

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

AUDIT REPORT

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

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



Dave Yost • 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, 2010 through December 31, 2011. 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.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

August 6, 2012

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**VILLAGE OF MCCONNELSVILLE
MORGAN COUNTY
AUDIT REPORT
For Years Ending December 31, 2011 and 2010**

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

REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Village Council:

We have audited the accompanying financial statements of the Village of McConnelsville (Village), Morgan County, Ohio as and for the years ended December 31, 2011 & 2010. 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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.

Instead of the combined finds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. 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 GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. 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, 2011 & 2010, 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, 2011 & 2010, 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 as of December 31, 2011 & 2010, of the Village and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 2, during 2011 the Village adopted Government Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 1, 2012, 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.
May 1, 2012

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, 2011

| | <u>General</u> | <u>Special Revenue</u> | <u>Capital Projects</u> | <u>Total Governmental Funds</u> |
|---|-------------------|----------------------------|-----------------------------|---|
| Receipts | | | | |
| Property and Other Local Taxes | \$ 29,273 | \$ 44,895 | \$ - | \$ 74,168 |
| Municipal Income Taxes | 377,532 | - | - | 377,532 |
| Intergovernmental | 106,118 | 79,494 | - | 185,612 |
| Charges for Services | 50,968 | - | - | 50,968 |
| Fines and Forfeitures | 30,278 | 4,205 | - | 34,483 |
| Interest | 27,256 | 3,774 | - | 31,030 |
| Other | 35,594 | 2,732 | - | 38,326 |
| Total Receipts | <u>657,019</u> | <u>135,100</u> | <u>-</u> | <u>792,119</u> |
| Disbursements | | | | |
| Current: | | | | |
| General Government | 209,573 | 4,241 | - | 213,814 |
| Security of Persons and Property | 314,331 | 23,387 | - | 337,718 |
| Public Health Services | 10,043 | - | - | 10,043 |
| Leisure Time Activities | 58,268 | - | - | 58,268 |
| Transportation | 17,240 | 109,372 | - | 126,612 |
| Capital Outlay | - | - | 332,097 | 332,097 |
| Debt Service: | | | | |
| Principal Retirement | 2,193 | - | - | 2,193 |
| Interest and Fiscal Charges | 317 | - | - | 317 |
| Total Disbursements | <u>611,965</u> | <u>137,000</u> | <u>332,097</u> | <u>1,081,062</u> |
| Receipts Over (Under) Disbursements | 45,054 | (1,900) | (332,097) | (288,943) |
| Other Financing Sources (Uses) | | | | |
| Sale of Notes | 20,000 | - | - | 20,000 |
| Other Debt Proceeds | - | - | 332,097 | 332,097 |
| Transfers Out | (31,750) | - | - | (31,750) |
| Other Financing Uses | (29,108) | - | - | (29,108) |
| Total Other Financing Sources (Uses) | <u>(40,858)</u> | <u>-</u> | <u>332,097</u> | <u>291,239</u> |
| Net Change in Fund Balances | 4,196 | (1,900) | - | 2,296 |
| Fund Balances Beginning of Year | <u>273,377</u> | <u>102,533</u> | <u>-</u> | <u>375,910</u> |
| Fund Balances End of Year | | | | |
| Restricted | - | 100,633 | - | 100,633 |
| Unassigned | <u>277,573</u> | <u>-</u> | <u>-</u> | <u>277,573</u> |
| Fund Balances End of Year | <u>\$ 277,573</u> | <u>\$ 100,633</u> | <u>\$ -</u> | <u>\$ 378,206</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, 2011

| | <u>Proprietary Fund Type</u> | <u>Fiduciary Fund Type</u> | |
|--|----------------------------------|--------------------------------|-------------------|
| | <u>Enterprise</u> | <u>Agency</u> | <u>Total</u> |
| Operating Receipts | | | |
| Charges for Services | \$ 948,861 | \$ - | \$ 948,861 |
| Fines, Licenses and Permits | - | 43,215 | 43,215 |
| Total Operating Receipts | <u>948,861</u> | <u>43,215</u> | <u>992,076</u> |
| Operating Disbursements | | | |
| Personal Services | 193,343 | - | 193,343 |
| Fringe Benefits | 74,321 | - | 74,321 |
| Contractual Services | 380,921 | - | 380,921 |
| Supplies and Materials | 98,520 | - | 98,520 |
| Other | - | 43,215 | 43,215 |
| Total Operating Disbursements | <u>747,105</u> | <u>43,215</u> | <u>790,320</u> |
| Operating Income (Loss) | 201,756 | - | 201,756 |
| Non-Operating Receipts (Disbursements) | | | |
| Miscellaneous Receipts | 3,941 | - | 3,941 |
| Capital Outlay | (117,378) | - | (117,378) |
| Principal Redemption | (114,578) | - | (114,578) |
| Interest and Fiscal Charges | (19,456) | - | (19,456) |
| Total Non-Operating Receipts (Disbursements) | <u>(247,471)</u> | <u>-</u> | <u>(247,471)</u> |
| Income (Loss) before Transfers | (45,715) | - | (45,715) |
| Transfers-In | <u>31,750</u> | <u>-</u> | <u>31,750</u> |
| Receipts Over (Under) Disbursements | (13,965) | - | (13,965) |
| Fund Balances Beginning of Year | <u>277,490</u> | <u>146</u> | <u>277,636</u> |
| Fund Balances End of Year | <u>\$ 263,525</u> | <u>\$ 146</u> | <u>\$ 263,671</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, 2010

| | <u>General</u> | <u>Special Revenue</u> | <u>Capital Projects</u> | <u>Total Governmental Funds</u> |
|---|-------------------|----------------------------|-----------------------------|---|
| Receipts | | | | |
| Property and Other Local Taxes | \$ 32,180 | \$ 48,080 | \$ - | \$ 80,260 |
| Municipal Income Taxes | 356,685 | - | - | 356,685 |
| Intergovernmental | 109,652 | 95,402 | 297,698 | 502,752 |
| Charges for Services | 54,800 | - | - | 54,800 |
| Fines and Forfeitures | 27,957 | 4,962 | - | 32,919 |
| Interest | 27,888 | 4,197 | - | 32,085 |
| Other | 57,076 | 991 | - | 58,067 |
| Total Receipts | <u>666,238</u> | <u>153,632</u> | <u>297,698</u> | <u>1,117,568</u> |
| Disbursements | | | | |
| Current: | | | | |
| General Government | 279,094 | - | - | 279,094 |
| Security of Persons and Property | 264,610 | 42,172 | - | 306,782 |
| Public Health Services | 10,070 | - | - | 10,070 |
| Leisure Time Activities | 55,755 | - | - | 55,755 |
| Transportation | 17,878 | 101,734 | - | 119,612 |
| Capital Outlay | - | - | 921,604 | 921,604 |
| Total Disbursements | <u>627,407</u> | <u>143,906</u> | <u>921,604</u> | <u>1,692,917</u> |
| Receipts Over (Under) Disbursements | 38,831 | 9,726 | (623,906) | (575,349) |
| Other Financing Sources (Uses) | | | | |
| Other Debt Proceeds | - | - | 623,906 | 623,906 |
| Transfers-Out | (20,055) | - | - | (20,055) |
| Total Other Financing Sources (Uses) | <u>(20,055)</u> | <u>-</u> | <u>623,906</u> | <u>603,851</u> |
| Net Change in Fund Balances | 18,776 | 9,726 | - | 28,502 |
| Fund Balances Beginning of Year | <u>254,601</u> | <u>92,807</u> | <u>-</u> | <u>347,408</u> |
| Fund Balances End of Year | <u>\$ 273,377</u> | <u>\$ 102,533</u> | <u>\$ -</u> | <u>\$ 375,910</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, 2010

| | <u>Proprietary Fund Type</u> | <u>Fiduciary Fund Type</u> | |
|--|----------------------------------|--------------------------------|-------------------|
| | <u>Enterprise</u> | <u>Agency</u> | <u>Total</u> |
| Operating Receipts | | | |
| Charges for Services | \$ 811,333 | \$ - | \$ 811,333 |
| Fines, Licenses and Permits | - | 40,653 | 40,653 |
| Total Operating Receipts | <u>811,333</u> | <u>40,653</u> | <u>851,986</u> |
| Operating Disbursements | | | |
| Personal Services | 168,738 | - | 168,738 |
| Fringe Benefits | 66,186 | - | 66,186 |
| Contractual Services | 345,147 | - | 345,147 |
| Supplies and Materials | 79,142 | - | 79,142 |
| Other | - | 49,026 | 49,026 |
| Total Operating Disbursements | <u>659,213</u> | <u>49,026</u> | <u>708,239</u> |
| Operating Income (Loss) | 152,120 | (8,373) | 143,747 |
| Non-Operating Receipts (Disbursements) | | | |
| Miscellaneous Receipts | 14,997 | 8,373 | 23,370 |
| Principal Redemption | (74,410) | - | (74,410) |
| Interest and Fiscal Charges | (23,170) | - | (23,170) |
| Capital Outlay | (97,309) | - | (97,309) |
| Total Non-Operating Receipts (Disbursements) | <u>(179,892)</u> | <u>8,373</u> | <u>(171,519)</u> |
| Income (Loss) before Transfers | (27,772) | - | (27,772) |
| Transfers-In | 20,000 | 146 | 20,146 |
| Transfers-Out | (91) | - | (91) |
| Receipts Over (Under) Disbursements | (7,863) | 146 | (7,717) |
| Fund Balances Beginning of Year | <u>285,353</u> | <u>-</u> | <u>285,353</u> |
| Fund Balances End of Year | <u>\$ 277,490</u> | <u>\$ 146</u> | <u>\$ 277,636</u> |

See accompanying notes to the financial statements

**VILLAGE OF MCCONNELSVILLE
MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

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 one jointly governed organization. Note eleven (11) to the financial statements provides additional information for these entities. The organization is:

Jointly Governed Organization:

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 2011 & 2010, 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, 2011 AND 2010
(Continued)**

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 thru 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. This Grant expired in December 2009; therefore, monies were returned and fund was closed in March of 2010.

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, 2011 AND 2010
(Continued)**

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.

Street Paving Fund – This fund receives proceeds through Issue II Funding. The monies received are for repaving of specified streets within the Village.

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.

**VILLAGE OF MCCONNELSVILLE
MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

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 2011 and 2010 budgetary activity appears in Note 4.

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, 2011 AND 2010
(Continued)**

1. Summary of Significant Accounting Policies (continued)

H. Fund Balances

For December 31, 2011, fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable

The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

Restricted

Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

Committed

The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Board. Those committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned

Amounts in the assigned fund balance classification are intended to be used by the Township for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board, which includes giving the Fiscal Officer the authority to constrain monies for intended purposes.

Unassigned

Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

**VILLAGE OF MCCONNELSVILLE
MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. Summary of Significant Accounting Policies (continued)

H. Fund Balances (continued)

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

2. Change in Accounting Principle

A. Changes in Accounting Principles

For fiscal year 2011, the Board has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of this statement did not result in the reclassification of certain funds or the restatement of the Village's financial statements.

3. 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:

| | 2011 | 2010 |
|------------------------------------|------------|------------|
| Petty Cash Drawers | \$ 394 | \$ 394 |
| Other time deposits (NOW accounts) | 641,483 | 653,152 |
| Total deposits | \$ 641,877 | \$ 653,546 |

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.

**VILLAGE OF MCCONNELSVILLE
MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

4. Budgetary Activity

Budgetary activity for the years ending December 31, 2010 and 2009 follows:

2011 Budget vs. Actual Receipts

| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
|------------------|----------------------|---------------------|------------------|
| General | \$ 668,271 | \$ 677,019 | \$ 8,748 |
| Special Revenue | 134,854 | 135,100 | 246 |
| Capital Projects | 332,097 | 332,097 | - |
| Enterprise | 974,290 | 984,552 | 10,262 |
| Total | <u>\$ 2,109,512</u> | <u>\$ 2,128,768</u> | <u>\$ 19,256</u> |

2011 Budgeted vs. Actual Budgetary Basis Disbursements

| Fund Type | Appropriation Authority | Budgetary Disbursements | Variance |
|------------------|----------------------------|----------------------------|-------------------|
| General | \$ 872,471 | \$ 672,823 | \$ 199,648 |
| Special Revenue | 229,937 | 137,000 | 92,937 |
| Capital Projects | 332,097 | 332,097 | - |
| Enterprise | 1,123,468 | 998,517 | 124,951 |
| Total | <u>\$ 2,557,973</u> | <u>\$ 2,140,437</u> | <u>\$ 417,536</u> |

2010 Budget vs. Actual Receipts

| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
|------------------|----------------------|---------------------|------------------|
| General | \$ 647,573 | \$ 666,238 | \$ 18,665 |
| Special Revenue | 148,896 | 153,632 | 4,736 |
| Capital Projects | 921,604 | 921,604 | - |
| Enterprise | 836,250 | 846,330 | 10,080 |
| Total | <u>\$ 2,554,323</u> | <u>\$ 2,587,804</u> | <u>\$ 33,481</u> |

2010 Budgeted vs. Actual Budgetary Basis Disbursements

| Fund Type | Appropriation Authority | Budgetary Disbursements | Variance |
|------------------|----------------------------|----------------------------|-------------------|
| General | \$ 825,885 | \$ 647,462 | \$ 178,423 |
| Special Revenue | 234,901 | 143,906 | 90,995 |
| Capital Projects | 921,604 | 921,604 | - |
| Enterprise | 1,020,179 | 854,193 | 165,986 |
| Total | <u>\$ 3,002,569</u> | <u>\$ 2,567,165</u> | <u>\$ 435,404</u> |

**VILLAGE OF MCCONNELSVILLE
MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

5. Property Tax

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

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

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

6. 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.

7. Debt

Debt outstanding at December 31, 2011 was as follows:

| | <u>Principal</u> | <u>Interest Rate</u> |
|---|--------------------|----------------------|
| Ohio Water Development Authority Loan #1726 | \$92,494 | 7.59% |
| Citizen's National Bank Loan #6100006230 | 34,844 | 3.9% |
| Ohio Water Development Authority Loan #5138 | 65,213 | 0.0% |
| Ohio Water Development Authority Loan #5210 | 833,192 | 1.0% |
| Ohio Public Works Commission Loan #CT561 | 63,536 | 0.0% |
| Ohio Public Works Commission Loan #CT68K | 33,746 | 0.0% |
| Ohio Public Works Commission Loan #CR15M | 198,335 | 0.0% |
| First National Bank Loan #81118032 | 17,807 | 2.9% |
| Total | <u>\$1,339,167</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.

**VILLAGE OF MCCONNELSVILLE
MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

7. Debt (continued)

The Citizen's National Bank Loan (#6000005483) payments began in 2007 and relates to sewer system upgrade of pumps. The Village Council transferred funds from the General Fund into the Sewer Fund to pay this loan off in full.

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 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 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 2011 and relates to a water meter project. The loan will be repaid in semiannual installments over a total of 20 years.

The First National Bank Loan (#81118032) payments began in 2011 and was for the purchase of a tractor. The loan will be repaid in monthly installments over a total of 5 years.

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

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

**VILLAGE OF MCCONNELSVILLE
MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

7. Debt (continued)

| Year Ending | OWDA | Citizens National | OWDA | OWDA | OPWC | OPWC | OPWC | First National |
|--------------|------------------|----------------------|-----------------|------------------|-----------------|-----------------|------------------|-------------------|
| December 31: | #1726 | #6100006230 | #5138 | #5210 | CT561 | CT68K | CR15M | #81118032 |
| 2012 | \$41,596 | \$7,870 | \$2,329 | \$34,665 | \$3,971 | \$1,250 | \$10,439 | \$13,994 |
| 2013 | 41,803 | 7,870 | 2,329 | 34,665 | 3,971 | 1,250 | 10,439 | 10,038 |
| 2014 | 20,955 | 7,870 | 2,329 | 34,665 | 3,971 | 1,250 | 10,439 | 5,968 |
| 2015-2019 | | 14,513 | 11,645 | 173,326 | 19,855 | 6,249 | 52,194 | |
| 2020-2024 | | | 11,645 | 173,326 | 19,855 | 6,249 | 52,194 | |
| 2025-2029 | | | 11,645 | 173,326 | 11,913 | 6,249 | 52,194 | |
| 2030-2034 | | | 11,645 | 173,326 | | 6,249 | 10,439 | |
| 2035-2039 | | | 11,645 | 173,326 | | 4,999 | | |
| Total | <u>\$104,354</u> | <u>\$38,123</u> | <u>\$65,213</u> | <u>\$970,626</u> | <u>\$63,536</u> | <u>\$33,746</u> | <u>\$198,335</u> | <u>\$30,000</u> |

8. Retirement Systems

The Village's full-time Police Officers belong to the 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 2011 and 2010, OP&F participants contributed 10% of their wages. For 2011 and 2010, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2011 and 2010, 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, 2011.

9. Risk Management

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

There has been no significant reduction in coverage in relation to the prior fiscal year. Settled claims have not exceeded commercial coverage in any of the last three fiscal years.

**VILLAGE OF MCCONNELSVILLE
MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

10. 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.

11. Joint Ventures

The Village of McConnelville 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.

In 2010, by Ordinance 10-10, the Village's of Malta and McConnelville dissolved the Joint Recreation Committee and terminated the related pool agreement.

The Village of McConnelville 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 McConnelville and Malta equally shared the costs associated with park.

In 2009, by Ordinance 09-02, the Villages of Malta and McConnelville 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 McConnelville.

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 McConnelville. Four (4) of the members shall be appointed by the Mayor of McConnelville 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.

**VILLAGE OF MCCONNELSVILLE
MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

11. Joint Ventures (continued)

Each year the two village councils shall agree on an amount, not to be less than two thousand dollars (\$2,000), each shall pay to and appropriate for the benefit of the joint recreation board the next calendar year.

12. Interfund Transfers

Interfund transfers for the years ended December 31, 2011 and 2010 consisted of the following:

| Fund | 2011 | | 2010 | |
|---------------|------------------|------------------|------------------|------------------|
| | Transfers Out | Transfers In | Transfers Out | Transfers In |
| General Fund | \$ 31,750 | \$ - | \$ 20,055 | \$ - |
| Sewer Fund | - | 31,750 | - | 20,000 |
| Water Fund | - | - | 91 | - |
| Agency Fund | - | - | - | 146 |
| Totals | \$ 31,750 | \$ 31,750 | \$ 20,146 | \$ 20,000 |

In the years ended December 31, 2011 and 2010 the Village made transfers of \$31,750 and \$20,000, respectively, from the General Fund to various funds to subsidize operations. In the year ended December 31, 2010 the Village also made a transfer of \$91 from the Water Fund and \$55 from the General Fund to the Agency-Unclaimed monies fund.

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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
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, 2011 and 2010, and have issued our report thereon dated May 1, 2012, wherein we noted the Village prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. As described in Note 2, for the year ended December 31, 2011, the Village adopted Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". We conducted our audit in accordance with auditing standards generally accepted in the United States of America and 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 a combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Village's financial statements 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 was not designed to identify all deficiencies in internal control over financial reporting 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.

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 grant 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

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

Charles E. Harris & Associates, Inc.

May 1, 2012

**VILLAGE OF MCCONNELSVILLE
MORGAN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2011 AND 2010**

| FINDING NUMBER | FUNDING SUMMARY | FULLY CORRECTED? | Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain |
|-------------------|--|---------------------|--|
| 2009-VMC-001 | The Village did not follow Ohio Rev. Code §5705.39 , the Village had appropriations greater than total estimated resources. | Yes | |
| 2009-VMC-002 | Village made several incorrect accounting transactions. | Yes | |

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Dave Yost • 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
AUGUST 21, 2012