



**Auditor of State  
Betty Montgomery**



VILLAGE OF MCGUFFEY  
HARDIN COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2002.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - Proprietary Fund Type - For the Year Ended December 31, 2002.....	4
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2001.....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - Proprietary Fund Type - For the Year Ended December 31, 2001.....	6
Notes to the Financial Statements.....	7
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i> .....	15
Schedule of Findings.....	17
Schedule of Prior Audit Findings.....	19

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**Auditor of State  
Betty Montgomery**

**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, 2002 and 2001. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village as of December 31, 2002 and 2001, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 16, 2003 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Village of McGuffey  
Hardin County  
Independent Accountants' Report  
Page 2

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

September 16, 2003

**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, 2002**

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property Tax and Other Local Taxes	\$6,168		\$6,168
Municipal Income Taxes	56,600		56,600
Special Assessments		4,929	4,929
Intergovernmental Receipts	17,052	24,302	41,354
Fines, Licenses, and Permits	1,745		1,745
Earnings on Investments	5,327	629	5,956
Miscellaneous	8,249		8,249
	<hr/>		<hr/>
Total Cash Receipts	95,141	29,860	125,001
<b>Cash Disbursements:</b>			
Current:			
Public Health Services	1,392		1,392
Leisure Time Activities	719		719
Community Environment	300		300
Basic Utility Services	9,152	6,702	15,854
Transportation	8,275	23,634	31,909
General Government	69,676		69,676
	<hr/>		<hr/>
Total Cash Disbursements	89,514	30,336	119,850
Total Receipts Over/(Under) Disbursements	5,627	(476)	5,151
Fund Cash Balances, January 1	72,657	99,447	172,104
	<hr/>		<hr/>
<b>Fund Cash Balances, December 31</b>	<u>\$78,284</u>	<u>\$98,971</u>	<u>\$177,255</u>
Reserves for Encumbrances, December 31	<u>\$1,604</u>	<u>\$499</u>	<u>\$2,103</u>

*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 - PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<b>Proprietary Fund Type</b>
	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$174,580
Miscellaneous	942
	175,522
<b>Operating Cash Disbursements:</b>	
Personal Services	49,028
Travel Transportation	9
Contractual Services	44,640
Supplies and Materials	17,278
Capital Outlay	76,967
	187,922
Operating (Loss)	(12,400)
<b>Non-Operating Cash Receipts:</b>	
Intergovernmental Receipts	49,470
Proceeds from Loans	20,918
	70,388
<b>Non-Operating Cash Disbursements:</b>	
Debt Service:	
Principal Payments	51,577
Interest Payments	15,510
	67,087
Net Receipts (Under) Disbursements	(9,099)
Fund Cash Balances, January 1	346,138
<b>Fund Cash Balances, December 31</b>	<b>\$337,039</b>
Reserve for Encumbrances, December 31	\$5,989

*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, 2001**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Property Tax and Other Local Taxes	\$6,750			\$6,750
Municipal Income Taxes	42,300			42,300
Special Assessments		4,213		4,213
Intergovernmental Receipts	18,012	17,039	15,000	50,051
Charges for Services	1,745			1,745
Earnings on Investments	12,847	1,608		14,455
Miscellaneous	9,350			9,350
	<u>91,004</u>	<u>22,860</u>	<u>15,000</u>	<u>128,864</u>
<b>Cash Disbursements:</b>				
Current:				
Public Health Services	1,324			1,324
Leisure Time Activities	9,629			9,629
Community Environment	30			30
Basic Utility Services	8,634	6,758		15,392
Transportation	9,160	11,159		20,319
General Government	78,695			78,695
Capital Outlay	25,000		15,000	40,000
	<u>132,472</u>	<u>17,917</u>	<u>15,000</u>	<u>165,389</u>
Total Receipts Over/(Under) Disbursements	<u>(41,468)</u>	<u>4,943</u>	<u></u>	<u>(36,525)</u>
<b>Other Financing Receipts and (Disbursements):</b>				
Other Sources	2,907			2,907
Other Uses			(197)	(197)
	<u>2,907</u>		<u>(197)</u>	<u>2,710</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(38,561)	4,943	(197)	(33,815)
Fund Cash Balances, January 1	111,218	94,504	197	205,919
<b>Fund Cash Balances, December 31</b>	<u><u>\$72,657</u></u>	<u><u>\$99,447</u></u>	<u><u>\$0</u></u>	<u><u>\$172,104</u></u>
Reserves for Encumbrances, December 31	<u><u>\$818</u></u>	<u><u>\$326</u></u>	<u><u>\$0</u></u>	<u><u>\$1,144</u></u>

*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 - PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<b>Proprietary Fund Type</b>
	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$177,552
Miscellaneous	5,076
	182,628
Total Operating Cash Receipts	182,628
<b>Operating Cash Disbursements:</b>	
Personal Services	45,986
Contractual Services	79,674
Supplies and Materials	10,662
Capital Outlay	611,814
	748,136
Total Operating Cash Disbursements	748,136
Operating(Loss)	(565,508)
<b>Non-Operating Cash Receipts:</b>	
Intergovernmental Receipts	32,447
Proceeds from Loans	554,767
Interest	238
	587,452
Total Non-Operating Cash Receipts	587,452
<b>Non-Operating Cash Disbursements:</b>	
Debt Service:	
Principal Payments	25,822
Interest Payments	16,276
	42,098
Total Non-Operating Cash Disbursements	42,098
Net Receipts (Under) Disbursements	(20,154)
Fund Cash Balances, January 1	366,292
<b>Fund Cash Balances, December 31</b>	<b>\$346,138</b>
Reserve for Encumbrances, December 31	\$545

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

**VILLAGE OF MCGUFFEY  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Village of McGuffey, Hardin County, (the "Village"), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general governmental services, including water and sewer utilities. The Village contracts with the Hardin County Sheriff's department to provide security of persons and property.

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

**B. Basis of Accounting**

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

**C. Cash and Investments**

Certificates of deposit are valued at cost. Investments are reported as part of fund cash balances. Purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

**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. General Fund**

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Fund**

These funds are used to 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:

**VILLAGE OF MCGUFFEY  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

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

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

**Lighting Assessment Fund** - This fund receives special assessments for street lighting in the Village.

**3. Capital Project Funds**

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project fund:

**CDBG Park Improvement Fund** - This fund received a community development block grant for improvements to the Village's park.

**4. Enterprise Funds**

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

**Sewer Fund** - This fund receives charges for services from residents to cover the cost of providing this utility.

**Sewer Construction Fund** – This fund received loan proceeds from the Ohio Water Development Authority (OWDA) for the sewer plant expansion project.

**Sewer Construction Issue II Fund** - This fund received Issue II money from the Ohio Public Works Commission for the sewer plant expansion project.

**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 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.

**VILLAGE OF MCGUFFEY  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**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 carried over, and need not be reappropriated. The Village did not encumber all commitments required by Ohio law.

A summary of 2002 and 2001 budgetary activity appears in Note 4.

**F. Property, Plant and Equipment**

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

**G. Accumulated Leave**

Employees are entitled to cash payments for unused vacation leave in certain circumstances, such as upon leaving employment. Unpaid vacation leave is not reflected as a liability under the cash basis of accounting used by the Village. The Village does not provide sick leave as required by Ohio Rev. Code Section 124.38(A).

**2. RESTATEMENT OF BEGINNING FUND BALANCES**

The Village previously classified debt service activity related to the Enterprise Funds as Governmental Debt Service Funds. The activity has been reclassified as Enterprise Debt Service Funds. This change in fund type classification had the following impact on the Excess of Cash Receipts and Other Financing Receipts over Cash Disbursements and Net Receipts Over/(Under) Disbursements at December 31, 2000:

<b>Fund Type</b>	<b>Governmental Debt Service</b>	<b>Enterprise</b>
Excess of Cash Receipts and Other Financing Receipts over Cash Disbursements	(\$4,649)	
Net Receipts Over/(Under) Disbursements		\$4,649

This change in fund type classification had the following impact on fund balances at December 31, 2000:

<b>Fund Type</b>	<b>Governmental Debt Service</b>	<b>Enterprise</b>
Fund balance as reported at December 31, 2000	\$42,202	\$324,090
Fund balance restated at December 31, 2000	\$0	\$366,292

**VILLAGE OF MCGUFFEY  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**3. EQUITY IN POOLED CASH AND INVESTMENTS**

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

	2002	2001
Demand deposits	\$439,294	\$443,242
Certificates of deposit	75,000	75,000
Total deposits	\$514,294	\$518,242

**Deposits:** Deposits are either 1) insured by the Federal Depository Insurance Corporation, or 2) collateralized by the financial institution's public entity deposit pool.

**4. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2002 and 2001 follows:

2002 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$78,552	\$95,141	\$16,589
Special Revenue	41,735	29,860	(11,875)
Enterprise	717,696	245,910	(471,786)
Total	\$837,983	\$370,911	(\$467,072)

2002 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$113,719	\$91,118	\$22,601
Special Revenue	70,526	30,835	39,691
Enterprise	826,723	260,998	565,725
Total	\$1,010,968	\$382,951	\$628,017

**VILLAGE OF MCGUFFEY  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**4. BUDGETARY ACTIVITY (Continued)**

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$86,030	\$93,911	\$7,881
Special Revenue	48,900	22,860	(26,040)
Capital Projects	14,506	15,000	494
Enterprise	892,749	770,080	(122,669)
Total	\$1,042,185	\$901,851	(\$140,334)

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$163,289	\$133,290	\$29,999
Special Revenue	83,969	18,243	65,726
Capital Projects	14,506	15,197	(691)
Enterprise	973,268	790,779	182,489
Total	\$1,235,032	\$957,509	\$277,523

Ohio Revised Code Section 5705.39 requires that the total appropriation from each fund should not exceed the total estimated resources. During 2002 and 2001, total appropriations exceeded estimated resources in the Enterprise Water Fund. During 2002, total appropriations exceeded estimated resources in Enterprise Garbage Fund.

**5. PROPERTY TAX**

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

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.

**VILLAGE OF MCGUFFEY  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**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.

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

**7. DEBT**

Debt outstanding at December 31, 2002 was as follows:

	Principal	Interest Rate
Farmers Home Administration (Sewer Improvement Bonds)	\$77,300	5.88%
Ohio Public Works Commission	475,000	0.00%
Ohio Water Development Authority Loan (WPCLF)	467,830	2.20%
Total	\$1,020,130	

The Farmer's Home Administration bonds relate to constructing sanitary sewer improvements. The bonds were issued for \$121,000 and will be paid in annual installments for 20 years ending in 2012.

The Ohio Public Works Commission loan was for the sewer expansion project mandated by the Ohio Environmental Protection Agency. The loan was in the amount of \$500,000 and is to be paid in semi-annual payments with a maturity in 2022.

The Ohio Water Development Authority was for the sewer plant expansion project mandated by the Ohio Environmental Protection Agency. The loan was in the amount of \$509,336 and is to be paid in semi-annual payments with a maturity in 2021.

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

	Sewer Improvement Bonds	OPWC Loan	OWDA Loan
Year ending December 31:			
2003	\$10,441	\$12,500	\$15,808
2004	10,495	25,000	31,617
2005	10,425	25,000	31,617
2006	10,437	25,000	31,617
2007	10,426	25,000	31,617
2008-2012	52,178	125,000	158,083
Subsequent		237,500	268,740
Total	\$104,402	\$475,000	\$569,099



**VILLAGE OF MCGUFFEY  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**8. RETIREMENT SYSTEMS**

**A. Public Employees Retirement System**

The Village's employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries during the period from January 1, 2001 through December 31, 2002. The Village has paid all contributions required through December 31, 2002.

**B. Social Security System**

Council members have elected to contribute to Social Security. The Village's liability is 6.2 percent of wages paid.

**9. RISK MANAGEMENT**

**Risk Pool Membership**

The Village belongs to the Ohio Municipal Joint Self-Insurance Pool, (the "Pool"), an unincorporated non-profit association available to municipal corporations and their instrumentalities. Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Pool provides a program of property and casualty insurance for its members. The Plan pays judgments, settlements and other expenses resulting for covered claims that exceed the members' deductibles.

Casualty excess-of-loss contracts for December 31, 2002 and 2001 generally protect against individual losses exceeding \$150,000 for policies issued prior to April 1, 2000; \$100,000 for policies issued between April 1, 2000 and March 1, 2002; and \$125,000 for policies issued April 1, 2002 or later.

Property coverage contracts protect against losses, subject to a deductible of \$50,000, limited to an annual aggregate loss of the greater of \$300,000 or 1% of total coverage.

The Pool cedes reinsurance to re-insurers or excess re-insurers. The Pool is contingently liable should any re-insurer become unable to meet its obligations under the reinsurance agreements.

The Pool's financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained deficit at December 31, 2002 and 2001:

	2002	2001
Assets	\$1,852,060	\$3,354,251
Liabilities	(3,627,321)	(4,851,866)
Retained deficit	(\$1,775,261)	(\$1,497,615)

**VILLAGE OF MCGUFFEY  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**10. CONTINGENT LIABILITIES**

The Village is currently defendant in a lawsuit. Although the outcome of the suit is not presently determinable, management believes that the resolution of the matter will not materially adversely affect the Village's financial condition.



**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND  
ON INTERNAL CONTROL 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, 2002 and 2001, and have issued our report thereon dated September 16, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as items 2002-001 through 2002-003. We also noted a certain immaterial instance of noncompliance that we have reported to management of the Village in a separate letter dated September 16, 2003.

**Internal Control Over Financial Reporting**

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

Village of McGuffey  
Hardin County  
Independent Accountants' Report on Compliance and on  
Internal Control Required by *Government Auditing Standards*  
Page 2

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

September 16, 2003

**VILLAGE OF MCGUFFEY  
HARDIN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2002 AND 2001**

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

**FINDING NUMBER 2002- 001**

**Noncompliance Citation**

**Ohio Rev. Code Section 124.38 (A)** states that municipal employees shall be entitled, for each completed eighty hours of service, to sick leave of four and six-tenths hours. Ohio Attorney General Opinion 83-085 states that a municipality may enact an ordinance establishing a sick leave policy for its employees and thereby grant such employees less sick leave than provided in Ohio Rev. Code 124.38. This opinion also indicates that the sick leave benefits of Ohio Rev. Code 124.38 extend to part-time municipal employees in the absence of a municipal provision to the contrary.

During 2002, 2001, and prior years, the Village did not provide sick leave benefits to its employees. In addition, the Village does not have evidence of an ordinance or resolution either reducing or revoking sick leave benefits to employees.

A review should be performed of all ordinances and resolutions that have been enacted by the Village to help determine whether the Village has passed provisions contrary to Ohio Rev. Code 124.38. If the Village determines or accepts that there is no ordinance or resolution which either eliminates sick leave benefits or provides less sick leave benefit than is required by the Ohio Rev. Code 124.38, then the Village should determine the amount of sick leave which each employee should have accumulated according to the guidelines provided above. For part-time employees who do not have established working hours, the Village should determine a reasonable method to estimate the sick leave balances.

**FINDING NUMBER 2003- 002**

**Noncompliance Citation**

**Ohio Rev. Code Section 5705.39** requires that the total appropriation from each fund should not exceed the total estimated resources.

During 2002 and 2001, the following funds had appropriations greater than estimated resources in the following amounts:

<u>Year</u>	<u>Fund</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Variance</u>
2002	Enterprise Water Fund	\$72,842	\$84,600	(\$11,758)
2002	Enterprise Garbage Fund	\$15,562	\$24,000	(\$ 8,438)
2001	Enterprise Water Fund	\$108,889	\$115,534	(\$ 6,645)

The Village should implement procedures to help ensure that adopted appropriations do not exceed estimated resources. In addition monitoring procedures should be implemented to help detect deficiencies in actual revenues so amendments may be made to appropriations.

**FINDING NUMBER 2003- 003**

**Noncompliance Citation**

**Ohio Rev. Code Section 5705.41 (D)** states that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

The following exceptions to this basic requirement are provided by statute:

Then and Now Certificate: This exception provides that, if the fiscal officer can certify that both at the time that the contract or order was made and at the time that he is completing his certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from an any previous encumbrance, the taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is not legal liability on the part of the subdivision or taxing district.

Amounts less than \$1,000 for Villages may be paid by the fiscal officer without such certificate of the taxing authority upon completion of the “then and now” certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

Eighty-nine percent of the transactions tested were not certified by the Clerk/Treasurer prior to making orders for the expenditure of Village funds. In addition, neither of the two exceptions above were utilized for these transactions. Procedures should be implemented not only to help ensure compliance with this requirement, but to help prevent the unauthorized obligation of Village funds.

**VILLAGE OF MCGUFFEY  
HARDIN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2002 AND 2001**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2000-30233-001	Ohio Rev. Code Section 5705.41(D) - Prior Certification of Expenditures	No	Not Corrected. Repeated in this report as finding 2002-003
2000-30233-002	Ohio Rev. Code Section 5705.41(B) - Expenditures in excess of appropriations	Yes	
2000-30233-003	Ohio Rev. Code Section 135.21 and 5705.10 - Allocation of Interest	Yes	







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**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  
NOVEMBER 6, 2003**