



OHIO AUDITOR OF STATE
KEITH FABER



VILLAGE OF MCCONNELSVILLE
MORGAN COUNTY

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Village of McConnelsville
Morgan County
9 West Main Street
McConnelsville, Ohio 43756

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of McConnelsville, Morgan County, Ohio (the Village), as of and for the years ended December 31, 2019 and 2018.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 2 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements

Efficient • Effective • Transparent

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2019 and 2018, and the respective changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Village of McConnelsville, Morgan County, as of December 31, 2019 and 2018, for the years then ended in accordance with the financial reporting provisions Ohio Rev. Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit, described in Note 2.

Emphasis of Matter

As discussed in Note 14 to the 2019 financial statements, during 2020, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Village. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 7, 2020, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

August 7, 2020

Village of McConnellsville, Ohio
Morgan County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2019

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$34,375	\$79,769	\$0	\$114,144
Municipal Income Tax	472,766	0	0	472,766
Intergovernmental	65,770	88,708	922,566	1,077,044
Special Assessments	0	0	0	0
Charges for Services	25,669	11,850	0	37,519
Fines, Licenses and Permits	44,195	8,387	0	52,582
Earnings on Investments	89,295	2,340	0	91,635
Miscellaneous	277	8,434	0	8,711
<i>Total Cash Receipts</i>	<u>732,347</u>	<u>199,488</u>	<u>922,566</u>	<u>1,854,401</u>
Cash Disbursements				
Current:				
Security of Persons and Property	395,157	26,507	0	421,664
Public Health Services	10,761	19,539	0	30,300
Leisure Time Activities	7,739	0	0	7,739
Transportation	22,682	109,133	0	131,815
General Government	234,155	344	0	234,499
Capital Outlay	0	0	922,566	922,566
<i>Total Cash Disbursements</i>	<u>670,494</u>	<u>155,523</u>	<u>922,566</u>	<u>1,748,583</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>61,853</u>	<u>43,965</u>	<u>0</u>	<u>105,818</u>
Other Financing Receipts (Disbursements)				
Transfers In	0	5,000	0	5,000
Transfers Out	(5,000)	0	0	(5,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(5,000)</u>	<u>5,000</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Cash Balances</i>	56,853	48,965	0	105,818
<i>Fund Cash Balances, January 1</i>	<u>667,954</u>	<u>251,501</u>	<u>0</u>	<u>919,455</u>
Fund Cash Balances, December 31				
Nonspendable	339	0	0	339
Restricted	0	299,299	0	299,299
Committed	0	830	0	830
Assigned	709,298	337	0	709,635
Unassigned (Deficit)	15,170	0	0	15,170
<i>Fund Cash Balances, December 31</i>	<u>\$724,807</u>	<u>\$300,466</u>	<u>\$0</u>	<u>\$1,025,273</u>

See accompanying notes to the basic financial statements

Village of McConnellsville, Ohio
Morgan County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Proprietary and Fiduciary Fund Types
For the Year Ended December 31, 2019

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Custodial	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$1,367,400	\$0	\$1,367,400
Fines, Licenses and Permits	0	67,977	67,977
<i>Total Operating Cash Receipts</i>	<u>1,367,400</u>	<u>67,977</u>	<u>1,435,377</u>
Operating Cash Disbursements			
Personal Services	294,663	0	294,663
Employee Fringe Benefits	165,748	0	165,748
Contractual Services	373,546	0	373,546
Supplies and Materials	88,920	0	88,920
Other	845	67,977	68,822
<i>Total Operating Cash Disbursements</i>	<u>923,722</u>	<u>67,977</u>	<u>991,699</u>
<i>Operating Income (Loss)</i>	<u>443,678</u>	<u>0</u>	<u>443,678</u>
Non-Operating Receipts (Disbursements)			
Intergovernmental	227,644	0	227,644
Miscellaneous Receipts	8,250	0	8,250
Capital Outlay	(638,997)	0	(638,997)
Principal Retirement	(106,304)	0	(106,304)
Interest and Other Fiscal Charges	(7,154)	0	(7,154)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(516,561)</u>	<u>0</u>	<u>(516,561)</u>
<i>Net Change in Fund Cash Balances</i>	(72,883)	0	(72,883)
<i>Fund Cash Balances, January 1</i>	1,959,454	0	1,959,454
<i>Fund Cash Balances, December 31</i>	<u>\$1,886,571</u>	<u>\$0</u>	<u>\$1,886,571</u>

See accompanying notes to the basic financial statements

Village of McConnelsville, Ohio
Morgan County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 1 - Reporting Entity

The Village of McConnelsville (the Village), Morgan County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, park operations, and police.

Joint Ventures, Jointly Governed Organizations, Public Entity Risk Pools and Related Organizations

The Village participates in one jointly governed organization. Note twelve (11) to the financial statements provides additional information for these entities. The organization is:

Jointly Governed Organization: Kiwanis-Jaycee Community Park

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

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

Street Construction Maintenance and Repair The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

State Highway Fund The state highway fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing State Highways within the Village Corporation.

McConnelsville Cemetery Levy The cemetery levy fund receives property tax money to be used for operation, maintenance and repair of the McConnelsville Cemetery.

Village of McConnelsville, Ohio
Morgan County
Notes to the Financial Statements
For the Year Ended December 31, 2019
(Continued)

The McConnelsville Cemetery The McConnelsville Cemetery fund receives opening and closing of graves and sales of lots to be used for operations and maintenance, repair and expansion/or development of a new cemetery.

Law Enforcement Assistance Fund The law enforcement assistance fund receives money strictly from the State for reimbursement of officer training and any revenue received will be expended strictly for additional training of officers.

Drug Law Enforcement Fund The drug law enforcement fund receives court fine money to be used for police protection of the Village.

Enforcement & Education Fund The enforcement and education fund receives court fine money to be used for police protection of the Village.

Street Levy Fund The street levy fund receives property tax money to be used for Village street paving.

Fire Levy Fund The fire levy fund receives property tax money to be used for fire protection of the Village.

Mayor's Court Computer Fund The mayor's court computer fund receives court fine money to be used to computerize any aspect of the court.

Mayor's Court Clerk of Court's Computer Fund The mayor's clerk of court's computer fund receives court fine money to be used to computerize the clerk of courts operations.

OMVI Indigent Drivers Interlock & Alcohol The omvi indigent driver's interlock and alcohol fund receives money strictly from the Ohio Department of Public Safety and may only be used for indigent drivers interlock and alcohol monitoring, and any other permitted purposes, pursuant to Ohio Revised Code Section 4511.191.

Fire Department MARCS Grant The Fire Department MARCS Grant receives grant monies to purchase radios for the fire department and pay their annual MARCS fees.

Capital Project Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant capital project funds:

Street Paving Fund The street paving project receives proceeds through Issue II Funding. The monies received are for repaving of specified streets within the village.

Opera House Fund The Opera House project is being funded through a Cultural Facilities Capital Money Grant, ARC Grant; and, a CDBG Grant.

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:

Village of McConnellsville, Ohio
Morgan County
Notes to the Financial Statements
For the Year Ended December 31, 2019
(Continued)

Water Fund The water fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village.

Sewer Fund The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

Water Tank Painting Project The water tank painting project is being funded through an OPWC Loan.

Waterline Replacement Project The waterline replacement project is being funded through an OPWC Grant and Village funds.

Water Capital Projects Enterprise Fund The water capital projects enterprise fund receives charges for services from Morgan Meigsville Water District to be set aside and used for the purpose of repairing, replacing, upgrade, and maintain the Hawk Water System.

Fiduciary Funds Fiduciary funds include private purpose trust funds and agency/custodial funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs.

Agency/Custodial funds are purely custodial in nature and are used to report fiduciary activity that is not required to be reported in a trust fund. The Village's agency/custodial fund(s) account for court monies received and disbursed to the Village, State and County. The Village disburses these funds as directed by the individual, organization or other government.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

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 or object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. 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 approve estimated resources.

Village of McConnellsville, Ohio
Morgan County
Notes to the Financial Statements
For the Year Ended December 31, 2019
(Continued)

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

A summary of 2019 budgetary activity appears in Note 4.

Deposits and Investments

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

During 2019, the Village invested all available funds in a SuperNow Checking Account.

Capital Assets

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

Nonspendable The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

Restricted Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Committed Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

Village of McConnellsville, Ohio
Morgan County
Notes to the Financial Statements
For the Year Ended December 31, 2019
(Continued)

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Note 3 - Budgetary Activity

Budgetary activity for the year ending December 31, 2019 follows:

2019 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$728,806	\$732,347	\$3,541
Special Revenue	202,475	204,488	2,013
Capital Projects	922,566	922,566	0
Enterprise	1,548,763	1,603,294	54,531
Agency	67,977	67,977	0
Total	\$3,470,586	\$3,530,672	\$60,086

2019 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,278,210	\$682,162	\$596,048
Special Revenue	402,527	155,860	246,667
Capital Projects	922,566	922,566	0
Enterprise	3,337,274	1,799,696	1,537,578
Agency	68,315	67,977	339
Total	\$6,008,893	\$3,628,261	\$2,380,632

Note 4 – Deposits and Investments

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

Petty Cash Drawers	2019 \$393
Other time deposits (savings and NOW accounts)	2,911,451
Total deposits	2,911,844

Village of McConnellsville, Ohio
Morgan County
Notes to the Financial Statements
For the Year Ended December 31, 2019
(Continued)

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation; [or] collateralized by securities specifically pledged by the financial institution to the Village.

Note 5 – Taxes

Property Taxes

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.

Public utilities are also taxed on personal and real property located within the Village.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

Income Taxes

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.

Note 6 - Risk Management

Workers' Compensation coverage is provided by the State of Ohio. The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs (if material).

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

Village of McConnellsville, Ohio
Morgan County
Notes to the Financial Statements
For the Year Ended December 31, 2019
(Continued)

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10%, of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2019.

Ohio Police and Fire Retirement System

The Village's full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. The Village has paid all contributions required through December 31, 2019.

Note 8 - Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2019. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2019. OP&F contributes 0.5 percent to fund these benefits.

Beginning January 1, 2019, OP&F changed its retiree health care model to a stipend-based health care model. A stipend funded by OP&F was placed in individual Health Reimbursement Accounts that retirees use to be reimbursed for health care expenses.

Village of McConnellsville, Ohio
Morgan County
Notes to the Financial Statements
For the Year Ended December 31, 2019
(Continued)

Note 9 – Debt

Debt outstanding at December 31, 2019 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan #5138	46,242	0.0%
Ohio Water Development Authority Loan #5210	618,875	1.0%
Ohio Public Works Commission Loan #CT561	31,768	0.0%
Ohio Public Works Commission Loan #CT68K	25,622	0.0%
Ohio Public Works Commission Loan #CR15M	120,045	0.0%
Ohio Water Development Authority Loan #6067	71,539	1.0%
Ohio Public Works Commission Loan #CR10N	42,996	0.0%
Ohio Public Works Commission Loan #CT77T	144,900	0.0%
Ohio Water Development Authority Loan #7336	326,225	0.0%
Total	\$1,428,212	

The Ohio Water Development Authority (OWDA) loan (#5138) payments began in 2010 and relates to a water meter project. The Village installed meters within the entire serviced area. The loan will be repaid in semiannual installments over a total of 30 years.

The Ohio Water Development Authority (OWDA) loan (#5210) payments began in 2010 relates to a water system streamlining and building of a new water tank. The loan will be repaid in semiannual installments over a total of 30 years.

The Ohio Public Works Commission (OPWC) loan (#CT561) payments began in 2008 relates to a sewer system expansion project that was mandated by the Ohio Environmental Protection Agency. The loan will be repaid in semiannual installments over a total of 20 years.

The Ohio Public Works Commission (OPWC) loan (#CT68K) payments began in 2009 and relates to a water main replacement project. The loan will be repaid in semiannual installments over a total of 30 years.

The Ohio Public Works Commission (OPWC) loan (#CR15M) payments began in 2011 and relates to a water meter project. The loan will be repaid in semiannual installments over a total of 20 years.

The Ohio Water Development Authority (OWDA) loan (#6067) payments began in 2012 and relates to another phase of the sewer separation project mandated by the OEPA. The loan will be repaid in semiannual installments over a total of 20 years.

The Ohio Public Works Commission (OPWC) loan (#CR10N) payments began in 2013 and relates to another phase of the sewer separation project mandated by the OEPA. The loan will be repaid in semiannual installments over a total of 30 years.

The Ohio Water Development Authority (OWDA) loan (#7336) payments began in 2017 and relates to another phase of the sewer separation project mandated by the OEPA. The loan will be repaid in semiannual installments over a total of 20 years. This loan includes the original balloon loan that was taken out in 2015 for Sewer Design of this phase of the sewer separation project.

Village of McConnelsville, Ohio
Morgan County
Notes to the Financial Statements
For the Year Ended December 31, 2019
(Continued)

The Ohio Public Works Commission (OPWC) loan (#CT77T) payments began in 2018 and relates to a water tank painting project. The loan will be repaid in semiannual installments over a total of 30 years.

All of the loans are secured by street, water, sewer, or tax receipts. The Village has agreed to set utility and tax rates sufficient to cover OWDA, OPWC debt service requirements.

Amortization

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

Year Ending	OWDA	OWDA	OPWC	OPWC	OPWC	OWDA	OPWC	OPWD	OWDA
December 31	#5138	#5210	CT561	CT68K	CR15M	#6067	CR10N	CT77T	#7336
2020	1,186	17,109	1,986	625	5,219	3,240	896	2,588	24,069
2021	2,371	34,218	3,971	1,250	10,439	6,479	1,792	5,175	48,139
2022	2,371	34,218	3,971	1,250	10,439	6,479	1,792	5,175	48,139
2023	2,371	34,218	3,971	1,250	10,439	6,479	1,792	5,175	48,139
2024	2,371	34,218	3,971	1,250	10,439	6,479	1,792	5,175	48,139
2025-2029	11,857	171,091	13,899	6,249	52,194	32,397	8,958	25,875	109,602
2030-2034	11,857	171,091		6,249	20,877	9,986	8,958	25,875	
2035-2039	11,857	122,711		6,249			8,958	25,875	
2040-2044				1,250			8,061	25,875	
2045-2049								18,113	
Total	\$46,242	\$618,875	\$31,768	\$25,622	\$120,045	\$71,539	\$42,996	\$144,900	\$326,225

Note 10 – Contingent Liabilities

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

Note 11 – Joint Ventures

Joint Ventures

The Village of McConnelsville and the Village of Malta jointly purchased 18 acres of real estate located in Malta, Ohio, to develop and construct a public park. The Villages of McConnelsville and Malta equally shared the costs associated with park.

In 2009, by Ordinance 09-02, the Villages of Malta and McConnelsville formed a joint recreation board to manage and operate the community park under the provisions of Ohio Revised Code section 755.14 (B) (1) there is hereby created a joint recreation board which shall possess all the powers and be subject to all the responsibilities of a recreation board as set forth in sections 755.12 to 755.18 of the Revised Code. The joint recreation board constructs, operates, and maintains the joint community park and any other recreational facility jointly assigned to it by the councils of Malta and McConnelsville. In 2018 Council’s from both Village’s amended this Ordinance allowing members of the board to live anywhere within the County (Ordinance 18-07).

Village of McConnellsville, Ohio
Morgan County
Notes to the Financial Statements
For the Year Ended December 31, 2019
(Continued)

The joint recreation board consists of eight (8) members. Four (4) of the members shall be appointed by the Mayor of McConnellsville with the four (4) remaining members appointed by the Mayor of Malta; however, no member of the board also shall be a current member of either village council. All members of the board will serve terms of four (4) years, except that the members first appointed shall be appointed for such terms that the term of two members shall expire annually thereafter. Vacancies in the board, occurring otherwise than by expiration of term, shall be for the unexpired term and shall be filled in the same manner as original appointments. Members of the board shall serve without pay.

The joint recreation board shall not incur debt without the prior approval of both village councils.

Each year the two village councils shall agree on an amount, not to be less than two thousand dollars (\$2,000.00), each shall pay to and appropriate for the benefit of the joint recreation board the next calendar year.

Note 12 – Public Entity Risk Pool

The Village participates in the Ohio Municipal League Group Rating Plan (GRP) for worker's compensation. The pool's business and affairs are conducted by a twenty-six member Board of Trustees consisting of fifteen mayors, two council members, three administrators, three finance directors, and three law directors which are voted on by the members for staggered two-year terms. The Executive Director of the Ohio Municipal League serves as the coordinator of the Program. Each year the participants pay an enrollment fee to the program to cover the costs of administering the program.

Note 13 – Related Party Transactions

Throughout the year, the Village occasionally purchases items from Finley Fire Equipment. Mayor John W. Finley is the owner and supplier of Finley Fire Equipment; and, this company is the only local supplier of the items purchased.

Note 14 – Subsequent Events

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Village. In addition, the impact on the Village's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

Village of McConnellsville, Ohio
Morgan County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2018

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$37,403	\$59,705	\$0	\$97,108
Municipal Income Tax	449,905	0	0	449,905
Intergovernmental	65,609	79,249	44,437	189,295
Charges for Services	77,274	0	0	77,274
Fines, Licenses and Permits	53,156	6,802	0	59,958
Earnings on Investments	35,285	805	0	36,090
Miscellaneous	6,452	800	0	7,252
<i>Total Cash Receipts</i>	<u>725,084</u>	<u>147,361</u>	<u>44,437</u>	<u>916,882</u>
Cash Disbursements				
Current:				
Security of Persons and Property	349,695	31,867	0	381,562
Public Health Services	11,017	0	0	11,017
Leisure Time Activities	52,997	0	0	52,997
Transportation	14,176	84,773	0	98,949
General Government	211,641	5,056	0	216,697
Capital Outlay	0	0	44,437	44,437
Debt Service:				
Principal Retirement	0	6,114	0	6,114
Interest and Fiscal Charges	0	86	0	86
<i>Total Cash Disbursements</i>	<u>639,526</u>	<u>127,896</u>	<u>44,437</u>	<u>811,859</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>85,558</u>	<u>19,465</u>	<u>0</u>	<u>105,023</u>
Other Financing Receipts (Disbursements)				
Transfers In	0	19,648	0	19,648
Transfers Out	(19,648)	0	0	(19,648)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(19,648)</u>	<u>19,648</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Cash Balances</i>	65,910	39,113	0	105,023
<i>Fund Cash Balances, January 1</i>	<u>602,044</u>	<u>212,388</u>	<u>0</u>	<u>814,432</u>
Fund Cash Balances, December 31				
Nonspendable	339	0	0	339
Restricted	0	250,234	0	250,234
Committed	0	830	0	830
Assigned	655,360	437	0	655,797
Unassigned (Deficit)	12,255	0	0	12,255
<i>Fund Cash Balances, December 31</i>	<u>\$667,954</u>	<u>\$251,501</u>	<u>\$0</u>	<u>\$919,455</u>

See accompanying notes to the basic financial statements

Village of McConnellsville, Ohio
Morgan County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Proprietary and Fiduciary Fund Types
For the Year Ended December 31, 2018

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$1,313,724	\$0	\$1,313,724
Fines, Licenses and Permits	0	77,032	77,032
<i>Total Operating Cash Receipts</i>	<u>1,313,724</u>	<u>77,032</u>	<u>1,390,756</u>
Operating Cash Disbursements			
Personal Services	251,235	0	251,235
Employee Fringe Benefits	135,573	0	135,573
Contractual Services	415,856	0	415,856
Supplies and Materials	55,050	0	55,050
Other	0	77,032	77,032
<i>Total Operating Cash Disbursements</i>	<u>857,714</u>	<u>77,032</u>	<u>934,746</u>
<i>Operating Income (Loss)</i>	<u>456,010</u>	<u>0</u>	<u>456,010</u>
Non-Operating Receipts (Disbursements)			
Intergovernmental	47,272	0	47,272
Other Debt Proceeds	330	0	330
Miscellaneous Receipts	3,238	0	3,238
Capital Outlay	(198,841)	0	(198,841)
Principal Retirement	(109,026)	0	(109,026)
Interest and Other Fiscal Charges	(7,526)	0	(7,526)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(264,553)</u>	<u>0</u>	<u>(264,553)</u>
<i>Net Change in Fund Cash Balances</i>	191,457	0	191,457
<i>Fund Cash Balances, January 1</i>	<u>1,767,997</u>	<u>0</u>	<u>1,767,997</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$1,959,454</u></u>	<u><u>\$0</u></u>	<u><u>\$1,959,454</u></u>

See accompanying notes to the basic financial statements

Village of McConnelsville, Ohio
Morgan County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 1 - Reporting Entity

The Village of McConnelsville (the Village), Morgan County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, park operations, and police services.

Joint Ventures, Jointly Governed Organizations, Public Entity Risk Pools and Related Organizations

The Village participates in one jointly governed organization. Note twelve (12) to the financial statements provides additional information for this organization.

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

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Fund:

Street Construction Maintenance and Repair The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

Capital Project Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant capital project fund:

Opera House Fund The Opera House project is being funded through a Cultural Facilities Capital Money Grant, ARC Grant, and a CDBG Grant.

Village of McConnellsville, Ohio
Morgan County
Notes to the Financial Statements
For the Year Ended December 31, 2018

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 The water fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village.

Sewer Fund The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

Fiduciary Funds Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs.

Agency funds are purely custodial in nature and are used to report fiduciary activity that is not required to be reported in a trust fund. The Village's agency fund accounts for court monies received and disbursed to the Village, State and County.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03 (D) permit.

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 or object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. 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 approve estimated resources.

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

A summary of 2018 budgetary activity appears in Note 3.

Village of McConnellsville, Ohio
Morgan County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Deposits and Investments

During 2018, the Village had an interest-bearing checking account.

Capital Assets

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

Nonspendable The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

Restricted Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Committed Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Village of McConnellsville, Ohio
Morgan County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 3 - Budgetary Activity

Budgetary activity for the year ending December 31, 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$723,597	\$725,084	\$1,487
Special Revenue	146,540	167,009	20,469
Capital Projects	44,437	44,437	0
Enterprise	1,362,661	1,364,564	1,903
Agency	77,032	77,032	0
Total	\$2,354,267	\$2,378,126	\$23,859

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,225,644	\$665,869	\$559,775
Special Revenue	330,411	128,333	202,078
Capital Projects	44,437	44,437	0
Enterprise	3,023,607	1,515,772	1,507,835
Agency	77,370	77,032	339
Total	\$4,701,468	\$2,431,442	\$2,270,026

Note 4 – Deposits and Investments

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

Demand Deposits	2018
	\$2,878,909

Deposits

Deposits are collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Note 5 – Taxes

Property Taxes

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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31.

Village of McConnelsville, Ohio
Morgan County
Notes to the Financial Statements
For the Year Ended December 31, 2018

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.

Public utilities are also taxed on personal and real property located within the Village. The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

Income Taxes

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.

Note 6 - Risk Management

Workers' Compensation

Workers' Compensation coverage is provided by the State of Ohio. The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10%, of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2018.

Village of McConnellsville, Ohio
Morgan County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Ohio Police and Fire Retirement System

The Village's full-time Police Officers belong to the Ohio Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. The Village has paid all contributions required through December 31, 2018.

Social Security

One Village employee contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

The Employee contributed 6.2 percent of his/her gross salary. The Village contributed an amount equal to 6.2 percent of the participant's gross salary. The Village has paid all contributions required through December 31, 2018.

Note 8 - Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2018. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2018. OP&F contributes 0.5 percent to fund these benefits.

Beginning January 1, 2019, OP&F is changing its retiree health care model and the current self-insured health care plan will no longer be offered. In its place is a stipend-based health care model. A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses.

Village of McConnellsville, Ohio
Morgan County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 9 – Debt

Debt outstanding at December 31, 2018 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan #5138	48,613	0.0%
Ohio Water Development Authority Loan #5210	646,695	1.0%
Ohio Public Works Commission Loan #CT561	35,739	0.0%
Ohio Public Works Commission Loan #CT68K	24,997	0.0%
Ohio Public Works Commission Loan #CR15M	125,264	0.0%
Ohio Water Development Authority Loan #6067	76,886	1.0%
Ohio Public Works Commission Loan #CR10N	42,996	0.0%
Ohio Public Works Commission Loan #CT77T	150,075	0.0%
Ohio Water Development Authority Loan #7336	350,294	0.0%
Total	\$1,501,561	

The Ohio Water Development Authority (OWDA) loan (#5138) payments began in 2010 and relates to a water meter project. The Village installed meters within the entire serviced area. The loan will be repaid in semiannual installments over a total of 30 years.

The Ohio Water Development Authority (OWDA) loan (#5210) payments began in 2010 relates to a water system streamlining and building of a new water tank. The loan will be repaid in semiannual installments over a total of 30 years.

The Ohio Public Works Commission (OPWC) loan (#CT561) payments began in 2008 relates to a sewer system expansion project that was mandated by the Ohio Environmental Protection Agency. The loan will be repaid in semiannual installments over a total of 20 years.

The Ohio Public Works Commission (OPWC) loan (#CT68K) payments began in 2009 and relates to a water main replacement project. The loan will be repaid in semiannual installments over a total of 30 years.

The Ohio Public Works Commission (OPWC) loan (#CR15M) payments began in 2011 and relates to a water meter project. The loan will be repaid in semiannual installments over a total of 20 years.

The Ohio Water Development Authority (OWDA) loan (#6067) payments began in 2012 and relates to another phase of the sewer separation project mandated by the OEPA. The loan will be repaid in semiannual installments over a total of 20 years.

The Ohio Public Works Commission (OPWC) loan (#CR10N) payments began in 2013 and relates to another phase of the sewer separation project mandated by the OEPA. The loan will be repaid in semiannual installments over a total of 30 years.

The Ohio Water Development Authority (OWDA) loan (#7336) payments began in 2017 and relates to another phase of the sewer separation project mandated by the OEPA. The loan will be repaid in semiannual installments over a total of 20 years. This loan includes the original balloon loan that was taken out in 2015 for Sewer Design of this phase of the sewer separation project.

Village of McConnelsville, Ohio
Morgan County
Notes to the Financial Statements
For the Year Ended December 31, 2018

The Ohio Public Works Commission (OPWC) loan (#CT77T) payments began in 2018 and relates to a water tank painting project. The loan will be repaid in semiannual installments over a total of 30 years.

All of the loans are secured by street, water, sewer, or tax receipts. The Village has agreed to set utility and tax rates sufficient to cover OWDA, OPWC debt service requirements.

Amortization

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

Year Ending	OWDA	OWDA	OPWC	OPWC	OPWC	OWDA	OPWC	OPWD
	#5138	#5210	CT561	CT68K	CR15M	#6067	CR10N	CT77T
December 31:								
2019	1,186	17,109	1,986	625	5,219	3,051	895	2,588
2020	2,371	34,218	3,971	1,250	10,439	6,102	1,792	5,175
2021	2,371	34,218	3,971	1,250	10,439	6,102	1,792	5,175
2022	2,371	34,218	3,971	1,250	10,439	6,102	1,792	5,175
2023	2,372	34,218	3,971	1,250	10,439	6,102	1,792	5,175
2024-2028	11,857	171,091	17,869	6,249	52,193	30,513	8,957	25,875
2029-2033	11,857	171,091		6,249	26,096	24,410	8,957	25,875
2034-2038	11,857	171,091		6,249			8,957	25,875
2039-2043	2,371	51,328		625			8,062	25,875
2044-2048								23,287
Total	\$48,613	\$718,582	\$35,739	\$24,997	\$125,264	\$82,382	\$42,996	\$150,075

Note 10 – Contingent Liabilities

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

Note 11 – Jointly Governed Organization

The Village of McConnelsville and the Village of Malta jointly purchased 18 acres of real estate located in Malta, Ohio, to develop and construct a public park. The Villages of McConnelsville and Malta equally shared the costs associated with park.

In 2009, by Ordinance 09-02, the Villages of Malta and McConnelsville formed a joint recreation board to manage and operate the community park under the provisions of Ohio Revised Code § 755.14 (B) (1) there is hereby created a joint recreation board which shall possess all the powers and be subject to all the responsibilities of a recreation board as set forth in §§ 755.12 to 755.18 of the Revised Code. The joint recreation board constructs, operates, and maintains the joint community park and any other recreational facility jointly assigned to it by the councils of Malta and McConnelsville. In 2018 Council's from both Village's amended this Ordinance allowing members of the board to live anywhere within the County (Ordinance 18-07).

Village of McConnellsville, Ohio
Morgan County
Notes to the Financial Statements
For the Year Ended December 31, 2018

The joint recreation board consists of eight (8) members. Four (4) of the members shall be appointed by the Mayor of McConnellsville with the four (4) remaining members appointed by the Mayor of Malta; however, no member of the board also shall be a current member of either village council. All members of the board will serve terms of four (4) years, except that the members first appointed shall be appointed for such terms that the term of two members shall expire annually thereafter. Vacancies in the board, occurring otherwise than by expiration of term, shall be for the unexpired term and shall be filled in the same manner as original appointments. Members of the board shall serve without pay.

The joint recreation board shall not incur debt without the prior approval of both Village councils.

Each year the two Village councils shall agree on an amount, not to be less than two thousand dollars (\$2,000.00), each shall pay to and appropriate for the benefit of the joint recreation board the next calendar year.

Note 12 – Public Entity Risk Pool

The Village participates in the Ohio Municipal League Group Rating Plan (GRP) for worker's compensation. The pool's business and affairs are conducted by a twenty-six member Board of Trustees consisting of fifteen mayors, two council members, three administrators, three finance directors, and three law directors which are voted on by the members for staggered two-year terms. The Executive Director of the Ohio Municipal League serves as the coordinator of the Program. Each year the participants pay an enrollment fee to the program to cover the costs of administering the program.

Note 13 – Related Party Transactions

Throughout the year, the Village occasionally purchases items from Finley Fire Equipment and Bragg's Furniture. Mayor John W. Finley is the owner and supplier of Finley Fire Equipment; and, this company is the only local supplier of the items purchased. Councilman Thomas Bragg is owner and supplier of Bragg's Furniture; and, this company is the only local supplier of the items purchased.

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OHIO AUDITOR OF STATE KEITH FABER



53 Johnson Road
The Plains, Ohio 45780-1231
(740) 594-3300 or (800) 441-1389
SoutheastRegion@ohioauditor.gov

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

Village of McConnelsville
Morgan County
9 West Main Street
McConnelsville, Ohio 43756

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Village of McConnelsville, Morgan County, Ohio (the Village), as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements and have issued our report thereon dated August 7, 2020 wherein we noted the Village followed financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit. We also noted the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Village.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant* deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2019-001 to be a material weakness.

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, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

August 7, 2020

VILLAGE OF MCCONNELSVILLE
MORGAN COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2019 AND 2018

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

FINDING NUMBER 2019-001

Material Weakness

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16.

The Ohio Village Handbook (revised March 2018) provides suggested account classifications. These accounts classify receipts by fund and source (property taxes or intergovernmental revenue, for example) and classify disbursements by fund, program (general government, for example) or object (personal services, for example). Using these classifications and the aforementioned accounting records will provide the Village with information required to monitor compliance with the budget, and prepare annual reports in the format required by the Auditor of State.

The Village did not properly classify its December 31, 2019 and 2018 governmental fund cash balances in accordance with Governmental Accounting Standards Board (GASB) *Statement Number 54 - Fund Balance Reporting and Governmental Fund Type Definitions*, effective for fiscal years beginning after June 15, 2010. We found the Village improperly reported appropriations in excess of estimated receipts in the General Fund as unassigned instead of reporting the excess as assigned, in the amount of \$702,630 and \$648,665, respectively. The significant reclassifications, with which management agrees, were posted to the financial statements and the accounting system of the Village.

The Fiscal Officer should refer to the Village Officer's Handbook for proper receipt classification to ensure the Village's accounting system and year-end financial statements are properly reported. Also, the Village should adopt control procedures for the review of postings made by the Fiscal Officer.

Officials' Response:

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OHIO AUDITOR OF STATE KEITH FABER



VILLAGE OF MCCONNELSVILLE

MORGAN COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 8/20/2020

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov