

***VILLAGE OF MOUNT EATON
WAYNE COUNTY, OHIO***

AUDIT REPORT

FOR THE YEAR ENDED DECEMBER 31, 2004

Charles E. Harris and Associates, Inc.
Certified Public Accountants and Government Consultants



**Auditor of State
Betty Montgomery**

Members of Council
Village of Mount Eaton
P.O. Box 287
Mount Eaton, Ohio 44659

We have reviewed the *Report of Independent Accountants* of the Village of Mount Eaton, Wayne County, prepared by Charles E. Harris & Associates, Inc. for the audit period January 1, 2004 through December 31, 2004. 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's Office (AOS). Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Report of Independent Accountants* on your financial statements. While the AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. 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 *Report of Independent Accountants* also includes an opinion on the financial statements using the regulatory format the AOS 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 Mount Eaton is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

September 19, 2005

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**VILLAGE OF MOUNT EATON
WAYNE COUNTY, OHIO
Audit Report
For the Year Ended December 31, 2004**

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REPORT OF INDEPENDENT ACCOUNTANTS

Honorable Mayor, Clerk-Treasurer and
Members of Council
Village of Mount Eaton, Ohio

We have audited the accompanying financial statements of the Village of Mount Eaton, Wayne County, Ohio (the Village) as of and for the year ended December 31, 2004. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion 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 Controller General of the United States. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village prepares 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.

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 as of December 31, 2004, or its changes in financial position for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Mount Eaton, Wayne County, Ohio, as of December 31, 2004 and its combined cash receipts and disbursements for the year ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2005, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. It does not opine 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*. You should read it in conjunction with this report in assessing the results of our audit.

Charles E. Harris & Associates, Inc.
June 28, 2005

**VILLAGE OF MOUNT EATON
WAYNE COUNTY, OHIO
COMBINED STATEMENT OF CASH, INVESTMENTS AND FUND
CASH BALANCES - ALL FUND TYPES
As of December 31, 2004**

	<u>2004 Balance</u>
Cash and Investments	\$ <u><u>387,909</u></u>

CASH BALANCES BY FUND CLASS

Governmental Fund Types:

General Fund	\$ 75,916
Special Revenue Funds	<u>28,395</u>
Total Governmental Fund Types	104,311

Proprietary Fund Types:

Enterprise Fund	<u>283,598</u>
Total	\$ <u><u>387,909</u></u>

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

**VILLAGE OF MOUNT EATON
WAYNE COUNTY, OHIO
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN
FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Governmental Fund Types</u>		<u>Total (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
<i>Cash Receipts:</i>			
Property and Other Local Taxes	\$ 94,194	\$ -	\$ 94,194
Intergovernmental	15,512	18,804	34,316
Charges for Services	1,160	40	1,200
Fines, Licenses and Permits	16,988	2,130	19,118
Earnings on Investments	1,781	298	2,079
Miscellaneous	1,501	-	1,501
Total Cash Receipts	131,136	21,272	152,408
<i>Cash Disbursements:</i>			
<i>Current:</i>			
Security of Persons & Property	50,132	279	50,411
General Government	43,237	1,533	44,770
Public Health Service	4,088	-	4,088
Leisure Time Activities	1,328	1,834	3,162
Transportation	239	24,667	24,906
Total Cash Disbursements	99,024	28,313	127,337
Total Cash Receipts Over/(Under) Cash Disbursements	32,112	(7,041)	25,071
<i>Other Financing Sources/(Uses):</i>			
Transfers In	-	18,000	18,000
Transfers Out	(18,000)	-	(18,000)
Total Other Financing Sources/(Uses)	(18,000)	18,000	-
Excess of Cash Receipts and Other Sources Over/ (Under) Cash Disbursements and Other Uses	14,112	10,959	25,071
Fund Cash Balance, January 1, 2004	61,804	17,436	79,240
Fund Cash Balance, December 31, 2004	\$ 75,916	\$ 28,395	\$ 104,311

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

**VILLAGE OF MOUNT EATON
WAYNE COUNTY, OHIO
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN
FUND CASH BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<i>Operating Cash Receipts:</i>			
Charges for Services	\$ 158,944	\$ -	\$ 158,944
Fines, Licences, and Permits	-	24,350	24,350
Total Operating Cash Receipts	158,944	24,350	183,294
<i>Operating Cash Disbursements:</i>			
Personal Services	15,664	-	15,664
Fringe Benefits	2,235	-	2,235
Contractual Services	38,894	-	38,894
Supplies and Materials	26,281	-	26,281
Total Operating Cash Disbursements	83,074	-	83,074
Operating Income/(Loss)	75,870	24,350	100,220
<i>Non-Operating Receipts:</i>			
Intergovernmental	59,716	-	59,716
Total Non-Operating Receipts	59,716	-	59,716
<i>Non-Operating Cash Disbursements:</i>			
Debt Service			
Principal Payments	9,500	-	9,500
Interest and Other Fiscal Charges	44,106	-	44,106
Mayor's Court Distributions	-	24,350	24,350
Total Non-Operating Disbursements	53,606	24,350	77,956
Net Income/(Loss)	81,980	-	81,980
Fund Cash Balance, January 1	201,618	-	201,618
Fund Cash Balance, December 31	\$ 283,598	\$ -	\$ 283,598

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

**VILLAGE OF MOUNT EATON
WAYNE COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2004**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

The Village of Mount Easton, Wayne County, Ohio, (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 contracts with Paint Township to provide fire protection 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 disbursement 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.)

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

C. CASH AND INVESTMENTS

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

D. FUND ACCOUNTING

The Village maintains its accounting records in accordance with the principles of "Fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

Governmental Fund Types:

General Fund: The General Fund is the general operating fund of the Village. It is used to account for all financial resources except those required by law or contract to be accounted for in another fund.

**VILLAGE OF MOUNT EATON
WAYNE COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2004**

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - (continued)

Governmental Fund Types: - (continued)

Special Revenue Fund: These funds are used to account for proceeds from specific sources that are restricted to expenditure for specific purposes. The Village has the following significant Special Revenue Fund:

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

Proprietary Fund Type:

Enterprise Fund: This fund accounts 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 has the following significant Enterprise Fund:

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

Fiduciary Fund Type (Agency Fund):

This fund is used to account for resources for which the Village is acting in an agency capacity. The Village has the following significant Fiduciary Fund:

Mayor's Court Fund – This fund records the activity of the Village Mayor's Court.

E. **BUDGETARY PROCESS**

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

1. **Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the object level of control, and appropriations may not exceed estimated resources. The Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year-end.

2. **Estimated Resources**

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

**VILLAGE OF MOUNT EATON
WAYNE COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2004**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

E. BUDGETARY PROCESS – (continued)

3. Encumbrances

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

A summary of 2004 budgetary activity appears in Note 3.

F. PROPERTY, PLANT AND EQUIPMENT

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

G. TOTAL COLUMNS ON FINANCIAL STATEMENTS

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund-type eliminations have not been made in the aggregation of this data.

2. EQUITY IN POOLED CASH AND CASH EQUIVALENTS

The Village maintains a cash and investment pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of the Village's cash and investments are as follows:

		<u>2004</u>
Demand deposits	\$	377,909
Certificates of deposits		10,000
Total deposits	\$	<u>387,909</u>

Deposits: Deposits are either insured by the Federal Depository Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Village.

**VILLAGE OF MOUNT EATON
WAYNE COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2004**

3. BUDGETARY ACTIVITY

Budgetary activity for the year ended December 31, 2004 follows:

<u>Fund Type</u>	<u>2004 Budgeted vs. Actual Receipts</u>		
	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 149,305	\$ 131,136	\$ (18,169)
Special Revenue	20,010	39,272	19,262
Enterprise	<u>156,298</u>	<u>218,660</u>	<u>62,362</u>
Total	<u>\$ 325,613</u>	<u>\$ 389,068</u>	<u>\$ 63,455</u>

<u>Fund Type</u>	<u>2004 Appropriation vs. Actual Disbursements</u>		
	<u>Appropriation</u>	<u>Actual Disbursements</u>	<u>Variance</u>
General	\$ 187,975	\$ 117,024	\$ 70,951
Special Revenue	48,221	28,313	19,908
Enterprise	<u>183,607</u>	<u>136,680</u>	<u>46,927</u>
Total	<u>\$ 419,803</u>	<u>\$ 282,017</u>	<u>\$ 137,786</u>

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.

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

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

**VILLAGE OF MOUNT EATON
WAYNE COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2004**

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. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles;
- Errors and omissions; and
- Inland Marine

7. DEBT

Debt outstanding at December 31, 2004 were as follows:

	<u>Balance 1/1/04</u>	<u>Redeemed</u>	<u>Balance 12/31/04</u>
Sewage System Mortgage Revenue Bonds, Series 2003 (Loan 92-02) 4.50%	\$ 751,000	\$ 7,300	\$ 743,700
Sewage System Improvement Bonds, Series 2003-A (Loan 92-04) 4.50%	140,000	1,300	138,700
Sewage System Improvement Bonds, Series 2003-B (Loan 92-07) 4.40%	<u>100,000</u>	<u>900</u>	<u>99,100</u>
Total	<u><u>\$ 991,000</u></u>	<u><u>\$ 9,500</u></u>	<u><u>\$ 981,500</u></u>

**VILLAGE OF MOUNT EATON
WAYNE COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2004**

7. **DEBT** – (continued)

The amortization of the above debt for the period 2005 to 2043, including interest, is scheduled as follows:

Debt Amortization Schedule			
<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 9,800	\$ 44,167	\$ 53,967
2006	10,100	43,726	53,826
2007	10,600	43,272	53,872
2008	11,000	42,912	53,912
2009	11,600	42,300	53,900
2010-2014	66,000	203,307	269,307
2015-2019	82,000	187,092	269,092
2020-2024	102,300	166,970	269,270
2025-2029	127,700	141,652	269,352
2030-2034	158,900	110,234	269,134
2035-2039	198,100	71,086	269,186
2040-2043	193,400	22,267	215,667
Total	\$ 981,500	\$ 1,118,985	\$ 2,100,485

8. **PENSION AND RETIREMENT PLANS**

The employees of the Village of Mount Eaton are covered by the Ohio Public Employees Retirement System (OPERS). The State of Ohio accounts for the activities of the retirement system and the amounts of this fund are not reflected in the accompanying financial statements.

The Ohio Public Employees Retirement System (OPERS) is a cost-sharing multiple-employer defined benefit pension plan administered by the Ohio Public Employees Retirement Board. OPERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report.

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rates are 8.5% of their gross salaries. For local government employer units, the rate was 13.55% of covered payroll for 2004. The contribution rates are determined actuarially. The Village has paid all contributions required through December 31, 2004.

9. **CONTINGENT LIABILITIES**

The Village may be a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the Village.

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Honorable Mayor, Clerk-Treasurer and
Members of Council
Village of Mount Eaton, Ohio

We have audited the financial statements of the Village of Eaton, Wayne County, Ohio (the Village) as of and for the year ended December 31, 2004, and have issued our report thereon dated June 28, 2005, wherein we noted the Village prepared its financial statements using accounting practices the Auditor of State established 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 the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we reported in the management of the Village in a separate letter dated June 28, 2005.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and 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 are required to be reported under *Government Auditing Standards*.

However, we noted certain matters that we reported to management of the Village in a separate letter dated June 28, 2005.

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

Charles E. Harris & Associates, Inc.
June 28, 2005

**VILLAGE OF MOUNT EATON
WAYNE COUNTY, OHIO
FOR THE YEAR ENDED DECEMBER 31, 2004**

SCHEDULE OF PRIOR AUDIT FINDINGS

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2003-MtEaton-001	Ohio Rev. Code Section 5705.41(B) – Disbursements exceeded appropriations	Yes	Finding No Longer Valid
2003-MtEaton-002	Ohio Rev. Code Section 5705.39 – Total appropriations exceeded estimated fund resources.	No	Partially Corrected – Issued in Village’s Management Letter.



**Auditor of State
Betty Montgomery**

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VILLAGE OF MOUNT EATON

WAYNE 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
OCTOBER 6, 2005**