

VILLAGE OF MILLERSBURG
AUDIT REPORT
JANUARY 1, 2009 - DECEMBER 31, 2010

Wolfe, Wilson, & Phillips, Inc.
37 South Seventh Street
Zanesville, Ohio 43701



Dave Yost • Auditor of State

Mayor and Member of Council
Village of Millersburg
6 North Washington Street
Millersburg, Ohio 44654

We have reviewed the *Independent Auditors' Report* of the Village of Millersburg, Holmes County, prepared by Wolfe, Wilson & Phillips, Inc., for the audit period January 1, 2009 through December 31, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditors' Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditors' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Millersburg is responsible for compliance with these laws and regulations.

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

Dave Yost
Auditor of State

April 27, 2011

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**VILLAGE OF MILLERSBURG
HOLMES COUNTY
JANUARY 1, 2009 - DECEMBER 31, 2010**

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WOLFE, WILSON, & PHILLIPS, INC.
37 SOUTH SEVENTH STREET
ZANESVILLE, OHIO 43701

INDEPENDENT AUDITORS' REPORT

Mayor and Village Council
Village of Millersburg
6 N. Washington Street
Millersburg, Ohio 44654

We have audited the accompanying financial statements of the Village of Millersburg, Holmes County, as of and for the years ended December 31, 2010 and 2009. These financial statements are the responsibility of the Village of Millersburg'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 described more fully in Note 1, the Village of Millersburg 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. Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, we presume they are material.

Instead of the combined funds the accompanying financial statements present for 2010 and 2009, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2010 and 2009. 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 paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village of Millersburg's combined funds as of December 31, 2010 and 2009, and their changes in financial position or cash flows, where applicable 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 and reserve for encumbrances of the Village of Millersburg, Holmes County, as of December 31, 2010 and 2009, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

The aforementioned revision to generally accepted accounting principles also require the Village to include Management's Discussion and Analysis for the year ended December 31, 2010 and 2009. 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 a report dated March 16, 2011, on our consideration of the Village of Millersburg's internal control structure over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. 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.

Wolfe, Wilson, & Phillips, Inc.
Zanesville, Ohio
March 16, 2011

**VILLAGE OF MILLERBURG
HOLMES COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash Receipts:					
Property Taxes	\$ 152,564	\$ 67,922	\$ 3,106	\$ 57,642	\$ 281,234
Income Taxes	1,002,901	-	-	-	1,002,901
Intergovernmental	110,600	176,688	148	383,270	670,706
Charges for Services	24,859	9,250	-	-	34,109
Fines, Licenses, and Permits	62,582	1,856	-	-	64,438
Earnings on Investments	12,602	1,085	-	-	13,687
Miscellaneous	8,930	5,605	-	-	14,535
Total Cash Receipts	<u>1,375,038</u>	<u>262,406</u>	<u>3,254</u>	<u>440,912</u>	<u>2,081,610</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	659,653	60,501	-	-	720,154
Public Health Services	15,568	38,805	-	-	54,373
Leisure Time Activities	93,758	-	-	-	93,758
Community Environment	21,339	22,487	-	-	43,826
Transportation	19,160	357,964	-	-	377,124
General Government	331,911	-	-	-	331,911
Debt Service:					
Principal Payments	-	-	3,319	-	3,319
Interest Payments	-	-	-	-	-
Capital Outlay	-	14,938	-	643,570	658,508
Total Cash Disbursements	<u>1,141,389</u>	<u>494,695</u>	<u>3,319</u>	<u>643,570</u>	<u>2,282,973</u>
Total Cash Receipts Over/(Under) Cash Disbursements	233,649	(232,289)	(65)	(202,658)	(201,363)
Other Financing Receipts and (Disbursements):					
Note Proceeds	-	-	-	200,500	200,500
Transfer In	-	220,000	-	-	220,000
Transfer Out	(220,000)	-	-	-	(220,000)
Total Other Financing Receipts/(Disbursements)	<u>(220,000)</u>	<u>220,000</u>	<u>-</u>	<u>200,500</u>	<u>200,500</u>
Excess/(Deficiency) of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	13,649	(12,289)	(65)	(2,158)	(863)
Fund Cash Balances, January 1,	<u>181,641</u>	<u>262,546</u>	<u>1,780</u>	<u>25,931</u>	<u>471,898</u>
Fund Cash Balances, December 31	<u>\$ 195,290</u>	<u>\$ 250,257</u>	<u>\$ 1,715</u>	<u>\$ 23,773</u>	<u>\$ 471,035</u>
Reserves for Encumbrances, December 31	<u>\$ 20,068</u>	<u>\$ 5,988</u>	<u>\$ -</u>	<u>\$ 45,196</u>	<u>\$ 71,252</u>

See notes to financial statements.

**VILLAGE OF MILLERBURG
HOLMES COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash Receipts:					
Property Taxes	\$ 151,965	\$ 68,230	\$ 3,014	\$ -	\$ 223,209
Income Taxes	1,003,338	-	-	-	1,003,338
Intergovernmental	98,121	200,056	305	239,570	538,052
Charges for Services	21,140	15,250	-	-	36,390
Fines, Licenses, and Permits	23,365	763	-	-	24,128
Earnings on Investments	19,658	1,355	-	313	21,326
Miscellaneous	9,009	1,894	-	-	10,903
Total Cash Receipts	<u>1,326,596</u>	<u>287,548</u>	<u>3,319</u>	<u>239,883</u>	<u>1,857,346</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	674,878	58,166	-	-	733,044
Public Health Services	15,569	39,240	-	-	54,809
Leisure Time Activities	91,862	-	-	-	91,862
Community Environment	23,242	19,114	-	-	42,356
Transportation	31,486	354,988	-	-	386,474
General Government	385,647	13,254	-	-	398,901
Debt Service:					
Principal Payments	-	-	3,319	-	3,319
Interest Payments	-	-	-	-	-
Capital Outlay	-	9,055	-	240,570	249,625
Total Cash Disbursements	<u>1,222,684</u>	<u>493,817</u>	<u>3,319</u>	<u>240,570</u>	<u>1,960,390</u>
Total Cash Receipts Over/(Under) Cash Disbursements	103,912	(206,269)	-	(687)	(103,044)
Other Financing Receipts and (Disbursements):					
Sale of Assets	-	-	-	-	-
Transfer In	-	220,000	-	-	220,000
Transfer Out	(220,000)	-	-	-	(220,000)
Total Other Financing Receipts/(Disbursements)	<u>(220,000)</u>	<u>220,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess/(Deficiency) of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(116,088)	13,731	-	(687)	(103,044)
Fund Cash Balances, January 1,	<u>297,729</u>	<u>248,815</u>	<u>1,780</u>	<u>26,618</u>	<u>574,942</u>
Fund Cash Balances, December 31	<u>\$ 181,641</u>	<u>\$ 262,546</u>	<u>\$ 1,780</u>	<u>\$ 25,931</u>	<u>\$ 471,898</u>
Reserves for Encumbrances, December 31	<u>\$ 12,669</u>	<u>\$ 2,919</u>	<u>\$ -</u>	<u>\$ 515,317</u>	<u>\$ 530,905</u>

See notes to financial statements.

**VILLAGE OF MILLERSBURG
HOLMES COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

	Enterprise Fund	
	2010	2009
Operating Cash Receipts:		
Charges for Services	\$ 1,050,565	\$ 1,013,349
Operating Cash Disbursements:		
Personal Services	308,973	265,569
Employee Fringe Benefits	122,341	110,474
Contractual Services	246,201	238,879
Supplies and Materials	96,862	122,213
Other	-	-
Total Operating Cash Disbursements	774,377	737,135
Operating Income	276,188	276,214
Non-Operating Cash Receipts:		
Intergovernmental	51,255	1,408
Other Financing Sources	2,446	1,445
Total Non-Operating Cash Receipts	53,701	2,853
Non-Operating Cash Disbursements:		
Debt Service:		
Principal Payments	322,508	311,858
Interest Payments	9,351	9,975
Capital Outlay	101,352	119,445
Total Non-Operating Cash Disbursements	433,211	441,278
Net Receipts Over Disbursements	(103,322)	(162,211)
Fund Cash Balances, January 1	992,956	1,155,167
Fund Cash Balances, December 31	\$ 889,634	\$ 992,956
Reserve for Encumbrances, December 31	\$ 34,614	\$ 44,339

See notes to financial statements.

**VILLAGE OF MILLERSBURG
HOLMES COUNTY**

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Millersburg, Holmes 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 government services including water and sewer utilities, road and bridge maintenance, park operations, cemetery operations and police services.

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 the Auditor of State prescribes or permits.

C. Cash and Investments

All funds are maintained in an interest-bearing checking account along with a corresponding sweep account which is recorded 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:

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.

Special Revenue Funds

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:

Street Construction, Maintenance and Repair Fund – This fund is used to account for gasoline tax and motor vehicle tax monies for constructing, maintaining and repairing Village streets.

Police Disability Pension Tax Fund – This fund collects property tax receipts which are used to pay the village portion of retirement for police and firemen.

**VILLAGE OF MILLERSBURG
HOLMES COUNTY**

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

Special Revenue Funds (Continued)

Cemetery Fund – This fund receives revenue from charges for services which are expended for the maintenance of the cemetery.

Debt Service Funds

These funds are used to accumulate resources for the payment of debt. The Village had the following Debt Service Funds:

Clay-Monroe Fund – This fund receives proceeds used to repay the Ohio Public Works Commission for a loan for a street improvement project.

Capital Projects Funds

This fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise funds). The Village had the following Capital Projects Fund.

Well #5 Improvement Fund – This fund is used to account for intergovernmental receipts to be used for a well improvement project.

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:

Water Fund – This fund is used to account for charges for services from residents to cover the cost of providing water services.

Sewer Fund – This fund is used to account for charges for services from residents to cover the cost of providing sewer services.

WWTP Debt Service Fund – This fund is used to account for monies used to repay a loan with the Ohio Water Development Authority for a wastewater treatment plant project.

**VILLAGE OF MILLERSBURG
HOLMES COUNTY**

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function and 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. Unencumbered appropriations lapse at year end.

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.

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 2010 and 2009 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

2. 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 at December 31 was as follows:

	<u>2010</u>	<u>2009</u>
Demand deposits	\$ 1,360,669	\$ 1,464,854
Total Deposits	<u>\$ 1,360,669</u>	<u>\$ 1,464,854</u>

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

**VILLAGE OF MILLERSBURG
HOLMES COUNTY**

NOTES TO FINANCIAL STATEMENTS

3. BUDGETARY ACTIVITY

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

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,323,280	\$ 1,375,038	\$ 51,758
Special Revenue	476,050	482,406	6,356
Debt Service	3,319	3,254	(65)
Capital Projects	1,034,172	641,412	(392,760)
Enterprise	1,032,100	1,104,266	72,166
Total	<u>\$ 3,868,921</u>	<u>\$ 3,606,376</u>	<u>\$ (262,545)</u>

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 1,417,220	\$ 1,381,457	\$ 35,763
Special Revenue	514,639	500,683	13,956
Debt Service	3,319	3,319	-
Capital projects	820,588	688,766	131,822
Enterprise	1,291,907	1,242,202	49,705
Total	<u>\$ 4,047,673</u>	<u>\$ 3,816,427</u>	<u>\$ 231,246</u>

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,343,965	\$ 1,326,596	\$ (17,369)
Special Revenue	533,904	507,548	(26,356)
Debt Service	3,425	3,319	(106)
Capital Projects	988,200	239,883	(748,317)
Enterprise	1,089,800	1,016,202	(73,598)
Total	<u>\$ 3,959,294</u>	<u>\$ 3,093,548</u>	<u>\$ (865,746)</u>

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 1,552,891	\$ 1,235,353	\$ 317,538
Special Revenue	544,988	496,736	48,252
Debt Service	3,319	3,319	-
Capital projects	947,000	755,887	191,113
Enterprise	1,461,523	1,222,752	238,771
Total	<u>\$ 4,509,721</u>	<u>\$ 3,714,047</u>	<u>\$ 795,674</u>

Contrary to Ohio Revised Code Section 5705.36, appropriations exceeded actual receipts plus unencumbered cash balance for four funds in 2010 and three funds in 2009.

Contrary to Ohio Revised Code Section 5705.41(D), there were several expenditures that were not properly certified.

**VILLAGE OF MILLERSBURG
HOLMES COUNTY**

NOTES TO FINANCIAL STATEMENTS

4. 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.

5. LOCAL INCOME TAX

The Village levies a municipal income tax of 1 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, 2010 was as follows:

	<u>Principal</u>	<u>Interest rate</u>
Ohio Public Works Commission Loan CN631	\$ 13,275	0.0%
Ohio Public Works Commission Loan CN38M	190,475	0.0%
Ohio Water Development Authority Loan 3992	3,862,949	0.2%
Total	<u>\$ 4,066,699</u>	

The Village borrowed funds from the Ohio Public Works Commission for improvement of Clay and Monroe Streets. The loan is being repaid in an annual installment of \$3,319.

The Village borrowed funds from the Ohio Public Works Commission in 2010 for replacement of public water supply well. The loan is being repaid in an annual installment of \$20,050.

The Ohio water Development Authority (OWDA) loan relates to a water and sewer plant expansion project the Ohio Environmental Protection Agency mandated. The OWDA approved up to \$6,306,541 in loans to the Village for this project. As this project is still under construction there has been no set repayment amount at this time. It is assumed the Village will borrow the full loan amount of \$6,306,541. However, as of to date \$5,109,140 has been spent on this project. The OWDA will adjust scheduled payments to reflect any revisions in amounts the Village actually borrows. Water and sewer receipts collateralize the loan.

**VILLAGE OF MILLERSBURG
HOLMES COUNTY**

NOTES TO FINANCIAL STATEMENTS

6. DEBT (Continued)

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

Year	CN631 OPWC	CN38M OPWC
2011	\$ 3,319	\$ 20,050
2012	3,319	20,050
2013	3,319	20,050
2014	3,318	20,050
2015	-	20,050
2016-2020	-	90,475
Total	<u>\$ 13,275</u>	<u>\$ 190,725</u>

7. RETIREMENT SYSTEMS

The Village's full time law enforcement officers belong to the Ohio Police and Fire Pension Funds (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. These plans provide 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. For 2010 and 2009, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant wages. OPERS members contributed 10.0% of their wages in 2010 and 2009, respectively. The Village contributed an amount equal to 14.00% of participants gross salaries in 2010 and 2009, respectively. The Village has paid all required contributions through December 31, 2010.

8. RISK MANAGEMENT

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 Pool is deemed a separate legal entity. The Pool provides a program of property and casualty insurance for its members. The Pool pays judgments, settlements and other expenses resulting for covered claims that exceed the members' deductible.

The Pool cedes certain premiums to reinsurers or excess reinsurers. The Pool is contingently liable should any reinsurer become unable to meet its obligations under the reinsurance obligations.

Members may withdraw at the end of any coverage period upon 60 days' prior notice to the Pool. A withdrawing member not providing the required notification remains responsible for its unpaid claims, and also remains liable for additional assessments (if any) for years during which they were members.

The Pool's financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained (deficit) earnings at December 31, 2009 and 2008 (the latest information available):

	2009	2008
Assets	\$ 2,109,514	\$ 2,552,519
Liabilities	(1,920,839)	(2,814,306)
Retained (deficit) earnings	<u>\$ 188,675</u>	<u>\$ (261,787)</u>

**WOLFE, WILSON, & PHILLIPS, INC.
37 SOUTH SEVENTH STREET
ZANESVILLE, OHIO 43701**

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

Mayor and Village Council
Village of Millersburg
6 N. Washington Street
Millersburg, Ohio 44654

We have audited the financial statements of the Village of Millersburg, Holmes County, Ohio, as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated March 16, 2011, 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Village of Millersburg's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

We noted other matters involving internal control over financial reporting, which we have reported to management of the Village of Millersburg in a separate letter dated March 16, 2011.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Village of Millersburg's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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 no instances of noncompliance or other matters that we must report under *Government Auditing Standard*.

We noted certain immaterial instances of noncompliance that we have reported to the management of Village of Millersburg in a separate letter dated March 16, 2011.

This report is intended for the information of the Village's management, fiscal officer, and Auditor of State, and is not intended to be and should not be used by anyone other than these specified parties.

Wolfe, Wilson, & Phillips, Inc.
Zanesville, Ohio
March 16, 2011



Dave Yost • Auditor of State

VILLAGE OF MILLERSBURG

HOLMES 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
MAY 10, 2011**