

VILLAGE OF MOUNT EATON

WAYNE COUNTY, OHIO

AUDIT REPORT

For the Years Ended December 31, 2006 & 2005

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



Mary Taylor, CPA

Auditor of State

Village Council
Village of Mount Eaton
15958 East Main Street
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, 2005 through December 31, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

August 13, 2007

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VILLAGE OF MOUNT EATON
WAYNE COUNTY, OHIO
Audit Report
For the Years Ended December 31, 2006 & 2005

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REPORT OF INDEPENDENT ACCOUNTANTS

Village of Mount Eaton
Wayne County
PO Box 287
15958 East Main Street
Mount Eaton, Ohio 44659

To the Village Council:

We have audited the accompanying financial statements of the Village of Mount Eaton, Wayne County, Ohio (the Village), as and for the years ended December 31, 2006 & 2005. 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 that 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, 2006 & 2005. Instead of the combined funds the accompanying financial statements present for 2006 & 2005, the revision requires presenting entity wide statements and also to present larger (i.e. major) funds separately for 2006 & 2005. While the Village does not follow GAAP, generally accepted auditing standards require 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 the Village does not use GAAP to measure its financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2006 & 2005, 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, 2006 & 2005, or its changes in financial position or cash flows 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 Mount Eaton, Wayne County as of December 31, 2006 & 2005, 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, 2006 & 2005. 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 June 13, 2007, 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, 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 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.

Charles E. Harris & Associates, Inc.
June 13, 2007

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, 2006

	Governmental Fund Types		Total (Memorandum Only)
	General	Special Revenue	
<i>Cash Receipts:</i>			
Property and Other Local Taxes	\$ 20,650	-	\$ 20,650
Municipal Income Tax	69,286	-	69,286
Intergovernmental	15,269	\$ 24,271	39,540
Charges for Services	840	-	840
Fines, Licenses and Permits	62,620	5,990	68,610
Earnings on Investments	6,232	1,050	7,282
Miscellaneous	4,637	-	4,637
Total Cash Receipts	179,534	31,311	210,845
<i>Cash Disbursements:</i>			
<i>Current:</i>			
Security of Persons & Property	80,872	-	80,872
Public Health Service	4,813	-	4,813
Leisure Time Activities	1,354	2,272	3,626
Transportation	-	25,129	25,129
General Government	63,401	2,873	66,274
Total Cash Disbursements	150,440	30,274	180,714
Total Cash Receipts Over/(Under) Cash Disbursements	29,094	1,037	30,131
<i>Other Financing Sources/(Uses):</i>			
Transfers In	-	15,000	15,000
Transfers Out	(15,000)	-	(15,000)
Total Other Financing Sources/(Uses)	(15,000)	15,000	-
Excess of Cash Receipts and Other Sources Over/ (Under) Cash Disbursements and Other Uses	14,094	16,037	30,131
Fund Cash Balance, January 1, 2006	90,123	26,192	116,315
Fund Cash Balance, December 31, 2006	\$ 104,217	\$ 42,229	\$ 146,446

See Accompanying Notes to the Financial Statements

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, 2005

	Governmental Fund Types		Total (Memorandum Only)
	General	Special Revenue	
Cash Receipts:			
Property and Other Local Taxes	\$ 21,218	-	\$ 21,218
Municipal Income Tax	72,751	-	72,751
Intergovernmental	15,403	\$ 20,459	35,862
Charges for Services	1,600	-	1,600
Fines, Licenses and Permits	37,476	5,060	42,536
Earnings on Investments	2,875	481	3,356
Miscellaneous	810	-	810
Total Cash Receipts	152,133	26,000	178,133
Cash Disbursements:			
Current:			
Security of Persons & Property	69,259	-	69,259
Public Health Service	3,755	-	3,755
Leisure Time Activities	1,701	2,466	4,167
Transportation	232	33,800	34,032
General Government	52,979	1,937	54,916
Total Cash Disbursements	127,926	38,203	166,129
Total Cash Receipts Over/(Under) Cash Disbursements	24,207	(12,203)	12,004
Other Financing Sources/(Uses):			
Transfers In	-	10,000	10,000
Transfers Out	(10,000)	-	(10,000)
Total Other Financing Sources/(Uses)	(10,000)	10,000	-
Excess of Cash Receipts and Other Sources Over/ (Under) Cash Disbursements and Other Uses	14,207	(2,203)	12,004
Fund Cash Balance, January 1, 2005	75,916	28,395	104,311
Fund Cash Balance, December 31, 2005	\$ 90,123	\$ 26,192	\$ 116,315

See Accompanying Notes to the Financial Statements

**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, 2006**

	<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	\$ 160,764	-	\$ 160,764
Fines, Licences, and Permits	-	\$ 67,524	67,524
Total Operating Cash Receipts	160,764	67,524	228,288
<i>Operating Cash Disbursements:</i>			
Personal Services	16,575	-	16,575
Employee Fringe Benefits	2,463	-	2,463
Contractual Services	38,505	-	38,505
Supplies and Materials	28,801	-	28,801
Total Operating Cash Disbursements	86,344	-	86,344
Operating Income/(Loss)	74,420	67,524	141,944
<i>Non-Operating Receipts (Disbursements)</i>			
Intergovernmental	6,221	-	6,221
Debt Service			
Principal Payments	(10,100)	-	(10,100)
Interest and Other Fiscal Charges	(43,727)	-	(43,727)
Mayor's Court Distributions	-	(67,524)	(67,524)
Total Non-Operating Receipts (Disbursements)	(47,606)	(67,524)	(115,130)
Excess of Cash Receipts Over/(Under) Cash Disbursements	26,814	-	26,814
Fund Cash Balance, January 1, 2006	307,923	-	307,923
Fund Cash Balance, December 31, 2006	\$ 334,737	\$ -	\$ 334,737

See Accompanying Notes to the Financial Statements

**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, 2005**

	<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	\$ 158,998	-	\$ 158,998
Fines, Licences, and Permits	-	\$ 54,823	54,823
Total Operating Cash Receipts	158,998	54,823	213,821
<i>Operating Cash Disbursements:</i>			
Personal Services	16,250	-	16,250
Employee Fringe Benefits	2,237	-	2,237
Contractual Services	33,361	-	33,361
Supplies and Materials	28,857	-	28,857
Total Operating Cash Disbursements	80,705	-	80,705
Operating Income/(Loss)	78,293	54,823	133,116
<i>Non-Operating Receipts (Disbursements)</i>			
Debt Service			
Principal Payments	(9,800)	-	(9,800)
Interest and Other Fiscal Charges	(44,168)	-	(44,168)
Mayor's Court Distributions	-	(54,823)	(54,823)
Total Non-Operating Receipts (Disbursements)	(53,968)	(54,823)	(108,791)
Excess of Cash Receipts Over/(Under) Cash Disbursements	24,325	-	24,325
Fund Cash Balance, January 1, 2005	283,598	-	283,598
Fund Cash Balance, December 31, 2005	\$ 307,923	\$ -	\$ 307,923

See Accompanying Notes to the Financial Statements

**VILLAGE OF MOUNT EATON
WAYNE COUNTY, OHIO
Notes to the Financial Statements
For The Years Ended December 31, 2006 & 2005**

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 disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e. when an encumbrance is approved.)

These statements include adequate disclosure of material matters, as prescribed by the Auditor of State.

C. CASH AND INVESTMENTS

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

The Village values certificates of deposits at cost.

D. FUND ACCOUNTING

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

1. General Fund

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

VILLAGE OF MOUNT EATON
WAYNE COUNTY, OHIO
Notes to the Financial Statements
For The Years Ended December 31, 2006 & 2005

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

D. **FUND ACCOUNTING** - (continued)

2. **Special Revenue Funds**

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

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

3. **Enterprise Funds**

These 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.

4. **Fiduciary Funds (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 be budgeted annually.

1. **Appropriations**

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

VILLAGE OF MOUNT EATON
WAYNE COUNTY, OHIO
Notes to the Financial Statements
For The Years Ended December 31, 2006 & 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

2. Estimated Resources

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

3. Encumbrances

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

F. PROPERTY, PLANT AND EQUIPMENT

The Village records disbursements for acquisition 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 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:

	2006	2005
Demand Deposits	\$ 471,183	\$ 414,238
Certificates of Deposit	10,000	10,000
Total	\$ 481,183	\$ 424,238

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation; (2) collateralized by securities specifically pledged by the financial institution to the Village or (3) collateralized by the financial institution's public entity deposit pool.

VILLAGE OF MOUNT EATON
WAYNE COUNTY, OHIO
Notes to the Financial Statements
For The Years Ended December 31, 2006 & 2005

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2006 & 2005 is as follows:

<u>Fund Type</u>	<u>2006 Budgeted vs. Actual Receipts</u>		
	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 141,554	\$ 179,534	\$ 37,980
Special Revenue	44,629	46,311	1,682
Enterprise	173,490	166,985	(6,505)
Total	\$ 359,673	\$ 392,830	\$ 33,157

<u>Fund Type</u>	<u>2006 Budgeted vs. Actual Budgetary Basis Expenditures</u>		
	<u>Total Appropriations</u>	<u>Total Expenditures</u>	<u>Variance</u>
General	\$ 212,780	\$ 165,440	\$ 47,340
Special Revenue	54,115	30,274	23,841
Enterprise	175,800	140,171	35,629
Total	\$ 442,695	\$ 335,885	\$ 106,810

<u>Fund Type</u>	<u>2005 Budgeted vs. Actual Receipts</u>		
	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 141,911	\$ 152,133	\$ 10,222
Special Revenue	32,101	36,000	3,899
Enterprise	161,047	158,998	(2,049)
Total	\$ 335,059	\$ 347,131	\$ 12,072

<u>Fund Type</u>	<u>2005 Budgeted vs. Actual Budgetary Basis Expenditures</u>		
	<u>Total Appropriations</u>	<u>Total Expenditures</u>	<u>Variance</u>
General	\$ 186,275	\$ 137,926	\$ 48,349
Special Revenue	48,600	38,203	10,397
Enterprise	178,482	134,673	43,809
Total	\$ 413,357	\$ 310,802	\$ 102,555

**VILLAGE OF MOUNT EATON
WAYNE COUNTY, OHIO
Notes to the Financial Statements
For The Years Ended December 31, 2006 & 2005**

4. PROPERTY TAXES

Real property becomes 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 also taxed on personal and real property located within the Village. Tangible personal property tax is assessed on the property owners, who must file a list of such property to the County by each April 30.

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

5. LOCAL INCOME TAX

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

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

6. RISK MANAGEMENT

The Village belongs to the Ohio Government Risk Management Plan, an unincorporated non-profit association over 600 government entity members providing a formalized, jointly administered self-insurance risk management program and other administrative services.

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine, and other coverages, modified for each member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the member's deductible.

The Plan uses conventional insurance coverage and reinsures these coverage's 100% rather than using a risk pool of member funds to pay individual and collective losses. Therefore, the individual members are only responsible for their self-retention (deductible) amounts which vary from member to member.

Settled claims have not exceeded this commercial coverage in any of the last three years. There have been significant reductions in insurance coverage from last year.

The Village also provides health insurance coverage to full-time employees through a private carrier.

VILLAGE OF MOUNT EATON
WAYNE COUNTY, OHIO
Notes to the Financial Statements
For The Years Ended December 31, 2006 & 2005

7. DEBT

The Village's principal payments during the audit period and outstanding debt balance at December 31, 2006 were as follows:

	Balance 1/1/2005	Redeemed	Balance 12/31/2006
Sewage System Mortgage Revenue Bonds, Series 2003 (Loan 92-02) 4.50%	\$ 743,700	\$ 15,100	\$ 728,600
Sewage System Improvement Bonds, Series 2003-A (Loan 92-04) 4.50%	138,700	2,800	135,900
Sewage System Improvement Bonds, Series 2003-B (Loan 92-07) 4.40%	99,100	2,000	97,100
Total	<u>\$ 981,500</u>	<u>\$ 19,900</u>	<u>\$ 961,600</u>

The amortization of the above debt for the period of 2007 to 2043, including interest, is scheduled as follows:

Debt Amortization Schedule			
Year	Principal	Interest	Total
2007	\$ 10,600	\$ 43,272	\$ 53,872
2008	11,000	42,912	53,912
2009	11,600	42,300	53,900
2010	12,100	41,778	53,878
2011	12,700	41,234	53,934
2012-2016	71,800	197,343	269,143
2017-2021	89,600	179,543	269,143
2022-2026	111,900	157,457	269,357
2027-2031	139,300	129,905	269,205
2032-2036	173,500	95,654	269,154
2037-2041	216,500	52,842	269,342
2042-2043	101,000	6,867	107,867
Total	<u>\$ 961,600</u>	<u>\$ 1,031,107</u>	<u>\$ 1,992,707</u>

**VILLAGE OF MOUNT EATON
WAYNE COUNTY, OHIO
Notes to the Financial Statements
For The Years Ended December 31, 2006 & 2005**

8. PENSION AND RETIREMENT PLAN

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% for year of 2005 and 9.0% for year of 2006 of their gross salaries. For local government employer units, the rate was 13.55% of covered payroll for 2005 and 13.70% of covered payroll for 2006. The contribution rates are determined actuarially. The Village has paid all contributions required through December 31, 2006.

9. CONTINGENT LIABILITIES

Management believes there are no pending claims or lawsuits.

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

**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**

Village of Mount Eaton
Wayne County
PO Box 287
15958 East Main Street
Mount Eaton, Ohio 44659

To the Village Council:

We have audited the financial statements of the Village of Mount Eaton, Wayne County, Ohio (the Village) as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated June 13, 2007, wherein we noted the Village followed accounting practices prescribed or permitted by the Auditor of State of Ohio. 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 Controls Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting practices prescribed or permitted by the Auditor of State of Ohio such that there is more than a remote likelihood that a misstatement of the Village's financial statements that is more than inconsequential will not be prevented or detected by the Village's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Village's internal control.

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

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, grants agreements and other matters, 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 that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we have reported to management of the Village in a separate letter dated June 13, 2007.

This report is intended for the information and use of management and the 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 13, 2007

SCHEDULE OF PRIOR AUDIT FINDINGS

The prior audit report, for the years ending December 31, 2004 and 2003, reported no material citations or recommendations.



Mary Taylor, CPA
Auditor of State

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
AUGUST 23, 2007