



**VILLAGE OF CONESVILLE
COSHOCTON COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2006-2005



Mary Taylor, CPA
Auditor of State

VILLAGE OF CONESVILLE
COSHOCOTON COUNTY

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Mary Taylor, CPA
Auditor of State

Village of Conesville
Coschocton County
202 State Street
Conesville, Ohio 43811

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.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

September 28, 2007

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Conesville
Coschocton County
202 State Street
Conesville, Ohio 43811

To the Village Council:

We have audited the accompanying financial statements of the Village of Conesville, Coschocton County, Ohio, (the Village) as of and for the years ended December 31, 2006 and 2005. 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 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 GAAP presentation requirements. The Auditor of State permits, but does not require Villages 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, 2006 and 2005 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, 2006 and 2005, or its changes in financial position 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 of the Village of Conesville, Coschocton County, as of December 31, 2006 and 2005, 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 28, 2007, 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, CPA
Auditor of State

September 28, 2007

**VILLAGE OF CONESVILLE
COSHOCKTON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$12,921		\$12,921
Intergovernmental Receipts	10,851	\$15,813	26,664
Earnings on Investments	81	80	161
Miscellaneous	550	850	1,400
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	24,403	16,743	41,146
	<hr/>	<hr/>	<hr/>
Cash Disbursements:			
Current:			
Security of Persons and Property		5,273	5,273
Public Health Services	410		410
Basic Utility Services	17,064		17,064
Transportation		5,513	5,513
General Government	8,188		8,188
Debt Service:			
Principal Payments		4,171	4,171
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	25,662	14,957	40,619
	<hr/>	<hr/>	<hr/>
Total Cash Receipts Over/(Under) Cash Disbursements	(1,259)	1,786	527
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	20,436	16,534	36,970
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	<u>\$19,177</u>	<u>\$18,320</u>	<u>\$37,497</u>

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

**VILLAGE OF CONESVILLE
COSHOCOTON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$13,589		\$13,589
Intergovernmental Receipts	10,408	\$15,984	26,392
Earnings on Investments	94	93	187
Miscellaneous	500		500
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	24,591	16,077	40,668
Cash Disbursements:			
Current:			
Security of Persons and Property		3,977	3,977
Public Health Services	388		388
Basic Utility Services	17,063		17,063
Transportation		14,364	14,364
General Government	6,857	1,888	8,745
Debt Service:			
Principal Payments		4,171	4,171
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	24,308	24,400	48,708
Total Cash Receipts Over/(Under) Cash Disbursements	283	(8,323)	(8,040)
Fund Cash Balances, January 1	20,153	24,857	45,010
Fund Cash Balances, December 31	<u>\$20,436</u>	<u>\$16,534</u>	<u>\$36,970</u>

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

**VILLAGE OF CONESVILLE
COSHOCOTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005**

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 Conesville, Coshocoton County, (the Village) as a body corporate and politic. A publicly-elected (appointed) six-member Council governs the Village. The Village provides general governmental services, including road maintenance and repairs and basic utility services (trash collection).

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. Cash

The Village maintains all cash in a checking account and has no investments.

D. Fund Accounting

The Village uses fund accounting to segregate cash that is 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.

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 Fund:

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

**VILLAGE OF CONESVILLE
COSHOCTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

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. 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.

3. Encumbrances

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

A summary of 2006 and 2005 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 and investments. The carrying amount of cash at December 31 was as follows:

	<u>2006</u>	<u>2005</u>
Demand deposits	\$37,497	\$36,970

Deposits: Deposits are insured by the Federal Depository Insurance Corporation.

**VILLAGE OF CONESVILLE
COSHOCTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

3. Budgetary Activity

Budgetary activity for the years ended December 31, 2006 and 2005 follows:

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$24,018	\$24,403	\$385
Special Revenue	15,200	16,743	1,543
Total	\$39,218	\$41,146	\$1,928

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$43,850	\$25,662	\$18,188
Special Revenue	29,950	14,957	14,993
Total	\$73,800	\$40,619	\$33,181

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$23,277	\$24,591	\$1,314
Special Revenue	14,000	16,077	2,077
Total	\$37,277	\$40,668	\$3,391

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$36,600	\$24,308	\$12,292
Special Revenue	36,700	24,400	12,300
Total	\$73,300	\$48,708	\$24,592

Contrary to Ohio Rev. Code Section 5705.41(D), the Village did not certify the availability of funds for certain expenditures during 2006 and 2005.

4. 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.

**VILLAGE OF CONESVILLE
COSHOCTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

4. Property Tax (Continued)

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.

5. Retirement System

The Village Mayor, Fiscal Officer, and one council member belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes the plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2006 and 2005, OPERS members contributed 9% and 8.5%, respectively, of their gross salaries and the Village contributed an amount equaling 13.7% and 13.55%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2006.

All other Council members contribute to Social Security. The Village's liability is 6.2% of wages paid.

6. Risk Management

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Errors and omissions

7. Debt

Debt outstanding at December 31, 2006 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Commission Loan	\$72,999	0.00%

The Ohio Public Works Commission loan was issued in 2004 to finance the construction of Storm Sewer Improvements. The note is collateralized by the Village's local government funds.

The note, having principal of \$72,999, will be paid in full in 18 years. The original loan, with no interest, totaled \$83,428.

**VILLAGE OF CONESVILLE
COSHOCTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

7. Debt (Continued)

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

<u>Year</u>	<u>OPWC Loan Principal</u>
2007	\$4,171
2008	4,171
2009	4,171
2010	4,171
2011	4,171
2012-2016	20,857
2017-2021	20,857
2022-2024	10,430
Total	<u><u>\$72,999</u></u>

8. Noncompliance

Contrary to Article XII, Section 5a of the Ohio Constitution and Ohio Rev. Code Section 5735.27, the Village spent certain Street Fund moneys for items not related to maintenance of roads.

9. Subsequent Event

On January 8, 2007, the Village entered into a 180 day promissory note in the amount of \$25,000 for the purchase of playground equipment. The note was repaid with a \$25,000 grant received during 2007.

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Mary Taylor, CPA

Auditor of State

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

Village of Conesville
Coschocton County
202 State Street
Conesville, Ohio 43811

To the Village Council:

We have audited the financial statements of the Village of Conesville, Coschocton County, Ohio, (the Village) as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated September 28, 2007, wherein we noted the Village followed accounting practices the Auditor of State prescribes or permits 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.

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

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.

We consider the following deficiencies described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting: 2006-001 and 2006-002.

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 internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We believe none of the significant deficiencies described above are material weaknesses.

We also noted certain internal control matters that we reported to the Village's management in a separate letter dated September 28, 2007.

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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2006-001 and 2006-002.

We noted a certain noncompliance or other matter not requiring inclusion in this report that we reported to the Village's management in a separate letter dated September 28, 2007.

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



Mary Taylor, CPA
Auditor of State

September 28, 2007

**VILLAGE OF CONESVILLE
COSHOCKTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2006-001

Noncompliance Citation/Significant Deficiency

Ohio Rev. Code Section 5705.41(D) provides in part, that no subdivision or taxing unit shall make any contract or order any expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the same has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such a certificate shall be null and void and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that a Fiscal Officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. **"Then and Now" Certificate** – If the Fiscal Officer can certify that both at the time that the contract or order was made ("then"), and at the time that the Fiscal Officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village Council has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the Fiscal Officer without a resolution or ordinance 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 Village.

2. **Blanket Certificate** – Fiscal Officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. **Super Blanket Certificate** – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Of the expenditures tested, in 2006 and 2005, 19% were not certified by the Fiscal Officer prior to incurring the commitment and none of the exceptions noted above were utilized. The failure to properly certify the availability of funds can result in overspending and negative cash fund balances.

FINDING NUMBER 2006-001 (Continued)

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend the Village Fiscal Officer certify the funds are or will be available prior to the obligation by the Village. When prior certification is not possible "then and now" certification should be used.

We recommend the Village certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification at the time the Village incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

This comment was reported in the 2004/2003 management letter.

FINDING NUMBER 2006-002

Noncompliance Citation/Significant Deficiency

Article XII, Section 5a of the Ohio Constitution provides that no monies derived from fees, excises, or license taxes relating to registration, operation, or use of vehicles on public highway, or to fuels used for propelling such vehicles, shall be expended for other than costs of administering such laws, statutory refunds and adjustments provided therein, payment of highway obligations, costs for construction, reconstruction, maintenance and repair of public highways and bridges and other statutory highway purposes, expense of state enforcement of traffic laws, and expenditures authorized for hospitalization of indigent persons injured in motor vehicle accidents on the public highways.

Further, **Ohio Revised Code Section 5735.27** provides in part that gasoline tax receipts may be expended by a village only for the purposes of planning, constructing, maintaining, widening, and reconstructing the public roads and highways within the village.

During 2006, the Village expended \$368 of gasoline tax and motor vehicle license tax revenue to pay for expenses that were not related to the purposes established for these revenues. These expenses included insurance premiums not attributable to maintenance of roads.

During 2005, the Village expended \$2,230 of gasoline tax and motor vehicle license tax revenue to pay for expenses that were not related to the purposes established for these revenues. These expenses included audit fees and insurance premiums not attributable to maintenance of roads.

The use of the Village's gasoline excise tax and motor vehicle license tax revenue to pay the costs associated with those described is not a permissible expenditure of funds paid from the Street Construction Maintenance and Repair Fund. This could result in material misstatement of individual fund balances. A key control over expenditures is to ensure expenditures are charged to proper funds and line items as required by law. To improve controls over expenditures and to help reduce the possibility of Village funds being materially misstated, we recommend the Village develop internal control procedures to ensure expenditures are paid from the proper funds. The Village Fiscal Officer should review the Village Officers' Handbook for guidance on allowable expenditures from various funds.

FINDING NUMBER 2006-002 (Continued)

The Village Fiscal Officer has posted adjustments to reimburse the Street Construction Maintenance and Repair Fund from the General Fund for 2005 and 2006, which are reflected in the financial statements.

Officials' Response: We did not receive a response from officials' to the findings reported above.



Mary Taylor, CPA
Auditor of State

VILLAGE OF CONESVILLE

COSHOCTON 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
DECEMBER 4, 2007**