Forfeitures	28,808	3,314	-	32,122
Interest	28,395	4,003	-	32,398
Other	41,176	3,167	-	44,343
Total Receipts	599,831	162,754	363,616	1,126,201
Disbursements				
Current:				
General Government	270,682	5,935	-	276,617
Security of Persons and Property	259,106	50,092	-	309,198
Public Health Services	10,070	-	-	10,070
Leisure Time Activities	41,546	-	-	41,546
Basic Utility Services	83,353	-	-	83,353
Transportation	14,698	84,612	-	99,310
Capital Outlay	-	-	570,538	570,538
Total Disbursements	679,455	140,639	570,538	1,390,632
Receipts Over (Under) Disbursements	(79,624)	22,115	(206,922)	(264,431)
Other Financing Sources (Uses)				
Other Debt Proceeds	-	-	206,922	206,922
Total Other Financing Sources (Uses)	-	-	206,922	206,922
Net Change in Fund Balances	(79,624)	22,115	-	(57,509)
Fund Balances Beginning of Year	334,225	70,692	-	404,917
Fund Balances End of Year	<u>\$ 254,601</u>	<u>\$ 92,807</u>	<u>\$ -</u>	<u>\$ 347,408</u>
Reserve For Encumbrances, December 31	<u>\$ 2,600</u>	<u>\$ 990</u>	<u>\$ 592,726</u>	<u>\$ 596,316</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 PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	
	<u>Enterprise</u>	<u>Agency</u>	<u>Total</u>
Operating Receipts			
Charges for Services	\$ 819,880	\$ -	\$ 819,880
Fines, Licenses and Permits	-	40,820	40,820
Total Operating Receipts	<u>819,880</u>	<u>40,820</u>	<u>860,700</u>
Operating Disbursements			
Personal Services	181,364	-	181,364
Fringe Benefits	69,125	-	69,125
Contractual Services	367,633	-	367,633
Supplies and Materials	78,948	-	78,948
Capital Outlay	37,837	-	37,837
Other	-	40,820	40,820
Total Operating Disbursements	<u>734,907</u>	<u>40,820</u>	<u>775,727</u>
Operating Income (Loss)	84,973	-	84,973
Non-Operating Receipts (Disbursements)			
Intergovernmental	7,282	-	7,282
Miscellaneous Receipts	336	-	336
Principal Redemption	(44,290)	-	(44,290)
Interest and Fiscal Charges	(17,000)	-	(17,000)
Total Non-Operating Receipts (Disbursements)	<u>(53,672)</u>	<u>-</u>	<u>(53,672)</u>
Receipts Over (Under) Disbursements	31,301	-	31,301
Fund Balances Beginning of Year	<u>254,052</u>	<u>-</u>	<u>254,052</u>
Fund Balances End of Year	<u>\$ 285,353</u>	<u>\$ -</u>	<u>\$ 285,353</u>
Reserve For Encumbrances, December 31	<u>\$ 56,254</u>	<u>\$ -</u>	<u>\$ 56,254</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, 2008

	Governmental Fund Types			Total Governmental Funds
	General	Special Revenue	Capital Projects	
Receipts				
Property and Other Local Taxes	\$ 31,954	\$ 41,452	\$ -	\$ 73,406
Municipal Income Taxes	377,553	-	-	377,553
Intergovernmental	100,480	25,432	613,858	739,770
Charges for Services	19,596	-	-	19,596
Fines and Forfeitures	25,095	502	-	25,597
Interest	21,943	3,521	-	25,464
Other	107,041	987	4,500	112,528
Total Receipts	683,662	71,894	618,358	1,373,914
Disbursements				
Current:				
General Government	160,185	13,827	51,032	225,044
Security of Persons and Property	287,404	49,526	-	336,930
Public Health Services	11,219	-	-	11,219
Leisure Time Activities	190,760	-	-	190,760
Basic Utility Services	25,766	-	612,920	638,686
Transportation	13,176	153,354	-	166,530
Total Disbursements	688,510	216,707	663,952	1,569,169
Receipts Over (Under) Disbursements	(4,848)	(144,813)	(45,594)	(195,255)
Other Financing Sources (Uses)				
Other Debt Proceeds	-	79,420	37,496	116,916
Total Other Financing Sources (Uses)	-	79,420	37,496	116,916
Net Change in Fund Balances	(4,848)	(65,393)	(8,098)	(78,339)
Fund Balances Beginning of Year	339,073	136,085	8,098	483,256
Fund Balances End of Year	<u>\$ 334,225</u>	<u>\$ 70,692</u>	<u>\$ -</u>	<u>\$ 404,917</u>
Reserve For Encumbrances, December 31	<u>\$ 965</u>	<u>\$ 97</u>	<u>\$ -</u>	<u>\$ 1,062</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 PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	
	<u>Enterprise</u>	<u>Agency</u>	<u>Total</u>
Operating Receipts			
Charges for Services	\$ 770,879	\$ -	\$ 770,879
Fines, Licenses and Permits	-	32,316	32,316
Total Operating Receipts	<u>770,879</u>	<u>32,316</u>	<u>803,195</u>
Operating Disbursements			
Personal Services	203,560	-	203,560
Fringe Benefits	66,685	-	66,685
Contractual Services	341,337	-	341,337
Supplies and Materials	64,718	-	64,718
Capital Outlay	186,899	-	186,899
Other	-	32,316	32,316
Total Operating Disbursements	<u>863,199</u>	<u>32,316</u>	<u>895,515</u>
Operating Income (Loss)	(92,320)	-	(92,320)
Non-Operating Receipts (Disbursements)			
Intergovernmental	3,197	-	3,197
Notes Issued	65,000	-	65,000
Miscellaneous Receipts	1,923	-	1,923
Principal Redemption	(45,903)	-	(45,903)
Interest and Fiscal Charges	(18,394)	-	(18,394)
Total Non-Operating Receipts (Disbursements)	<u>5,823</u>	<u>-</u>	<u>5,823</u>
Receipts Over (Under) Disbursements	(86,497)	-	(86,497)
Fund Balances Beginning of Year	<u>340,549</u>	<u>-</u>	<u>340,549</u>
Fund Balances End of Year	<u>\$ 254,052</u>	<u>\$ -</u>	<u>\$ 254,052</u>
Reserve For Encumbrances, December 31	<u>\$ 736</u>	<u>\$ -</u>	<u>\$ 736</u>

See accompanying notes to the financial statements

**VILLAGE OF MCCONNELSVILLE
MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of McConnelsville, Morgan County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, park operations, and police services.

The Village participates in two jointly governed organizations. Note ten (10) to the financial statements provides additional information for these entities. These organizations are:

Jointly Governed Organizations:

M & M Joint Recreational Swimming Pool

Kiwanis-Jaycee Community Park

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

C. Deposits and Investments

During 2009 and 2008, the Village invested all available funds in a SuperNow Checking Account.

D. Fund Accounting

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

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

**VILLAGE OF MCCONNELSVILLE
MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds

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

Street Construction, Maintenance and Repair Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing Village streets.

State Highway Fund – This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing State Highways within the Village Corporation.

Street Levy Fund – This fund receives property tax money to be used for Village street paving.

Fire Levy Fund – This fund receives property tax money to be used for fire protection of the Village.

Drug Law Enforcement Fund – This fund receives court fine money to be used for police protection of the Village.

Enforcement & Education Fund – This fund receives court fine money to be used for police protection of the Village.

Violence Against Women’s Grant Fund – This fund is strictly a pass through grant fund in which money is received from the State for protection of violence against women. When monies are received they are passed on to the County Auditor of Morgan County for proper disbursement.

Income Tax Fund – This fund receives income tax revenue to provide funds for general municipal operation, maintenance of equipment, extension, and enlargement and improvement of municipal services and facilities.

Law Enforcement Assistance Fund – This fund receives money strictly from the State for reimbursement of officer training and any revenue received will be expended strictly for additional training of officers.

Mayor’s Court Computer Fund – This fund receives court fine money to be used to computerize any aspect of the court.

Mayor’s Clerk of Court’s Computer Fund – This fund receives court fine money to be used to computerize the clerk of courts operations.

VILLAGE OF MCCONNELSVILLE
MORGAN COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

3. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project funds:

Meter Project Fund – This fund receives proceeds of grant money through OPWC; loan money and forgiveness grant through OWDA (Stimulus). The monies received were used to meter the entire water system within the Village.

Water and Sewer Telemetry Fund – This fund receives proceeds of grant money through OPWC. The monies received are being used to replace the Village's current water telemetry system and construct a new sewer telemetry system.

Distress Grant Fund – This fund receives proceeds of grant money through CDBG and is being handled strictly by the County Grant Writer. The monies received are being used to pave South Kennebec Avenue; make sidewalk improvements; plant trees; replace pumps at McConnel Run Pump Station; and to purchase a power supply for the Hawk Booster Station.

Streamlining Fund – This fund receives proceeds through an OWDA Loan. The monies received are being used to build a new water tank; purchase a backhoe; and repair and replace water lines throughout the Village to make a more efficient system.

4. Enterprise Funds

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

Water Fund - This fund receives charges for services from residents to cover water service costs.

Sewer Fund - This fund receives charges for services from residents to cover sewer service costs.

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

**VILLAGE OF MCCONNELSVILLE
MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

5. Agency Funds

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

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2009 and 2008 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

**VILLAGE OF MCCONNELSVILLE
MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

2. Equity in Pooled Deposits and Investments

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

	2009	2008
Petty Cash Drawers	\$ 394	\$ 394
Other time deposits (NOW accounts)	632,367	658,575
Total deposits	\$ 632,761	\$ 658,969

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the Village.

At year end the Village's entire bank balance was covered by FDIC insurance and a Letter of Credit issued by the Federal Home Loan Bank of Cincinnati.

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2009 and 2008 follows:

2009 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$600,813	\$599,831	(\$982)
Special Revenue	158,631	162,754	4,123
Capital Projects	1,596,721	570,538	(1,026,183)
Enterprise	809,550	827,498	17,948

2009 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$848,110	\$682,055	\$166,055
Special Revenue	219,870	141,629	78,241
Capital Projects	1,596,721	1,163,264	433,457
Enterprise	990,843	852,451	138,392

2008 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$677,031	\$683,662	\$6,631
Special Revenue	151,413	151,314	(99)
Capital Projects	655,854	655,854	0
Enterprise	830,500	840,999	10,499

**VILLAGE OF MCCONNELSVILLE
MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

3. Budgetary Activity (Continued)

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$871,073	\$689,475	\$181,598
Special Revenue	287,215	216,804	70,411
Capital Projects	663,952	663,952	0
Enterprise	1,169,579	928,232	241,347

4. Property Tax

Real property taxes become a lien on all non-exempt real property located in the county on January 1. 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 of the following year. Under certain circumstances, state statute permits later payment dates to be established.

Real property owners' tax bills are further reduced by homestead and rollback deductions when applicable. The amount of these homestead and rollback reductions is reimbursed to the Village by the State of Ohio. The amounts reimbursed by the State of Ohio are reflected in the accompanying financial statements as intergovernmental receipts.

Owners of tangible personal property are required to file a list of such property including costs, by April 30 of each year. The property is assessed for tax purposes at varying statutory percentages of cost. The tangible personal property tax is being phased out. The assessment percentage for all property, including inventory, 6.25 percent for 2008, and zero for 2009.

The Morgan County Treasurer collects property tax on behalf of all taxing Villages within the county. The Morgan County Auditor periodically remits to the taxing Village their portions of the taxes collected.

5. Local Income Tax

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

The Village allows a credit of the lesser of ½ percent of the taxes paid to another city or ½ percent of the 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.

**VILLAGE OF MCCONNELSVILLE
MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

6. Debt

Debt outstanding at December 31, 2009 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan #1726	\$155,478	7.59%
Citizen's National Bank Loan #6000005483	\$36,347	4.79%
Citizen's National Bank Loan #6100006230	47,364	3.9%
Ohio Water Development Authority Loan #5138	34,244	0.0%
Ohio Water Development Authority Loan #5210	65,279	1.0%
Ohio Public Works Commission Loan #CT561	71,478	0.0%
Ohio Public Works Commission Loan #CT68K	36,246	0.0%
Ohio Public Works Commission Loan #CR15M	107,909	0.0%
Total	<u>\$554,345</u>	

The Ohio Water Development Authority (OWDA) loan (#1726) payments began in 1990 and 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 a total of 25 years.

The Citizen's National Bank Loan (#6000005483) payments began in 2007 and relates to sewer system upgrade of pumps. The loan will be repaid in monthly installments over a total of 10 years.

The Citizen's National Bank Loan (#6100006230) payments began in 2008 and relates to sewer system expansion project that was mandated by the Ohio Environmental Protection Agency. The loan will be repaid in monthly installments over a total of 10 years.

The Ohio Water Development Authority (OWDA) loan (#5138) payments began in 2010 and relates to a water meter project. The Village installed meters within the entire serviced area. The loan will be repaid in semiannual installments over a total of 30 years. The balance of the OWDA loan #5138 includes \$305 of OWDA fees.

The Ohio Water Development Authority (OWDA) loan (#5210) payments will begin in 2010 relates to a water system streamlining and building of a new water tank. The loan will be repaid in semiannual installments over a total of 30 years. The balance of the OWDA loan #5210 includes \$1,563 of OWDA fees and \$101 of capitalized interest.

The Ohio Public Works Commission (OPWC) loan (#CT561) payments began in 2008 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 a total of 20 years.

The Ohio Public Works Commission (OPWC) loan (#CT68K) payments began in 2009 and relates to a water main replacement project. The loan will be repaid in semiannual installments over a total of 30 years.

The Ohio Public Works Commission (OPWC) loan (#CR15M) payments will begin in 2010 and relates to a water meter project. The loan will be repaid in semiannual installments over a total of 20 years.

**VILLAGE OF MCCONNELSVILLE
MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

6. Debt (continued)

All of the loans are secured by water or sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA, OPWC and Citizen's Nat'l Bank debt service requirements.

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

Year Ending December 31:	OWDA	Citizens National	Citizens National	OWDA	OWDA	OPWC	OPWC	OPWC
	#1726	#6000005483	#610000623	#5138	#5210	CT561	CT68K	CR15M
2010	\$41,174	\$5,683	\$7,870	\$2,917	\$2,524	\$3,971	\$1,250	\$12,588
2011	41,403	5,683	7,870	2,917	2,524	3,971	1,250	12,588
2012	41,595	5,683	7,870	2,917	2,524	3,971	1,250	12,588
2013	41,440	5,683	7,870	2,917	2,524	3,971	1,250	12,588
2014	21,317	5,683	7,870	2,917	2,524	3,971	1,250	12,588
2015-2019	0	16,102	17,052	14,583	12,620	19,855	6,249	44,972
2020-2024	0	0	0	5,077	12,620	19,855	6,249	0
2025-2029	0	0	0	0	12,620	11,913	6,249	0
2030-2034	0	0	0	0	12,620	0	6,249	0
2035-2039	0	0	0	0	12,620	0	4,999	0
Total	<u>\$186,929</u>	<u>\$44,517</u>	<u>\$56,403</u>	<u>\$34,244</u>	<u>\$75,722</u>	<u>\$71,478</u>	<u>\$36,246</u>	<u>\$107,909</u>

7. Retirement Systems

The Village's full-time police officers belong to the Ohio Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2009 and 2008, OP&F participants contributed 10% of their wages. For 2009 and 2008, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2009 and 2008, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2009.

8. Risk Management

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

**VILLAGE OF MCCONNELSVILLE
MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

9. Contingent Liabilities

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor. The grantor 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.

10. Joint Ventures

The Village of McConnelsville 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 consists of three (3) 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 McConnelsville and the Village of Malta jointly purchased 18 acres of real estate located in Malta, Ohio, to develop and construct a public park. The Villages of McConnelsville and Malta equally shared the costs associated with park.

In 2009, by Ordinance 09-02, the Villages of Malta and McConnelsville formed a joint recreation board to manage and operate the community park under the provisions of Ohio Revised Code section 755.14 (B) (1) there is hereby created a joint recreation board which shall possess all the powers and be subject to all the responsibilities of a recreation board as set forth in sections 755.12 to 755.18 of the Revised Code. The joint recreation board constructs, operates, and maintains the joint community park and any other recreational facility jointly assigned to it by the councils of Malta and McConnelsville.

The joint recreation board consists of eight (8) members; at least five (5) of who shall be residents of either the Village of Malta or the Village of McConnelsville. Four (4) of the members shall be appointed by the Mayor of McConnelsville with the four (4) remaining members appointed by the Mayor of Malta; however, no member of the board also shall be a current member of either village council. All members of the board will serve terms of four (4) years, except that the members first appointed shall be appointed for such terms that the term of two members shall expire annually thereafter. Vacancies in the board, occurring otherwise than by expiration of term, shall be for the unexpired term and shall be filled in the same manner as original appointments. Members of the board shall serve without pay.

The joint recreation board shall not incur debt without the prior approval of both village councils.

Each year the two village councils shall agree on an amount, not to be less than two thousand dollars (\$2,000.00), each shall pay to and appropriate for the benefit of the joint recreation board the next calendar year.

**VILLAGE OF MCCONNELSVILLE
MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

11. Change in Presentation/Restatement of Fund Balances

The Village changed their financial statement presentation from Governmental Accounting Standards Board Number 34 presentation to the Auditor of State regulatory basis. Governmental and business-type activities were eliminated.

12. Budgetary Noncompliance

Contrary to section 5705.39 of the Ohio Revised Code, the Village had several funds that had appropriations exceeding estimated resources.

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

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY
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, 2009 and 2008, and have issued our report thereon dated April 15, 2010, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America and changed its financial statement presentation. 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 opining on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. *A material weakness* is a deficiency or combination of deficiencies in internal control such that there is a reasonable possibility that material financial statement misstatements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings that we consider significant deficiencies in internal control over financial reporting. We consider finding 2009-VMMC-002 to be a significant deficiency. *A significant deficiency* is a deficiency, or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grants agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2009-VMMC-01.

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.

We noted certain matters that we have reported to management of the Village in a separate letter dated April 15, 2010.

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

Charles E. Harris & Associates, Inc.

April 15, 2010

**VILLAGE OF MCCONNELSVILLE
MORGAN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 & 2008**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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**FINDING NUMBER 2009-VMC-001
Noncompliance Citation**

Ohio Rev. Code Section 5705.39 states that the total appropriations from each fund shall not exceed the total of the estimated resources available for expenditure.

The following funds had appropriations exceeding total estimated resources in the following amounts at December 31, 2008:

Fund	Variance
Special Revenue Funds:	
Street Construction, Maintenance and Repair	\$ (49)
Enterprise Funds:	
Water	(36,178)
Sewer	(107,149)

Council and the Fiscal Officer should monitor appropriations versus estimated resources and modify as necessary to help avoid overspending.

Village Response

The Fiscal Officer will review all budgetary requirements and implement as necessary.

**FINDING NUMBER 2009-VMC-002
Significant Deficiency**

Incorrect Accounting Transactions

During the audit of the Village's financial records for the years ended December 31, 2009 and 2008 we noted a number of transactions incorrectly recorded, a number of receipts and disbursements incorrectly reported in the annual financial reports. The financial statements have been adjusted to present the accounting information correctly and the Village has agreed with the required reclassifications and adjustments.

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 Fiscal Officer contact the Auditor of State for additional guidance as needed.

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.

**VILLAGE OF MCCONNELSVILLE
MORGAN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2009 AND 2008**

FINDING NUMBER	FUNDING SUMMARY	FULLY CORRECTED?	Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2007-001	Village made several incorrect accounting transactions.	No	Repeated as 2009-VMMC-002.
2007-002	The Village did not follow Ohio Rev. Code §5705.36(A)(4) , the Village had estimated receipts greater than actual receipts at the legal level of control.	No	Reported in the Management Letter.



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 17, 2010**