



**Auditor of State
Betty Montgomery**

VILLAGE OF MONROEVILLE
HURON COUNTY

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**Auditor of State
Betty Montgomery**

Village of Monroeville
Huron County
2 South Main Street, P. O. Box 156
Monroeville, Ohio 44847-0156

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005, interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in cursive script that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

November 28, 2006

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Village of Monroeville
Huron County
2 South Main Street, P. O. Box 156
Monroeville, Ohio 44847-0156

To the Village Council:

We have audited the accompanying financial statements of the Village of Monroeville, Huron County, (the Village) as of and for the years ended December 31, 2005 and 2004. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2005 and 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2005 and 2004. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since this Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

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In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2005 and 2004, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2005 and 2004, or its changes in financial position or cash flows of its proprietary funds for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Monroeville, Huron County, as of December 31, 2005 and 2004, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the years ended December 31, 2005 and 2004. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2006, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Betty Montgomery
Auditor of State

November 28, 2006

**VILLAGE OF MONROEVILLE
HURON COUNTY**

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

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$279,353	\$7,465		\$286,818
Municipal Income Tax	483,844			483,844
Special Assessments			\$8,109	8,109
Intergovernmental Receipts	125,386	88,820		214,206
Charges for Services	15,361	275		15,636
Fines, Licenses, and Permits	69,906	1,130		71,036
Earnings on Investments	59,947	20,615	74,908	155,470
Miscellaneous	15,745	40,092	1,897	57,734
Total Cash Receipts	1,049,542	158,397	84,914	1,292,853
Cash Disbursements:				
Current:				
Security of Persons and Property	379,092	12,905		391,997
Public Health Services	1,724			1,724
Leisure Time Activities	63,966	6		63,972
Community Environment	7,133			7,133
Transportation	18,941	67,137		86,078
General Government	144,348			144,348
Capital Outlay	17,082	6,036	5,411	28,529
Total Cash Disbursements	632,286	86,084	5,411	723,781
Total Receipts Over Disbursements	417,256	72,313	79,503	569,072
Other Financing Receipts and (Disbursements):				
Sale of Fixed Assets	4,757			4,757
Transfers-In	13,973	38,438	49,171	101,582
Transfers-Out	(277,280)	(40,873)		(318,153)
Other Sources	2,597	1,753		4,350
Other Uses	(49,455)	(50)	(1,037)	(50,542)
Total Other Financing Receipts/(Disbursements)	(305,408)	(732)	48,134	(258,006)
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	111,848	71,581	127,637	311,066
Fund Cash Balances, January 1	491,573	248,131	78,092	817,796
Fund Cash Balances, December 31	\$603,421	\$319,712	\$205,729	\$1,128,862
Reserves for Encumbrances, December 31	\$48,132			\$48,132

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

**VILLAGE OF MONROEVILLE
HURON COUNTY**

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

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$4,720,972
Miscellaneous	399
Total Operating Cash Receipts	4,721,371
Operating Cash Disbursements:	
Personal Services	505,838
Travel Transportation	5,721
Contractual Services	3,883,136
Supplies and Materials	88,938
Capital Outlay	84,282
Total Operating Cash Disbursements	4,567,915
Operating Income	153,456
Non-Operating Cash Receipts:	
Proceeds from Notes and Bonds	1,275,000
Other Non-Operating Receipts	91,963
Total Non-Operating Cash Receipts	1,366,963
Non-Operating Cash Disbursements:	
Debt Service	1,594,054
Other Non-Operating Cash Disbursements	244,057
Total Non-Operating Cash Disbursements	1,838,111
Excess of Receipts (Under) Disbursements Before Interfund Transfers	(317,692)
Transfers-In	601,644
Transfers-Out	(385,073)
Net Receipts (Under) Disbursements	(101,121)
Fund Cash Balances, January 1	2,845,560
Fund Cash Balances, December 31	\$2,744,439
Reserve for Encumbrances, December 31	\$48,131

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

**VILLAGE OF MONROEVILLE
HURON COUNTY**

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

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$266,230	\$7,564		\$273,794
Municipal Income Tax	464,068			464,068
Special Assessments			\$6,366	6,366
Intergovernmental Receipts	124,422	127,233		251,655
Charges for Services	15,841			15,841
Fines, Licenses, and Permits	65,959	2,692		68,651
Earnings on Investments	32,855	10,408		43,263
Miscellaneous	12,841	32,968		45,809
Total Cash Receipts	982,216	180,865	6,366	1,169,447
Cash Disbursements:				
Current:				
Security of Persons and Property	373,307	16,554		389,861
Public Health Services	1,760			1,760
Leisure Time Activities	68,331			68,331
Community Environment	4,316	142		4,458
Transportation	53,965	58,905		112,870
General Government	155,605			155,605
Capital Outlay	10,915	51,923	5,616	68,454
Total Cash Disbursements	668,199	127,524	5,616	801,339
Total Receipts Over Disbursements	314,017	53,341	750	368,108
Other Financing Receipts and (Disbursements):				
Other Financing Sources	1,618	3,462		5,080
Transfers-In	2	10,010	47,196	57,208
Transfers-Out	(313,728)	(2)		(313,730)
Other Financing Uses	(7,540)			(7,540)
Total Other Financing Receipts/(Disbursements)	(319,648)	13,470	47,196	(258,982)
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(5,631)	66,811	47,946	109,126
Fund Cash Balances, January 1	497,204	181,320	30,146	708,670
Fund Cash Balances, December 31	\$491,573	\$248,131	\$78,092	\$817,796
Reserves for Encumbrances, December 31	\$13,792			\$13,792

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

**VILLAGE OF MONROEVILLE
HURON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$3,979,052
Miscellaneous	200
	3,979,252
Operating Cash Disbursements:	
Personal Services	489,024
Travel Transportation	3,633
Contractual Services	3,060,628
Supplies and Materials	86,535
Capital Outlay	237,871
	3,877,691
Total Operating Cash Disbursements	3,877,691
Operating Income	101,561
Non-Operating Cash Receipts:	
Proceeds from Notes and Bonds	1,385,000
Miscellaneous	496
Other Non-Operating Receipts	52,686
	1,438,182
Total Non-Operating Cash Receipts	1,438,182
Non-Operating Cash Disbursements:	
Debt Service	1,692,655
Other Non-Operating Cash Disbursements	224,518
	1,917,173
Total Non-Operating Cash Disbursements	1,917,173
Excess of Receipts (Under) Disbursements Before Interfund Transfers	(377,430)
Transfers-In	354,352
Transfers-Out	(97,830)
	(120,908)
Net Receipts (Under) Disbursements	(120,908)
Fund Cash Balances, January 1	2,966,468
Fund Cash Balances, December 31	\$2,845,560
Reserve for Encumbrances, December 31	\$35,305

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

**VILLAGE OF MONROEVILLE
HURON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Monroeville, Huron County, (the Village) as a body corporate and politic. A publicly-elected six-member Council governs the Village. The Village provides water, sewer, and electric utilities, park operations, and police services.

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

Ohio Municipal Electric Generation Agency Joint Venture 1 (JV1)

The Village is a participant with twenty-one subdivisions within the State of Ohio in a joint venture to provide a source of supplemental capacity to the participant. On dissolution of the joint venture, the net assets of the JV1 will be shared by the participants on a percentage basis. The JV1 is managed by AMP-Ohio who acts as the joint venture's agent. The Village's net investment and its share of the operating results of JV1 ownership share of the project is 1.85 percent. Complete financial statements for JV1 can be obtained from AMP-Ohio at 2600 Airport Drive, Columbus, Ohio 43219, or from the State Auditor's website at www.auditor.state.oh.us.

Ohio Municipal Electric Generation Agency Joint Venture 2 (JV2)

The Village of Monroeville is a Non-Financing Participant and an Owner Participant with an ownership percentage of 0.57% and shares participation with thirty-five other subdivisions within the State of Ohio in the Ohio Municipal Electric Generation Agency (OMEGA JV2). Owner Participants own undivided interests, as tenants in common, in the OMEGA JV2 Project in the amount of their respective Project Shares. Purchaser Participants agree to purchase the output associated with their respective Project shares, ownership of which is held in trust for such Purchaser Participants.

Pursuant to the OMEGA JV2 Agreement, the participants jointly undertook as either Financing Participants or Non-Financing Participants and as either Owner Participants or Purchaser Participants, the acquisition, construction, and equipping of OMEGA JV2, including such portions of OMEGA JV2 as have been acquired, constructed or equipped by AMP-Ohio and to pay or incur the costs of the same in accordance with the JV2 Agreement.

OMEGA JV2 was created to provide additional sources of reliable, reasonably priced electric power and energy when prices are high or during times of generation shortages or transmission constraints, and to improve the reliability and economic status of the participants' respective municipal electric utility system. The Project consists of 138.65 MW of distributed generation of which 134.081MW is the participants' entitlement and 4.569MW are held in reserve. On dissolution of OMEGA JV2, the net assets will be shared by the participants on a percentage of ownership basis. OMEGA JV2 is managed by AMP-Ohio, which acts as the joint venture's agent. During 2001, AMP-Ohio issued \$50,260,000 of 20 year fixed rate bonds on behalf of the

**VILLAGE OF MONROEVILLE
HURON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Financing Participants of OMEGA JV2. The net proceeds of the bond issue of \$45,904,712 were contributed to OMEGA JV2. The Village's net investment in OMEGA JV2 was \$252,964 at December 31, 2005. Complete financial statements for OMEGA JV2 may be obtained from AMP-Ohio or from the State Auditor's website at www.auditor.state.oh.us.

Ohio Municipal Electric Generation Agency Joint Venture 5 (JV5)

The Village of Monroeville is a Financing Participant with an ownership percentage of 1.02%, and shares participation with forty-one other subdivisions within the State of Ohio in the Ohio Municipal Electric Generation Agency Joint Venture 5 (OMEGA JV5). Financing Participants own undivided interests, as tenants in common, without right of partition in the OMEGA JV5 Project.

Pursuant to the OMEGA JV5 Agreement, the participants jointly undertook as Financing Participants, the acquisition, construction, and equipping of OMEGA JV5, including such portions of OMEGA JV5 as have been acquired, constructed or equipped by AMP-Ohio and to pay or incur the costs of the same in accordance with the OMEGA JV5 Agreement.

OMEGA JV5 was created to construct a run-of-the-river hydroelectric plant and associated transmission facilities (on the Ohio River near the Bellville, West Virginia Locks and Dam) and receives electricity from its operations and to provide backup generation facilities for OMEGA JV5 Participants. The purpose of the OMEGA JV5 Project was to provide additional sources of reliable, reasonably priced electric power and energy when prices are high or during times of generation shortages or transmission constraints, and to improve the reliability and economic status of the participants' respective municipal electric utility system. The Project consists of 42 MW of distributed generation. On dissolution of OMEGA JV5, the net assets will be shared by the financing participants on a percentage of ownership basis. OMEGA JV5 is managed by AMP-Ohio, which acts as the joint venture's agent. During 1993 and 2001 AMP-Ohio issued \$153,415,000 and \$13,899,981 respectively of 30 year fixed rate bonds on behalf of the Financing Participants of OMEGA JV5. The net proceeds of the bond issues of \$134,302,799 from the 1993 issue and \$12,800,000 from the 2001 issue were contributed to OMEGA JV5. The Village's net obligation for these bonds at December 31, 2003 was \$1,376,746 for the 1993 issue and \$161,868 for the 2001 issue. The Village's net investment in OMEGA JV5 was \$80,514 at December 31, 2003. Complete financial statements for OMEGA JV5 may be obtained from AMP-Ohio or from the State Auditor's website at www.auditor.state.oh.us.

**VILLAGE OF MONROEVILLE
HURON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

The Village's liability for the 1993 bonds is disclosed below:

Year	Principal	Interest	Total	Village's Share
2004	\$3,620,000	\$7,295,111	\$10,915,111	\$111,334
2005	3,800,000	7,110,491	\$10,910,491	\$111,287
2006	4,000,000	6,910,991	\$10,910,991	\$111,292
2007	4,215,000	6,695,991	\$10,910,991	\$111,292
2008	4,445,000	6,468,381	\$10,913,381	\$111,316
2009 - 2024	114,895,000	59,703,513	\$174,598,513	\$1,780,905
Total	<u>\$134,975,000</u>	<u>\$94,184,478</u>	<u>\$229,159,478</u>	<u>\$2,337,426</u>

The Village's obligation for principal and interest on the 2001 bonds begins in 2025. The Village's total liability for the 2001 bonds is disclosed below.

Years	Principal	Interest	Maturity
2025	30,950	80,385	111,335
2026	29,242	82,093	111,335
2027	27,622	83,713	111,335
2028	26,089	85,246	111,335
2029	23,620	83,124	106,744
2030	4,261	16,139	20,400
Total Liability	<u>141,784</u>	<u>430,700</u>	<u>572,484</u>

Ohio Municipal Electric Generation Agency Joint Venture 6 (JV6)

The Village of Monroeville is a Financing Participant with an ownership percentage of 1.39%, and shares participation with nine other subdivisions within the State of Ohio in the Ohio Municipal Electric Generation Agency Joint Venture 6 (OMEGA JV6). Financing Participants, after consideration of the potential risks and benefits can choose to be Owner Participants or Purchaser Participants. Owner Participants own undivided interests, as tenants in common in the Project in the amount of its Project Share. Purchase Participants purchase the Project Power associated with its Project Share.

Pursuant to the OMEGA Joint Venture JV6 Agreement (Agreement), the participants agree jointly to plan, acquire, construct, operate and maintain the Project, and hereby agree, to pay jointly for the electric power, energy and other services associated with the Project.

OMEGA JV6 was created to construct four (4) wind turbines near Bowling Green Ohio. Each turbine has a nominal capacity of 1.8MW and sells electricity from its operations to OMEGA JV6 Participants.

**VILLAGE OF MONROEVILLE
HURON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Pursuant to the Agreement each participant has an obligation to pay its share of debt service on the Adjustable Rate Revenue Bonds (Bonds) from the revenues of its electric system, subject only to the prior payment of Operating & Maintenance Expenses (O&M) of each participant's System, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes or other indebtedness payable from any revenues of the System. On dissolution of OMEGA JV6, any excess funds shall be refunded to the Non-Financing Participants in proportion to each Participant's Project Share and to Financing Participant's respective obligations first by credit against the Financing Participant's respective obligations. Any other excess funds shall be paid to the Participants in proportion to their respective Project Shares. Under terms of the Agreement each financing participant is to fix, charge and collect rates, fees, charges, including other available funds, at least sufficient in order to maintain a debt coverage ratio equal to 110% of the sum of OMEGA JV6 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2005, Monroeville has met their debt coverage obligation.

The Agreement provides that the failure of any JV6 participant to make any payment due by the due date constitutes a default. In the event of a default and one in which the defaulting Participant failed to cure its default as provided for in the Agreement, the remaining participants would acquire the defaulting Participant's interest in the project and assume responsibility for the associated payments on a pro rata basis up to a maximum amount equal to 25% of such non-defaulting Participant's Project share ("Step Up Power").

OMEGA JV6 is managed by American Municipal Power-Ohio, Inc. which acts as the joint venture's agent. On July 30, 2004, AMP-Ohio issued \$9,861,000 adjustable rate bonds that mature on August 15, 2019. The net proceeds of the bond issues were used to construct the OMEGA JV6 Project. The Village's net obligation for these bonds at December 31, 2005, was \$110,877.

The Village's net investment to date in OMEGA JV6 was \$122,501 at December 31, 2005. Complete financial statements for OMEGA JV6 may be obtained from AMP-Ohio or from the State Auditor's website at www.auditor.state.oh.us.

The Village's liability for the bonds is disclosed below:

Years	Principal	Interest	Total Debt Service
2006	9,614	3,965	13,579
2007	8,813	4,658	13,471
2008	8,012	5,392	13,404
2009	8,012	5,491	13,503
2010	8,012	5,509	13,521
2011-2019	85,811	26,122	111,933
Total Gross Liability	<u>128,274</u>	<u>51,137</u>	<u>179,411</u>

**VILLAGE OF MONROEVILLE
HURON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

B. Basis of Accounting

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. This basis recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements adequately disclose material matters the Auditor of State prescribes.

C. Cash and Investments

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

The Village values certificates of deposit at cost. Money market mutual funds (including STAR Ohio) are recorded at share values the mutual fund reports.

D. Fund Accounting

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

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

Urban Development Agency Grant (UDAG) Revolving Loan Fund -This fund receives payments for low cost loans provided to businesses through federal grants.

**VILLAGE OF MONROEVILLE
HURON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

3. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise). The Village had the following significant capital project fund:

Municipal Building Construction Fund - This fund receives proceeds of sale of property. The proceeds are being used to construct a new municipal building.

4. Enterprise Funds

These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Funds:

Water Fund - This fund receives charges for services from residents to cover water service costs.

Sewer Fund - This fund receives charges for services from residents to cover sewer service costs.

Electric Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

**VILLAGE OF MONROEVILLE
HURON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

3. Encumbrances

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

A summary of 2005 and 2004 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

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

G. 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.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2005	2004
Cash on Hand	\$200	\$200
Demand deposits	942,961	808,917
Certificates of deposit	1,873,080	1,829,084
Total cash on hand and deposits	2,816,241	2,638,201
STAR Ohio	1,057,060	1,025,155
Total cash on hand, deposits and investments	\$3,873,301	\$3,663,356

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

Investments: Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

**VILLAGE OF MONROEVILLE
HURON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2005 and 2004 follows:

2005 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,081,119	\$1,070,869	(\$10,250)
Special Revenue	166,096	198,588	32,492
Capital Projects	158,467	134,085	(24,382)
Enterprise	6,786,792	6,689,978	(96,814)
Total	<u>\$8,192,474</u>	<u>\$8,093,520</u>	<u>(\$98,954)</u>

2005 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,007,430	\$1,007,153	\$277
Special Revenue	169,058	127,007	42,051
Capital Projects	35,030	6,448	28,582
Enterprise	7,062,131	6,839,230	222,901
Total	<u>\$8,273,649</u>	<u>\$7,979,838</u>	<u>\$293,811</u>

2004 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$801,300	\$983,836	\$182,536
Special Revenue	237,014	194,337	(42,677)
Capital Projects	53,520	53,562	42
Enterprise	5,456,622	5,771,786	315,164
Total	<u>\$6,548,456</u>	<u>\$7,003,521</u>	<u>\$455,065</u>

2004 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,086,168	\$1,003,259	\$82,909
Special Revenue	247,899	127,526	120,373
Capital Projects	21,365	5,616	15,749
Enterprise	6,112,310	5,927,999	184,311
Total	<u>\$7,467,742</u>	<u>\$7,064,400</u>	<u>\$403,342</u>

**VILLAGE OF MONROEVILLE
HURON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Village Council adopts tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The State pays the Village amounts equaling these deductions. The Village includes these with Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half payment is due December 31. The second half payment is due the following June 20.

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

Property owners assess tangible personal property tax. They must file a list of tangible property to the County by each April 30. The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on the Village's behalf.

5. LOCAL INCOME TAX

The Village levies a municipal income tax of 1percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

6. DEBT

Debt outstanding at December 31, 2005, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loans	\$ 661,389	3.72-6.36%
Ohio Public Works Commission Loan	40,662	
American Municipal Power- Ohio Loan	1,275,000	3.35%
Mortgage Revenue Bonds	<u>1,872,000</u>	4.75%
Total	<u>\$ 3,849,051</u>	

The Ohio Water Development Authority (OWDA) loans relates to water and sewer plant expansion projects that were mandated by the Ohio Environmental Protection Agency. The loans are collateralized by water and sewer receipts.

The Ohio Public Works Commission (OPWC) zero interest loan relates to a water line replacement project. The loan is collateralized by the Village's local government fund revenues.

The American Municipal Power – Ohio (AMP-Ohio) loan relates to the purchase of Ohio Municipal Electric Generation Agency Joint Venture 2 (OMEGA-JV2). OMEGA-JV2 is a distributive generation project.

**VILLAGE OF MONROEVILLE
HURON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

6. DEBT – (Continued)

The Mortgage Revenue Bonds relate to acquisition and construction improvements to the Village's water treatment plant, water storage facilities, and water distribution and supply system. As required by the mortgage revenue bond covenant, the Village has established and funded a debt service reserve fund, included as an enterprise fund. The balance in the fund at December 31, 2005, is \$25,140

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

Year ending December 31:	OWDA Loan	OPWC Loan	AMP Ohio	Revenue Bonds
2006	\$61,162	\$6,256	\$1,317,713	\$109,920
2007	61,162	6,256		109,922
2008	61,162	6,256		110,116
2009	61,162	6,256		109,785
2010	61,162	6,255		109,645
2011 - 2015	305,809	9,383		547,545
2016 - 2020	293,033			547,387
2021 - 2025	166,512			546,320
2026 - 2030				548,061
2031 - 2035				547,074
2036 - 2040				547,774
2041				108,940
Total	<u>\$1,071,164</u>	<u>\$40,662</u>	<u>\$1,317,713</u>	<u>\$3,942,489</u>

7. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes the plans' retirement benefits, including postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2005 and 2004, OP&F participants contributed 10 percent of their wages. The Village contributed an amount equal to 19.5 percent of police participant wages. OPERS members contributed 8.5 percent of their wages. The Village contributed an amount equal to 13.55 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2005.

**VILLAGE OF MONROEVILLE
HURON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

8. RISK MANAGEMENT

Risk Pool Membership

The Village belongs to the Ohio Municipal Joint Self-Insurance Pool, (the "Pool"), an unincorporated non-profit association available to municipal corporations and their instrumentalities. The Plan is a separate legal entity per Section 2744 of the Ohio Revised Code. The Pool provides property and casualty insurance for its members. The Plan pays judgments, settlements and other expenses resulting for covered claims that exceed the members' deductibles.

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

The Pool's financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained deficit at December 31.

	<u>2005</u>	<u>2004</u>
Assets	\$ 2,241,661	\$2,309,178
Liabilities	<u>(3,457,720)</u>	<u>(3,343,299)</u>
Accumulated deficit	<u>(\$1,216,059)</u>	<u>(\$1,034,121)</u>

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**Auditor of State
Betty Montgomery**

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

Village of Monroeville
Huron County
2 South Main Street, P. O. Box 156
Monroeville, Ohio 44847-0156

To the Village Council:

We have audited the financial statements of the Village of Monroeville, Huron County, (the Village) as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated November 28, 2006, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Village's management dated November 28, 2006, we reported a matter involving internal control over financial reporting we did not deem a reportable condition.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

One Government Center / Room 1420 / Toledo, OH 43604-2246
Telephone: (419) 245-2811 (800) 443-9276 Fax: (419) 245-2484
www.auditor.state.oh.us

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

We intend this report solely for the information and use of the audit committee, management, and Village Council. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

November 28, 2006



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

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800-282-0370

Facsimile 614-466-4490

VILLAGE OF MONROEVILLE

HURON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 21, 2006**