



**Auditor of State
Betty Montgomery**

VILLAGE OF MCGUFFEY
HARDIN COUNTY

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**Auditor of State
Betty Montgomery**

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 a February 2, 2005 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 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 "Betty Montgomery".

Betty Montgomery
Auditor of State

September 15, 2005

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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, 2004 and 2003. 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.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since this Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2004 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, 2004, or its changes in financial position or cash flows of its proprietary funds for the years then ended.

One First National Plaza / 130 W. Second St. / Suite 2040 / Dayton, OH 45402
Telephone: (937) 285-6677 (800) 443-9274 Fax: (937) 285-6688
www.auditor.state.oh.us

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village as of December 31, 2004 and 2003, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the year ended December 31, 2004. 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 15, 2005, 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.



Betty Montgomery
Auditor of State

September 15, 2005

**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, 2004**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$7,052	\$2,225	\$9,277
Municipal Income Tax	51,250		51,250
Special Assessments		5,095	5,095
Intergovernmental Receipts	16,507	16,539	33,046
Charges for Services	1,692		1,692
Earnings on Investments	1,448	41	1,489
Miscellaneous	7,360	807	8,167
	<u>85,309</u>	<u>24,707</u>	<u>110,016</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
Security of Persons and Property	1	7,690	7,691
Public Health Services	1,448		1,448
Leisure Time Activities	924		924
Community Environment	300		300
Basic Utility Services	1,442	6,227	7,669
Transportation	8,344	6,962	15,306
General Government	73,137	1,690	74,827
Capital Outlay	455		455
	<u>86,051</u>	<u>22,569</u>	<u>108,620</u>
Total Cash Disbursements	86,051	22,569	108,620
Total Receipts Over/(Under) Disbursements	(742)	2,138	1,396
Other Financing Receipts:			
Sale of Fixed Assets	200		200
	<u>200</u>		<u>200</u>
Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	(542)	2,138	1,596
Fund Cash Balances, January 1	71,653	104,028	175,681
	<u>71,653</u>	<u>104,028</u>	<u>175,681</u>
Fund Cash Balances, December 31	\$71,111	\$106,166	\$177,277
	<u>\$71,111</u>	<u>\$106,166</u>	<u>\$177,277</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, 2004

	<u>Enterprise</u>
Operating Cash Receipts:	
Charges for Services	\$194,053
Fines, Licenses, and Permits	1,500
Miscellaneous	<u>3,301</u>
Total Operating Cash Receipts	<u>198,854</u>
Operating Cash Disbursements:	
Personal Services	46,225
Fringe Benefits	1,842
Contractual Services	66,634
Supplies and Materials	19,070
Capital Outlay	<u>124,910</u>
Total Operating Cash Disbursements	<u>258,681</u>
Operating (Loss)	<u>(59,827)</u>
Non-Operating Cash Receipts:	
Intergovernmental Receipts	<u>123,490</u>
Non-Operating Cash Disbursements:	
Debt Service:	
Principal Payments	53,216
Interest Payments	<u>13,895</u>
Total Non-Operating Cash Disbursements	<u>67,111</u>
Net Receipts (Under) Disbursements	(3,448)
Fund Cash Balances, January 1	<u>323,682</u>
Fund Cash Balances, December 31	<u><u>\$320,234</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 - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$6,652	\$2,260	\$8,912
Municipal Income Tax	51,100		51,100
Special Assessments		4,622	4,622
Intergovernmental Receipts	16,695	15,359	32,054
Charges for Services	1,785		1,785
Earnings on Investments	1,715	54	1,769
Miscellaneous	7,376		7,376
	<u>85,323</u>	<u>22,295</u>	<u>107,618</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	2	6,497	6,499
Public Health Services	1,410		1,410
Leisure Time Activities	368		368
Community Environment	300		300
Basic Utility Services	8,698	6,145	14,843
Transportation	8,868	4,596	13,464
General Government	72,308		72,308
	<u>91,954</u>	<u>17,238</u>	<u>109,192</u>
Total Receipts Over/(Under) Disbursements	(6,631)	5,057	(1,574)
Fund Cash Balances, January 1	<u>78,284</u>	<u>98,971</u>	<u>177,255</u>
Fund Cash Balances, December 31	<u><u>\$71,653</u></u>	<u><u>\$104,028</u></u>	<u><u>\$175,681</u></u>
Reserves for Encumbrances, December 31	<u><u>\$2,289</u></u>	<u><u>\$703</u></u>	<u><u>\$2,992</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, 2003**

	<u>Enterprise</u>
Operating Cash Receipts:	
Charges for Services	\$174,064
Miscellaneous	2,915
	<hr/>
Total Operating Cash Receipts	176,979
	<hr/>
Operating Cash Disbursements:	
Personal Services	41,623
Fringe Benefits	2,199
Contractual Services	58,418
Supplies and Materials	21,038
Capital Outlay	56,000
	<hr/>
Total Operating Cash Disbursements	179,278
	<hr/>
Operating (Loss)	(2,299)
	<hr/>
Non-Operating Cash Receipts:	
Intergovernmental Receipts	56,000
	<hr/>
Non-Operating Cash Disbursements:	
Debt Service:	
Principal Payments	52,342
Interest Payments	14,716
	<hr/>
Total Non-Operating Cash Disbursements	67,058
	<hr/>
Net Receipts Over/(Under) Disbursements	(13,357)
	<hr/>
Fund Cash Balances, January 1	337,039
	<hr/>
Fund Cash Balances, December 31	<u><u>\$323,682</u></u>
	<hr/>
Reserve for Encumbrances, December 31	<u><u>\$3,157</u></u>

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, 2004 AND 2003**

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.

A jointly governed organization is described in Note 9.

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. 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.

**VILLAGE OF MCGUFFEY
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Unencumbered appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2004 and 2003 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.

**VILLAGE OF MCGUFFEY
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2004	2003
Demand deposits	\$422,511	\$424,363
Certificates of deposit	75,000	75,000
Total deposits	\$497,511	\$499,363

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, 2004 and 2003:

2004 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$90,929	\$85,509	(\$5,420)
Special Revenue	33,725	24,707	(9,018)
Enterprise	478,308	322,344	(155,964)
Total	\$602,962	\$432,560	(\$170,402)

2004 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$97,665	\$86,051	\$11,614
Special Revenue	53,503	22,569	30,934
Enterprise	541,268	325,792	215,476
Total	\$692,436	\$434,412	\$258,024

2003 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$96,791	\$85,323	(\$11,468)
Special Revenue	33,200	22,295	(10,905)
Enterprise	528,708	232,979	(295,729)
Total	\$658,699	\$340,597	(\$318,102)

**VILLAGE OF MCGUFFEY
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$112,436	\$94,243	\$18,193
Special Revenue	50,399	17,941	32,458
Enterprise	602,655	249,493	353,162
Total	\$765,490	\$361,677	\$403,813

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, 2004 was as follows:

	Principal	Interest Rate
Farmers Home Administration (Sewer Improvement Bonds)	\$65,100	5.875%
Ohio Public Works Commission	425,000	0.00%
Ohio Water Development Authority Loan (WPCLF)	424,478	2.20%
Total	\$914,578	

**VILLAGE OF MCGUFFEY
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

6. DEBT (Continued)

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 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 paid in semi-annual payments with a maturity in 2021.

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, follows:

Year ending December 31:	Sewer Improvement Bonds	OPWC Loan	OWDA Loan
2005	\$6,600	\$25,000	\$31,617
2006	10,437	25,000	31,617
2007	11,225	25,000	31,617
2008	11,237	25,000	31,617
2009	11,326	25,000	31,617
2010-2014	31,355	125,000	158,083
2015-2019		125,000	158,083
2020-2022		50,000	31,617
Total	\$82,180	\$425,000	\$505,868

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.

OPERS members contributed 8.5 percent of their wages. The Village contributed an amount equal to 13.55 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2004.

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

**VILLAGE OF MCGUFFEY
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

8. 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. The Plan is a separate legal entity per Section 2744.081 of the Ohio Revised Code. The Pool provides property and casualty insurance for its members. The Plan pays judgments, settlements and other expenses resulting for covered claims that exceed the members' deductibles.

The Pool cedes certain premiums to re-insurers or excess re-insurers. The Pool is contingently liable should any re-insurer be unable to meet its reinsurance obligations.

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, 2003 and 2002 (the latest information available):

	<u>2003</u>	<u>2002</u> <u>(Restated)</u>
Assets	\$1,811,340	\$1,852,060
Liabilities	<u>(3,653,152)</u>	<u>(3,858,213)</u>
Retained deficit	<u>(\$1,841,812)</u>	<u>(\$2,006,153)</u>

9. JOINTLY GOVERNED ORGANIZATIONS

The Hardin County Regional Planning Commission (the "Commission") is a joint venture between the County, the Municipalities, and the Townships within the 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.



**Auditor of State
Betty Montgomery**

**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, 2004 and 2003, and have issued our report thereon dated September 15, 2005, 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 to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Village's management dated September 15, 2005, we reported a matter involving internal control over financial reporting we did not deem a reportable condition.

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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2004-001. In a separate letter to the Village's management dated September 15, 2005, we reported other matters related to noncompliance we deemed immaterial.

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

We intend this report solely for the information and use of the audit committee, management, and Village Council. It is not intended for 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 15, 2005

**VILLAGE OF MCGUFFEY
HARDIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2004-001

Noncompliance

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 sixteenths hours with pay. 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 ORC Section 124.38. This opinion also indicates that the sick leave benefits of ORC Section 124.38 extend to part-time municipal employees in the absence of a municipal provision to the contrary.

During 2003, and prior years, the Village did not provide sick leave benefits to its employees. Effective January 1, 2004, the Village enacted an ordinance indicating, that from this point forward, the Village will not provide sick leave benefits to its employees. However, the Village has not calculated the amount of leave benefits that should be accrued for its employees prior to January 1, 2004.

The Village should determine that amount of sick leave that is owed each employee prior to the January 1, 2004 resolution. This leave should then be added to the leave balance records of each employee.

**VILLAGE OF MCGUFFEY
HARDIN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2004 AND 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2002-001	ORC Sec. 124.38 (A) - The Village did not provide sick leave benefits to employees.	Partially	Repeated as finding 2004-001
2003-002	ORC Sec. 5705.39 - Appropriations from each fund exceeded the total estimated resources.	Yes	
2003-003	ORC Sec. 5705.41 (D) – Failure to certify available funds prior to expenditure.	Partially	Repeated as comment in Management Letter



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

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 10, 2005**