**VILLAGE OF MCGUFFEY**
**HARDIN COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

Mary Taylor, CPA
Auditor of State

**VILLAGE OF MCGUFFEY**
**HARDIN COUNTY**

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Mary Taylor, CPA
Auditor of State

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

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS 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. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

Mary Taylor

**Mary Taylor, CPA**
Auditor of State

September 23, 2009

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Mary Taylor, CPA
Auditor of State

**INDEPENDENT ACCOUNTANTS' REPORT**

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

To the Village Council:

We have audited the accompanying financial statements of the Village of McGuffey, Hardin County, (the "Village"), as of and for the years ended December 31, 2008 and 2007. 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 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 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 funds the accompanying financial statements present, GAAP requires presenting entity wide statements and also to present its 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 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, 2008 and 2007 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, 2008 and 2007, or its changes in financial position or cash flows, where applicable for the years then ended.

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Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village as of December 31, 2008 and 2007, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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 September 23, 2009 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and 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 the 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.

Mary Taylor

**Mary Taylor, CPA**
Auditor of State

September 23, 2009

**VILLAGE OF MCGUFFEY**
**HARDIN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES FOR THE YEAR ENDED DECEMBER 31, 2008**

| | Governmental Fund Types | | |
|---|---|---|---|
| | General | Special Revenue | Totals (Memorandum Only) |
| **Cash Receipts:** | | | |
| Property Tax and Other Local Taxes | $6,561 | | $6,561 |
| Municipal Income Tax | 44,000 | | 44,000 |
| Special Assessments | | $4,822 | 4,822 |
| Charges for Services | 25 | | 25 |
| Intergovernmental Receipts | 17,877 | 22,486 | 40,363 |
| Fines, Licenses, and Permits | 3,802 | | 3,802 |
| Earnings on Investments | 5,943 | 1,250 | 7,193 |
| Miscellaneous | 8,652 | 24 | 8,676 |
| Total Cash Receipts | 86,860 | 28,582 | 115,442 |
| **Cash Disbursements:** | | | |
| **Current:** | | | |
| General Government | 81,419 | 1,122 | 82,541 |
| Security of Persons and Property | 1 | | 1 |
| Public Health Services | 1,504 | | 1,504 |
| Leisure Time Activities | 440 | | 440 |
| Basic Utility Services | 2,918 | 7,948 | 10,866 |
| Transportation | 10,971 | 14,965 | 25,936 |
| Capital Outlay | 4,325 | | 4,325 |
| Total Cash Disbursements | 101,578 | 24,035 | 125,613 |
| Total Receipts Over/(Under) Disbursements | (14,718) | 4,547 | (10,171) |
| **Other Financing Receipts:** | | | |
| Sale of Fixed Assets | 9,450 | | 9,450 |
| Other Financing Sources | | 661 | 661 |
| Total Other Financing Sources | 9,450 | 661 | 10,111 |
| Cash Receipts and Other Financing Receipts Over Cash Disbursements | (5,268) | 5,208 | (60) |
| Fund Cash Balances, January 1 | 76,381 | 129,242 | 205,623 |
| Fund Cash Balances, December 31 | $71,113 | $134,450 | $205,563 |

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

**VILLAGE OF MCGUFFEY**
**HARDIN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES - ENTERPRISE FUNDS**
**FOR THE YEAR ENDED DECEMBER 31, 2008**

| | |
|---|---|
| **Operating Cash Receipts:** | |
| Charges for Services | $218,266 |
| Fines, License and Permits | 1,925 |
| Miscellaneous | 10 |
| Total Operating Cash Receipts | 220,201 |
| | |
| **Operating Cash Disbursements:** | |
| Personal Services | 44,481 |
| Contractual Services | 80,128 |
| Supplies and Materials | 27,554 |
| Capital Outlay | 20,694 |
| Total Operating Cash Disbursements | 172,857 |
| | |
| Operating (Loss) | 47,344 |
| | |
| **Non-Operating Cash Receipts:** | |
| Intergovernmental | 13,005 |
| Total Non-Operating Cash Receipts | 13,005 |
| | |
| **Non-Operating Cash Disbursements:** | |
| Debt Service: | |
| Principal Payments | (56,720) |
| Interest Payments | (10,287) |
| Total Non-Operating Cash Disbursements | (67,007) |
| | |
| Net Receipts (Under) Disbursements | (6,658) |
| | |
| Fund Cash Balances, January 1 | 299,983 |
| | |
| Fund Cash Balances, December 31 | $293,325 |

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

**VILLAGE OF MCGUFFEY**
**HARDIN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES FOR THE YEAR ENDED DECEMBER 31, 2007**

| | Governmental Fund Types | | Totals |
|---|---|---|---|
| | General | Special Revenue | (Memorandum Only) |
| **Cash Receipts:** | | | |
| Property Tax and Other Local Taxes | $7,524 | | $7,524 |
| Municipal Income Tax | 46,855 | | 46,855 |
| Special Assessments | | $5,136 | 5,136 |
| Intergovernmental Receipts | 16,636 | 22,933 | 39,569 |
| Fines, Licenses, and Permits | 1,850 | | 1,850 |
| Earnings on Investments | 15,941 | 3,448 | 19,389 |
| Miscellaneous | 9,154 | 500 | 9,654 |
| Total Cash Receipts | 97,960 | 32,017 | 129,977 |
| **Cash Disbursements:** | | | |
| **Current:** | | | |
| General Government | 88,017 | | 88,017 |
| Security of Persons and Property | 1 | 8,544 | 8,545 |
| Public Health Services | 1,450 | | 1,450 |
| Leisure Time Activities | 1,067 | | 1,067 |
| Basic Utility Services | 1,917 | 12,097 | 14,014 |
| Transportation | 10,805 | 7,444 | 18,249 |
| Total Cash Disbursements | 103,257 | 28,085 | 131,342 |
| Total Receipts Over/(Under) Disbursements | (5,297) | 3,932 | (1,365) |
| Fund Cash Balances, January 1 | 81,678 | 125,310 | 206,988 |
| Fund Cash Balances, December 31 | $76,381 | $129,242 | $205,623 |

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

**VILLAGE OF MCGUFFEY**
**HARDIN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES - ENTERPRISE FUNDS**
**FOR THE YEAR ENDED DECEMBER 31, 2007**

| | |
|---|---|
| **Operating Cash Receipts:** | |
| Charges for Services | $203,720 |
| Fines, License and Permits | 1,500 |
| Miscellaneous | 235 |
| Total Operating Cash Receipts | 205,455 |
| | |
| **Operating Cash Disbursements:** | |
| Personal Services | 49,689 |
| Travel Transporation | 1,995 |
| Contractual Services | 80,409 |
| Supplies and Materials | 38,541 |
| Capital Outlay | 498,951 |
| Total Operating Cash Disbursements | 669,585 |
| | |
| Operating Income | (464,130) |
| | |
| **Non-Operating Cash Receipts:** | |
| Intergovernmental | 498,953 |
| Miscellaneous | 16,643 |
| Total Non-Operating Cash Receipts | 515,596 |
| | |
| **Non-Operating Cash Disbursements:** | |
| **Debt Service:** | |
| Principal Payments | (60,803) |
| Interest Payments | (11,239) |
| Total Non-Operating Cash Disbursements | (72,042) |
| | |
| Net Receipts Over Disbursements | (20,576) |
| | |
| Fund Cash Balances, January 1 | 320,559 |
| | |
| Fund Cash Balances, December 31 | $299,983 |

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

## 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 McGuffey, Hardin County, (the "Village"), as a body corporate and politic. A publicly-elected six-member Council governs the Village. The Village provides street maintenance, water and sewer utilities, and garbage services. The Village contracts with the Hardin County Sheriff's department to provide security of persons and property.

The Village participates in two jointly governed organizations and the Public Entities Risk Pool. Notes 8 and 9 to the financial statements provides additional information for these entities. These organizations are:

Jointly Governed Organizations:

Hardin County Regional Planning Commission - The Commission makes studies, maps, plans, recommendations and reports concerning the physical, environmental, social, economic, and governmental characteristics, functions, and services of the County.

Upper Scioto Valley Ambulance District – This District provides emergency medical services to members within the District.

Public Entity Risk Pool:

Public Entities Pool of Ohio (PEP) - provides property and casualty coverage for its members.

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

### B. Basis of Accounting

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. This basis 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 adequately disclose material matters the Auditor of State prescribes.

### C. Cash and Investments

The Village's accounting basis includes investments as assets. This basis does not report disbursements for investment purchases or receipts for investment sales. The Village reports gains or losses at the time of sale as receipts or disbursements, respectively.

The Village values certificates of deposit at cost.

### D. Fund Accounting

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

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

### 1. General Fund

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

### 2. Special Revenue Fund

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

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

**Municipal Permissive Tax** - This Fund receives permissive motor vehicle tax for maintenance and repair of Village streets.

**Light Assessment Fund** – This fund receives assessments to provide street lighting.

### 3. 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.

### 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. Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

### 2. Estimated Resources

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

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

### 3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2008 and 2007 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.

## 2. EQUITY IN POOLED CASH

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

| | 2008 | 2007 |
|---|---|---|
| Demand deposits | $423,888 | $430,606 |
| Certificates of deposit | 75,000 | 75,000 |
| Total deposits | $498,888 | $505,606 |

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

## 3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2008 and 2007:

**2008 Budgeted vs. Actual Receipts**

| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
|---|---|---|---|
| General | $100,186 | $ 96,310 | ($ 3,876) |
| Special Revenue | 33,725 | 29,243 | (4,482) |
| Enterprise | 616,445 | 233,206 | (383,239) |
| Total | $750,356 | $358,759 | ($391,597) |

**2008 Budgeted vs. Actual Budgetary Basis Expenditures**

| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
|---|---|---|---|
| General | $122,601 | $101,578 | $21,023 |
| Special Revenue | 46,068 | 24,035 | 22,033 |
| Enterprise | 608,869 | 239,864 | 369,005 |
| Total | $777,538 | $365,477 | $412,061 |

## 3. BUDGETARY ACTIVITY (Continued)

**2007 Budgeted vs. Actual Receipts**

| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
|---|---|---|---|
| General | $ 103,220 | $ 97,960 | ($ 5,260) |
| Special Revenue | 44,450 | 32,017 | (12,433) |
| Enterprise | 912,804 | 721,051 | (191,753) |
| Total | $1,060,474 | $851,028 | ($209,446) |

**2005 Budgeted vs. Actual Budgetary Basis Expenditures**

| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
|---|---|---|---|
| General | $ 116,451 | $103,257 | $ 13,194 |
| Special Revenue | 42,700 | 28,085 | 14,615 |
| Enterprise | 951,884 | 741,627 | 210,257 |
| Total | $1,111,035 | $872,969 | $238,066 |

## 4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Village Council adopts 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 State pays the Village amounts equaling these deductions. The Village includes these with Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half payment 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.

Property owners assess tangible personal property tax. They must file a list of tangible 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 the Village's behalf.

## 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.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

## 6. DEBT

Debt outstanding at December 31, 2008 was as follows:

| | Principal | Interest Rate |
|---|---|---|
| Farmers Home Administration (Sewer Improvement Bonds) | $ 36,300 | 5.875% |
| Ohio Public Works Commission | 325,000 | 0.00% |
| Ohio Water Development Authority Loan #1 (WPCLF) | 331,859 | 2.20% |
| Ohio Water Development Authority Loan #2 | 40,000 | 0.00% |
| Total | $733,159 | |

During May 1991, the Village entered into a bond agreement with the Farmer's Home Administration to fund sanitary sewer improvements. The bonds were issued for $121,000 and will be re-paid in annual installments for 20 years ending in 2012.

During May 2000, the Village entered into a loan agreement with the Ohio Public Works Commission for a sewer expansion project mandated by the Ohio Environmental Protection Agency. The loan was in the amount of $500,000 and is to be re-paid in semi-annual payments with a maturity in 2021.

The Ohio Water Development Authority Loan #1 was approved April 27, 2000 for the sewer plant expansion project mandated by the Ohio Environmental Protection Agency. The loan was in the amount of $509,336, is to be re-paid in semi-annual principal and interest payments, and matures in 2021.

The Ohio Water Development Authority Loan #2, in the amount of $50,000, was approved in December 2004 for the water design project. The proceeds of this loan were received in 2007. The loan is to be re-paid in annual payments with a maturity in 2016.

Amortization of the above debt, including interest, follows:

| Year ending December 31: | Sewer Improvement Bonds | OPWC Loan | OWDA Loan #1 | OWDA Loan #2 |
|---|---|---|---|---|
| 2009 | $10,433 | $ 25,000 | $ 31,616 | $ 5,000 |
| 2010 | 10,445 | 25,000 | 31,617 | 5,000 |
| 2011 | 10,428 | 25,000 | 31,616 | 5,000 |
| 2012 | 10,482 | 25,000 | 31,617 | 5,000 |
| 2013 | | 25,000 | 31,617 | 5,000 |
| 2014 - 2018 | | 125,000 | 158,083 | 15,000 |
| 2019 - 2021 | | 75,000 | 63,233 | |
| Total Payments | $41,788 | $325,000 | $379,399 | $40,000 |
| Interest | (5,488) | | (47,540) | |
| Total Principal | $36,300 | $325,000 | $331,859 | $40,000 |

## 7. RETIREMENT SYSTEMS

### Ohio Public Employees Retirement System

The Village's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes the plan's retirement benefits, including postretirement healthcare and survivor and disability benefits.

For 2008 and 2007, OPERS members contributed 10 and 9.5 percent, respectively, of their wages. The Village contributed an amount equaling 14 and 13.85 percent, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2008.

Six Council members and one Board of Public Affairs member have elected to contribute to Social Security instead of participating in OPERS. The Village's liability for social security is 6.2 percent of wages paid.

## 8. RISK MANAGEMENT

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

The Village insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

### A. Casualty Coverage

For an occurrence prior to January 1, 2006 PEP retains casualty risks up to $250,000 per occurrence, including claim adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding $250,000, up to $1,750,000 per claim and $10,000,000 in the aggregate per year.

For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to $350,000 per occurrence, including loss adjustment expenses. Claims exceeding $350,000 are reinsured with APEEP in an amount not to exceed $2,650,000 for each claim and $10,000,000 in the aggregate per year. Governments can elect up to $10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with PEP.

If losses exhaust PEP's retained earnings, APEEP provides *excess of funds available* coverage up to $5,000,000 per year, subject to a per-claim limit of $2,000,000 (prior to January 1, 2006) or $3,000,000 (on or subsequent after January 1, 2006) as noted above.

## 8. RISK MANAGEMENT (Continued)

### B. Property Coverage

Beginning in 2005, APEEP established a risk-sharing property program. Under the program, Travelers reinsures specific losses exceeding $250,000 up to $600 million per occurrence. This amount was increased to $300,000 in 2007. For 2007, APEEP reinsures members for specific losses exceeding $100,000 up to $300,000 per occurrence, subject to an annual aggregate loss payment. For 2006, APEEP reinsures members for specific losses exceeding $100,000 up to $250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between $100,000 and $250,000 in 2006, or $100,000 and $300,000 in 2007, Travelers will then reinsure specific losses exceeding $100,000 up to their $600 million per occurrence limit. The aggregate stop-loss limit for 2007 was $2,014,548.

The aforementioned casualty and property reinsurance agreements do not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

### C. Financial Position

PEP'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, 2007 and 2006 (the latest information available):

| | **2007** | **2006** |
|---|---|---|
| Assets | $37,560,071 | $36,123,194 |
| Liabilities | (17,340,825) | (16,738,904) |
| Retained earnings | $20,219,246 | $19,384,290 |

At December 31, 2007 and 2006, respectively, the liabilities above include approximately $15.9 million and $15.0 million of estimated incurred claims payable. The assets and retained earnings above also include approximately $15.0 million and $14.4 million of unpaid claims to be billed to approximately 443 member governments in the future, as of December 31, 2007 and 2006, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Village's share of these unpaid claims collectible in future years is approximately $7,000. This payable includes the subsequent year's contribution due if the Government terminates participation, as described in the last paragraph below.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

## 8. RISK MANAGEMENT (Continued)

| Contributions to PEP | |
|---|---|
| 2006 | $6,497 |
| 2007 | $6,585 |
| 2008 | $6,431 |

After completing one year of membership, members may withdraw on each anniversary of the date they joined PEP provided they provide written notice to PEP 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

## 9. JOINTLY GOVERENED ORGANIZATIONS

**A.** **The Hardin County Regional Planning Commission** (the Commission) is a joint venture between the County, the Municipalities, and the Villages within Hardin County. The degree of control exercised by any participating government is limited to its representation on the Board. The Board is comprised of twenty-seven members, any of which may hold any other public office. The Village is represented by one member.

The Commission makes studies, maps, plans, recommendations and reports concerning the physical, environmental, social, economic, and governmental characteristics, functions, and services of the County. Each participating government may be required to contribute an assessment per capita, according to the latest federal census, in any calendar year in which the revenue is needed. Financial information can be obtained Mark Doll, Director, One Courthouse Square, Suite 130, Kenton, Ohio 43326

**B.** **The Upper Scioto Valley Ambulance District** (the District) is a jointly governed entity governed by a a five-member Board of Trustees. Each political subdivision within the District appoints one member. Those subdivisions are Marion Village, McDonald Village, Roundhead Village, the Village of Alger, and the Village of McGuffey, in Hardin County. The District provides ambulance services within the District.

**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

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

To the Village Council:

We have audited the financial statements of the Village of McGuffey, Hardin County, (the Village), as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated September 23, 2009, 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. 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*.

**Internal Control 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 audit procedures for expressing our opinion on the financial statements, but not to opine 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 control deficiency exists when the design or operation of a control does not allow management or employees, in 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 the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the 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 the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

We noted certain internal control matters that we reported to the Village's management in a separate letter dated September 23, 2009.

**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 an opinion. The results of our tests disclosed no instances of noncompliance or other matter that we must report under *Government Auditing Standards*.

We noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated September 23, 2009.

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

Mary Taylor

**Mary Taylor, CPA**
Auditor of State

September 23, 2009

**VILLAGE OF MCGUFFEY**
**HARDIN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS**
**DECEMBER 31, 2008 AND 2007**

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; ***Explain*** |
|---|---|---|---|
| 2006-001 | Accurate preparation and presentation of financial statements. | Yes | |
| 2006-002 | **Ohio Rev. Code Section 5705.36(A)(2) –** The Village did not request increased amended certificates of estimated resources when required. | Partially | Reported in a separate letter to management of the Village. |
| 2006-003 | **The Fair Labor Standards Act 29 USCS 207 (a)(1) and 29 USCS 207 (e)(2)** – The Village paid overtime during weeks that included sick leave usage for an employee. | Yes | |
| 2006-004 | **26 CFR 1.6041-1** and **26 CFR 1.6041-2 –** The Village failed to issue a 1099 or a W-2 to an individual performing work for them. | Yes | |

Mary Taylor, CPA
Auditor of State

**VILLAGE OF MCGUFFEY**

**HARDIN COUNTY**

**CLERK'S CERTIFICATION**

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

Susan Babbitt

**CLERK OF THE BUREAU**

**CERTIFIED**
**OCTOBER 13, 2009**

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