

**VILLAGE OF ST. HENRY
MERCER COUNTY, OHIO**

Financial Statements
(Audited)

For The Year Ended
December 31, 2006

RUTH MILLER, FISCAL OFFICER



Mary Taylor, CPA
Auditor of State

Village Council
Village of St. Henry
P.O. Box 410
St. Henry, Ohio 45883

We have reviewed the *Independent Auditors' Report* of the Village of St. Henry, Mercer County, prepared by Julian & Grube, Inc., for the audit period January 1, 2006 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.

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 St. Henry is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

May 22, 2007

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**VILLAGE OF ST. HENRY
MERCER COUNTY, OHIO**

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Julian & Grube, Inc. *Serving Ohio Local Governments*

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Independent Auditors' Report

Members of Council and Mayor
Village of St. Henry
371 North Linn Street
St. Henry, OH 45883

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Village of St. Henry, Mercer County, as of and for the year ended December 31, 2006, which collectively comprise the Village's financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of St. Henry's management. Our responsibility is to express opinions 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 opinions.

As discussed in Note 2, the Village of St. Henry prepares its financial statements and notes on the cash basis of accounting. This is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of St. Henry, Mercer County, Ohio, as of December 31, 2006, and the respective changes in cash basis financial position and the respective budgetary comparison for the General Fund and Special Revenue fund: Income Tax, thereof and for the year then ended in conformity with the basis of accounting as described in Note 2.

As disclosed in Note 3 to the financial statements, the water fund and other enterprise fund net cash assets have been restated at January 1, 2006 due to a fund reclassification.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 25, 2007, on our consideration of the Village of St. Henry's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Independent Auditors' Report
Village of St. Henry
Page Two

The management's discussion and analysis is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in cursive script that reads "Julian & Grube, Inc." with a stylized flourish at the end.

Julian & Grube, Inc.
April 25, 2007

**VILLAGE OF ST. HENRY
MERCER COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED

The management's discussion and analysis of the Village of St. Henry's (the "Village") financial performance provides an overall review of the Village's financial activities for the year ended December 31, 2006, within the limitations of the Village's cash basis of accounting. The intent of this discussion and analysis is to look at the Village's financial performance as a whole; readers should also review the cash-basis financial statements and the notes to the financial statements to enhance their understanding of the Village's financial performance.

Financial Highlights

Key financial highlights for 2006 are as follows:

- The total net cash assets of the Village decreased \$190,119. Net cash assets of governmental activities increased \$112,307, which represents a 16.67% increase over fiscal year 2005. Net cash assets of business-type activities decreased \$302,426 or 45.54% from fiscal year 2005.
- General cash receipts accounted for \$1,472,559 or 84.05% of total governmental activities cash receipts. Program specific cash receipts accounted for \$279,476 or 15.95% of total governmental activities cash receipts.
- The Village had \$1,519,728 in cash disbursements related to governmental activities; \$279,476 of these cash disbursements were offset by program specific charges for services, grants or contributions. General cash receipts (primarily taxes and grants and entitlements) of \$1,472,559 were adequate to provide for these programs.
- The Village's major funds are the general fund and the income tax fund. The general fund had cash receipts and other financing sources of \$741,910 in 2006. The cash disbursements of the general fund totaled \$682,670 in 2006. The general fund's cash balance increased \$59,240 from 2005 to 2006.
- The income tax fund, a Village major fund, had cash receipts of \$834,483 in 2006. The income tax fund had cash disbursements and other financing uses of \$777,712 in 2006. The income tax fund cash balance increased \$56,771 from 2005 to 2006.
- Net cash assets for the Water enterprise fund decreased in 2006 by \$106,511 or 37.87%. The net cash assets for the Sewer enterprise fund decreased in 2006 by \$195,915 or 51.17%.

Using this Cash Basis Basic Financial Statements (BFS)

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the Village's cash basis of accounting.

**VILLAGE OF ST. HENRY
MERCER COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
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The Statement of Net Assets - Cash Basis and Statement of Activities - Cash Basis provide information about the activities of the whole Village, presenting an aggregate view of the Village's cash basis finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the Village's most significant funds with all other nonmajor funds presented in total in one column. In the case of the Village, there are two major governmental funds. The general fund is the largest major fund.

Reporting the Village as a Whole

Statement of Net Assets and the Statement of Activities

The Statement of Net Assets - Cash Basis and the Statement of Activities - Cash Basis answer the question, "How did we do financially during 2006?" These statements include *only net assets* using the *cash basis of accounting*, which is an other comprehensive basis of accounting other than accounting principals generally accepted in the United States of America. This basis of accounting takes into account only the current year's receipts and disbursements if the cash is actually received or paid.

These two statements report the Village's net assets and changes in those assets on a cash basis. This change in net cash assets is important because it tells the reader that, for the Village as a whole, the cash basis financial position of the Village has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the Village's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, mandated federal and state programs and other factors.

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not collected) and liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

In the Statement of Net Assets - Cash Basis and the Statement of Activities - Cash Basis, the Village is divided into two distinct kinds of activities. Governmental Activities - Most of the Village's programs and services are reported here including human services, health, public safety, public works and general government. Business-Type Activities - These services are provided on a charge for goods or services basis to recover all of the cash disbursements of the goods or services provided. The Village's water operating and sewer operating, enterprise funds are reported as business activities.

The Statement of Net Assets - Cash Basis and the Statement of Activities - Cash Basis can be found on pages 13-15 of this report.

Reporting the Village's Most Significant Funds

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Village can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**VILLAGE OF ST. HENRY
MERCER COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
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Fund financial reports provide detailed information about the Village's major funds. The Village uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the Village's most significant funds. The Village's major governmental funds are the General Fund and Income Tax Fund. The analysis of the Village's major governmental funds begins on page 10.

Governmental Funds

Most of the Village's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using the cash basis of accounting, which is a basis of accounting other than accounting principals generally accepted in the United States of America. The governmental fund statements provide a detailed view of the Village's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer cash basis financial resources that can be readily spent to finance various Village programs. Since the Village is reporting on the cash basis of accounting, there are no differences in the Net Assets and fund cash balances or changes in Net Assets and changes in fund cash balances. Therefore, no reconciliation is necessary between such financial statements. However, differences will be apparent when comparing gross cash receipts and cash disbursements on the Fund Financial Statements to the Statement of Activities - Cash Basis due to transfers between governmental funds being eliminated for reporting in the Statement of Activities - Cash Basis. The governmental fund statements can be found on pages 16-17 of this report.

The Village's budgetary process accounts for certain transactions on a cash basis. The budgetary statements for the General Fund and Income Tax Fund are presented to demonstrate the Village's compliance with annually adopted budgets. The budgetary statements can be found on pages 18-19 of this report.

Proprietary Funds

The Village maintains one type of proprietary fund. Enterprise funds use the same basis of accounting (cash basis) as governmental fund activities; therefore, these statements will essentially match the information provided in statements for the Village as a whole. The Village uses enterprise funds to account for its water and sewer operations. The enterprise fund statements can be found on pages 20-21 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the Village. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Village's own programs. The Village's only fiduciary fund is an agency fund. Only the cash held at year end for the agency fund is reported. The Village's Agency fund had no cash at year end.

Notes to the Financial Statements

The notes provide additional information that is essential to full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 22-34 of this report.

**VILLAGE OF ST. HENRY
MERCER COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED

Government-Wide Financial Analysis

Recall that the Statement of Net Assets - Cash Basis provides the perspective of the Village as a whole.

The table below provides a summary of the Village's net cash assets for 2006 and 2005.

	Net Cash Assets					
	Governmental Activities 2006	Business-type Activities 2006	Governmental Activities 2005	Business-type Activities 2005	2006 Total	2005 Total
<u>Assets</u>						
Equity in pooled cash and cash equivalents	\$ 785,957	\$ 361,659	\$ 673,650	\$ 664,085	\$ 1,147,616	\$ 1,337,735
Total assets	<u>785,957</u>	<u>361,659</u>	<u>673,650</u>	<u>664,085</u>	<u>1,147,616</u>	<u>1,337,735</u>
<u>Net Assets</u>						
Restricted for:						
Capital Projects	14,888	-	19,553	-	14,888	19,553
Other Purposes	106,461	-	380,168	-	106,461	380,168
Unrestricted	<u>664,608</u>	<u>361,659</u>	<u>273,929</u>	<u>664,085</u>	<u>1,026,267</u>	<u>938,014</u>
Total net assets	<u>\$ 785,957</u>	<u>\$ 361,659</u>	<u>\$ 673,650</u>	<u>\$ 664,085</u>	<u>\$ 1,147,616</u>	<u>\$ 1,337,735</u>

The total net cash assets of the Village decreased \$190,119. Net cash assets of governmental activities increased \$112,307, which represents a 16.67% increase over fiscal year 2005. Net cash assets of business-type activities decreased \$302,426 or 45.54% from fiscal year 2006.

The balance of governmental activities unrestricted net cash assets of \$664,608 may be used to meet the government's ongoing obligations to citizens and creditors.

**VILLAGE OF ST. HENRY
MERCER COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
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The table below shows the change in net assets for fiscal years 2006 and 2005.

Change in Net Cash Assets

			(Restated)			
	Governmental	Business-Type	Governmental	Business-Type	Total	
	Activities	Activities	Activities	Activities	2006	2005
	2006	2006	2005	2005		
Cash Receipts:						
Program cash receipts:						
Charges for services and sales	\$ 44,326	\$ 784,691	\$ 52,818	\$ 984,804	\$ 829,017	\$ 1,037,622
Operating grants and contributions	235,150	-	98,944	-	235,150	98,944
Capital grants and contributions	-	425,330	-	-	425,330	-
Total program cash receipts	<u>279,476</u>	<u>1,210,021</u>	<u>151,762</u>	<u>984,804</u>	<u>1,489,497</u>	<u>1,136,566</u>
General cash receipts:						
Property and other taxes	86,050	-	70,669	-	86,050	70,669
Income tax	834,483	-	641,020	-	834,483	641,020
Unrestricted grants	116,780	-	239,919	-	116,780	239,919
Sale of assets	-	-	12,120	-	-	12,120
Sale of notes	360,000	400,568	-	-	760,568	-
Investment earnings	58,695	-	23,652	-	58,695	23,652
Other	16,551	-	3,007	-	16,551	3,007
Total general cash receipts	<u>1,472,559</u>	<u>400,568</u>	<u>990,387</u>	<u>-</u>	<u>1,873,127</u>	<u>990,387</u>
Total cash receipts	<u>1,752,035</u>	<u>1,610,589</u>	<u>1,142,149</u>	<u>984,804</u>	<u>3,362,624</u>	<u>2,126,953</u>
Cash Disbursements:						
Security of persons and property	163,731	-	155,923	-	163,731	155,923
Public health services	7,487	-	7,000	-	7,487	7,000
Leisure time activities	217,917	-	111,601	-	217,917	111,601
Transportation	189,538	-	102,525	-	189,538	102,525
General government	217,591	-	231,508	-	217,591	231,508
Debt service	111,000	-	-	-	111,000	-
Capital outlay	612,464	-	293,386	-	612,464	293,386
Other	-	-	2,500	-	-	2,500
Water	-	454,100	-	281,626	454,100	281,626
Sewer	-	1,578,915	-	424,924	1,578,915	424,924
Total cash disbursements	<u>1,519,728</u>	<u>2,033,015</u>	<u>904,443</u>	<u>706,550</u>	<u>3,552,743</u>	<u>1,610,993</u>
Transfers	<u>(120,000)</u>	<u>120,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net cash assets	112,307	(302,426)	237,706	278,254	(190,119)	515,960
Net cash assets at beginning of year (restated)	<u>673,650</u>	<u>664,085</u>	<u>435,944</u>	<u>385,831</u>	<u>1,337,735</u>	<u>821,775</u>
Net cash assets at end of year	<u>\$ 785,957</u>	<u>\$ 361,659</u>	<u>\$ 673,650</u>	<u>\$ 664,085</u>	<u>\$ 1,147,616</u>	<u>\$ 1,337,735</u>

**VILLAGE OF ST. HENRY
MERCER COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED

Governmental Activities

Governmental cash assets increased by \$112,307 in 2006 from 2005.

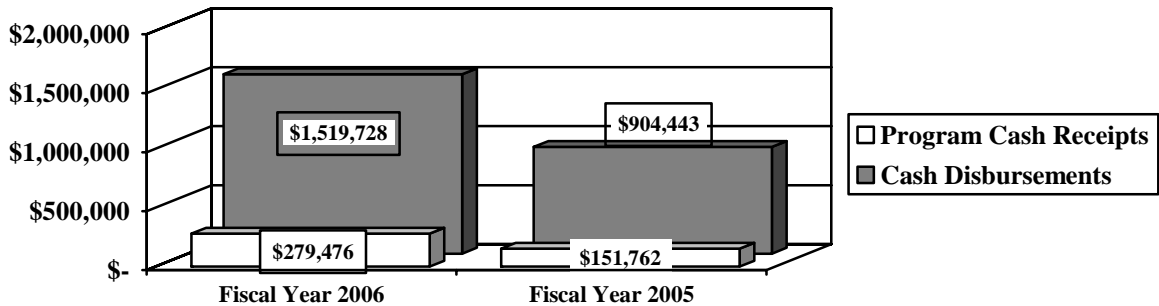
General government represents activities related to the governing body as well as activities that directly support Village programs. In 2006, general government cash disbursements totaled \$217,591, or 14.32% of total governmental cash disbursements. General government service programs are primarily supported by general revenues.

The Village program, capital outlay, accounted for \$612,464 or 40.30% of total governmental cash disbursements. Capital outlay service programs are primarily supported by general revenues.

The Village program, leisure time activities, accounted for \$217,917 or 14.34% of total governmental cash disbursements. Leisure time activities service programs are primarily supported by charges for services and operating grants and contributions.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for 2006 and 2005. That is, it identifies the cost of these services supported by tax receipts and unrestricted state grants and entitlements.

Governmental Activities - Program Cash Receipts vs. Total Cash Disbursements



**VILLAGE OF ST. HENRY
MERCER COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
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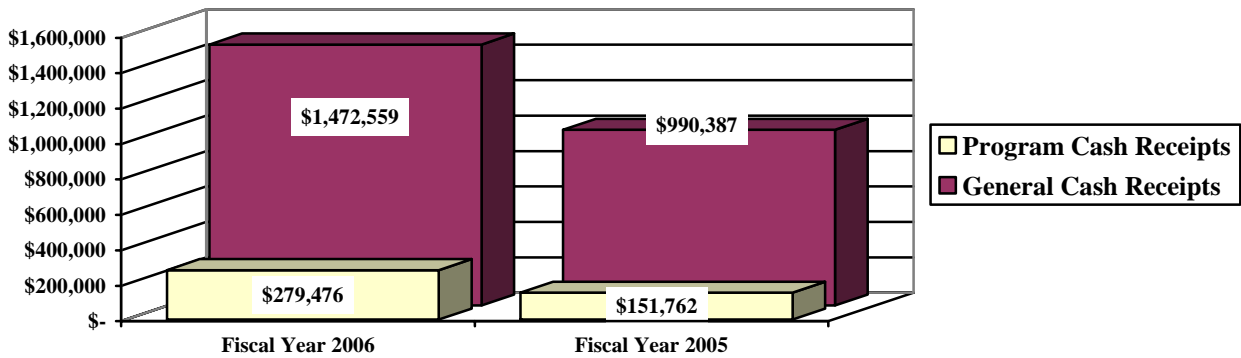
The following table shows, for governmental activities, the total cost of services and the net cost of services for 2006 and 2005.

Governmental Activities

	Total Cost of Services 2006	Net Cost of Services 2006	Total Cost of Services 2005	Net Cost of Services 2005
Cash disbursements:				
Current:				
Security of persons and property	\$ 163,731	\$ 156,686	\$ 155,923	\$ 143,333
Public health services	7,487	7,487	7,000	7,000
Leisure time activities	217,917	67,767	111,601	73,347
Transportation	189,538	67,257	102,525	102,525
General government	217,591	217,591	231,508	130,590
Capital outlay	612,464	612,464	293,386	293,386
Other	-	-	2,500	2,500
Debt service:				
Principal retirement	111,000	111,000	-	-
Total	\$ 1,519,728	\$ 1,240,252	\$ 904,443	\$ 752,681

The dependence upon general cash receipts for governmental activities is apparent; with 81.61% of cash disbursements supported through taxes and other general cash receipts during 2006. The following graph below presents the Village's governmental activities receipts for 2006 and 2005:

Governmental Activities - General and Program Cash Receipts



Business-Type Activities

The Water and Sewer funds are the Village's two major enterprise funds. These programs had cash receipts of \$1,610,589 and cash disbursements of \$2,033,015 for fiscal year 2006. The net cash assets of the programs decreased \$302,426 from 2005.

**VILLAGE OF ST. HENRY
MERCER COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED

Financial Analysis of the Government's Funds

As noted earlier, the Village uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The Village's governmental funds are accounted for using the cash basis of accounting.

The Village's governmental funds reported a combined fund cash balance of \$785,957, which is \$112,307 above last year's total of \$673,650. The schedule below indicates the fund cash balance and the total change in fund cash balance as of December 31, 2006 and December 31, 2005, for all major and nonmajor governmental funds.

	<u>Fund Cash Balance</u> <u>December 31, 2006</u>	<u>Fund Cash Balance</u> <u>December 31, 2005</u>	<u>Increase</u>
Major Funds:			
General	\$ 333,169	\$ 273,929	\$ 59,240
Income Tax	331,439	274,668	56,771
Other Nonmajor Governmental Funds	<u>121,349</u>	<u>125,053</u>	<u>(3,704)</u>
Total	<u>\$ 785,957</u>	<u>\$ 673,650</u>	<u>\$ 112,307</u>

General Fund

The general fund had cash receipts of \$281,910 in 2006. The cash disbursements of the general fund, totaled \$682,670 in 2006. Other financing sources of the general fund totaled \$460,000 in 2006. The general fund's cash balance increased \$59,240 from 2005 to 2006.

The table that follows assists in illustrating the cash receipts of the general fund.

	<u>2006</u> <u>Amount</u>	<u>2005</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Cash Receipts:</u>			
Taxes	\$ 86,050	\$ 70,669	21.76 %
Intergovernmental	116,779	172,398	(32.26) %
Charges for services	7,045	12,590	(44.04) %
Fines, licenses and permits	14,913	8,665	72.11 %
Investment income	55,485	22,588	145.64 %
Other	<u>1,638</u>	<u>3,007</u>	(45.53) %
Total	<u>\$ 281,910</u>	<u>\$ 289,917</u>	(2.76) %

Investment income cash receipts increased due to higher interest earning investments and due to the timing of the maturity of certain certificates of deposit. Taxes increased due to an increase in property tax within the Village. Intergovernmental revenue decreased due to a decrease in money that was received from inheritance tax. Fines, licenses and permits increased due to an increase in cable franchise fees. All other revenue remained comparable to 2005.

**VILLAGE OF ST. HENRY
MERCER COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED

The table that follows assists in illustrating the expenditures of the general fund.

	<u>2006</u> <u>Amount</u>	<u>2005</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Cash Disbursements</u>			
Security of persons and property	\$ 163,731	\$ 155,923	5.01 %
Public health service	7,487	7,000	6.96 %
Transportation	42,774	33,170	28.95 %
General government	23,161	15,861	46.02 %
Capital outlay	<u>445,517</u>	<u>102,576</u>	334.33 %
Total	<u>\$ 682,670</u>	<u>\$ 314,530</u>	117.04 %

Capital outlay expenditures increased due to an increase in excavation/road work during the year. Overall, cash disbursements increased \$368,140 from 2005.

Income Tax Fund

The income tax fund, a Village major fund, had cash receipts of \$834,483 in 2006. The income tax fund had cash disbursements and other financing uses of \$777,712 in 2006. The income tax fund cash balance increased \$56,771 from 2005 to 2006.

Budgeting Highlights - General Fund

The Village's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the general fund.

For the general fund, actual cash receipts and other financing sources of \$741,910 were greater than final and original budget estimates by \$19,479. The original and final budgetary basis disbursements were \$790,610.

**VILLAGE OF ST. HENRY
MERCER COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED

Capital Assets and Debt Administration

Capital Assets

The Village does not record capital assets in the accompanying cash basis financial statements, but records payments for capital assets as disbursements. The Village had capital outlay disbursements of \$612,464 during fiscal year 2006.

Debt Administration

The Village had the following long-term obligations outstanding at December 31, 2006 and 2005:

	Governmental Type Activities <u>2006</u>	Restated Governmental Type Activities <u>2005</u>	Business Type Activities <u>2006</u>	Restated Business Type Activities <u>2005</u>
1994 OPWC Loan	\$ -	\$ -	\$ 37,851	\$ 43,258
1995 OPWC Loan	-	-	65,875	73,625
2002 Promissory Note	-	21,000	-	-
2006 Promissory Note	270,000	-	-	-
2006 Bank Note	-	-	244,094	-
2006 OPWC Loan	-	-	156,474	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total long-term obligations	<u>\$ 270,000</u>	<u>\$ 21,000</u>	<u>\$ 504,294</u>	<u>\$ 116,883</u>

Economic Factors and Next Year's Budgets and Rates

The following economic factors were taken into consideration in preparing the budget for fiscal year 2006:

State funding is expected to remain stable at this point. Municipal Income Tax and property tax revenues are expected to remain consistent as well as expenditures for fiscal year 2007.

The Village is finishing up with a Wastewater Improvement project that has somewhat depleted our fund balance. However, we also have implemented a rate increase to help offset the additional loan payments for the project.

Despite the uncertainty of our Local Government Revenue and Local Government Revenue Assistance Funds, our income tax seems to be consistent. The Village Council intends to continue promoting the business park to promote economic development and job creation.

Our Village's financial position is anticipated to remain stable as we continue our conservative financial management.

Contacting the Village's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the Village's finances and to show the Village's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Ms. Ruth Miller, Fiscal Officer, Village of St. Henry P.O. Box 410, St. Henry, Ohio 45883.

**CASH BASIS
FINANCIAL STATEMENTS**

**VILLAGE OF ST. HENRY
MERCER COUNTY, OHIO**

STATEMENT OF NET ASSETS - CASH BASIS
DECEMBER 31, 2006

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets:			
Equity in pooled cash and cash equivalents	\$ 785,957	\$ 361,659	\$ 1,147,616
Total assets.	<u>785,957</u>	<u>361,659</u>	<u>1,147,616</u>
Net assets:			
Restricted for:			
Other purposes	106,461	-	106,461
Capital projects	14,888	-	14,888
Unrestricted	<u>664,608</u>	<u>361,659</u>	<u>1,026,267</u>
Total net assets	<u>\$ 785,957</u>	<u>\$ 361,659</u>	<u>\$ 1,147,616</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**VILLAGE OF ST. HENRY
MERCER COUNTY, OHIO**

STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2006

	Cash Disbursements	Charges for Services	Program Cash Receipts	
			Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
Security of persons and property	\$ 163,731	\$ 7,045	\$ -	\$ -
Public health services	7,487	-	-	-
Leisure time activities	217,917	37,281	112,869	-
Transportation.	189,538	-	122,281	-
General government.	217,591	-	-	-
Capital outlay	612,464	-	-	-
Debt service:				
Principal retirement	111,000	-	-	-
Total governmental activities	1,519,728	44,326	235,150	-
Business-Type activities:				
Water	454,100	347,589	-	-
Sewer	1,578,915	437,102	-	425,330
Total business-type activities.	2,033,015	784,691	-	425,330
Totals	\$ 3,552,743	\$ 829,017	\$ 235,150	\$ 425,330

General Cash Receipts and Transfers:

Property and other taxes levied for:
General purposes
Income taxes
Grants and entitlements not restricted to specific programs.
Sale of Notes
Other.
Investment receipts
Total general cash receipts.
Transfers.
Change in net cash assets
Net cash assets at beginning of year.
Net cash assets at end of year

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

continued....

Net (Cash Disbursements) Cash Receipts and Changes in Net Cash Assets

Governmental Activities	Business-type Activities	Total
\$ (156,686)	\$ -	\$ (156,686)
(7,487)	-	(7,487)
(67,767)	-	(67,767)
(67,257)	-	(67,257)
(217,591)	-	(217,591)
(612,464)	-	(612,464)
<u>(111,000)</u>	<u>-</u>	<u>(111,000)</u>
<u>(1,240,252)</u>	<u>-</u>	<u>(1,240,252)</u>
-	(106,511)	(106,511)
<u>-</u>	<u>(716,483)</u>	<u>(716,483)</u>
-	(822,994)	(822,994)
<u>(1,240,252)</u>	<u>(822,994)</u>	<u>(2,063,246)</u>
86,050	-	86,050
834,483	-	834,483
116,780	-	116,780
360,000	400,568	760,568
16,551	-	16,551
<u>58,695</u>	<u>-</u>	<u>58,695</u>
1,472,559	400,568	1,873,127
<u>(120,000)</u>	<u>120,000</u>	<u>-</u>
112,307	(302,426)	(190,119)
<u>673,650</u>	<u>664,085</u>	<u>1,337,735</u>
<u>\$ 785,957</u>	<u>\$ 361,659</u>	<u>\$ 1,147,616</u>

**VILLAGE OF ST. HENRY
MERCER COUNTY, OHIO**

STATEMENT OF ASSETS AND FUND BALANCES ARISING FROM CASH TRANSACTIONS
GOVERNMENTAL FUNDS
DECEMBER 31, 2006

	General	Income Tax	Other Governmental Funds	Total Governmental Funds
Cash assets:				
Equity in pooled cash and cash equivalents	\$ 333,169	\$ 331,439	\$ 121,349	\$ 785,957
Total assets	<u>\$ 333,169</u>	<u>\$ 331,439</u>	<u>\$ 121,349</u>	<u>\$ 785,957</u>
Fund cash balances:				
Unreserved, undesignated, reported in:				
General fund	\$ 333,169	\$ -	\$ -	\$ 333,169
Special revenue funds	-	331,439	106,461	437,900
Capital projects funds	-	-	14,888	14,888
Total fund cash balances	<u>\$ 333,169</u>	<u>\$ 331,439</u>	<u>\$ 121,349</u>	<u>\$ 785,957</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**VILLAGE OF ST. HENRY
MERCER COUNTY, OHIO**

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>General</u>	<u>Income Tax</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash receipts:				
Property taxes and other local taxes	\$ 86,050	\$ 834,483	\$ 8,133	\$ 928,666
Intergovernmental	116,779	-	227,018	343,797
Charges for services	7,045	-	37,281	44,326
Fines, licenses and permits.	14,913	-	-	14,913
Interest.	55,485	-	3,210	58,695
Other.	1,638	-	-	1,638
Total cash receipts	<u>281,910</u>	<u>834,483</u>	<u>275,642</u>	<u>1,392,035</u>
Cash disbursements:				
Current:				
Security of persons and property	163,731	-	-	163,731
Public health services	7,487	-	-	7,487
Leisure time activities	-	-	217,917	217,917
Transportation	42,774	-	146,764	189,538
General government	23,161	194,430	-	217,591
Capital outlay	445,517	162,282	4,665	612,464
Debt service:				
Principal retirement	-	111,000	-	111,000
Total cash disbursements	<u>682,670</u>	<u>467,712</u>	<u>369,346</u>	<u>1,519,728</u>
Excess (deficiency) of cash receipts over (under) cash disbursements	<u>(400,760)</u>	<u>366,771</u>	<u>(93,704)</u>	<u>(127,693)</u>
Other financing sources (uses):				
Sale of notes	360,000	-	-	360,000
Transfers in.	100,000	-	90,000	190,000
Transfers out	-	(310,000)	-	(310,000)
Total other financing sources (uses).	<u>460,000</u>	<u>(310,000)</u>	<u>90,000</u>	<u>240,000</u>
Net change in fund cash balances	59,240	56,771	(3,704)	112,307
Cash basis balances				
at beginning of year	<u>273,929</u>	<u>274,668</u>	<u>125,053</u>	<u>673,650</u>
Cash basis balances at end of year	<u>\$ 333,169</u>	<u>\$ 331,439</u>	<u>\$ 121,349</u>	<u>\$ 785,957</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**VILLAGE OF ST. HENRY
MERCER COUNTY, OHIO**

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN CASH BASIS FUND
BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Budgetary basis receipts:				
Property and other local taxes	\$ 76,453	\$ 76,453	\$ 86,050	\$ 9,597
Intergovernmental.	102,178	102,178	116,779	14,601
Charges for services	5,508	5,508	7,045	1,537
Fines, licenses and permits	10,010	10,010	14,913	4,903
Interest	12,000	12,000	55,485	43,485
Other	1,282	1,282	1,638	356
Total budgetary basis receipts	<u>207,431</u>	<u>207,431</u>	<u>281,910</u>	<u>74,479</u>
Budgetary basis disbursements:				
Current:				
Security of persons and property	196,240	196,240	163,731	32,509
Public health services.	7,500	7,500	7,487	13
Transportation	54,550	54,550	42,774	11,776
General government	35,900	35,900	23,161	12,739
Capital outlay	496,420	496,420	445,517	50,903
Total budgetary basis disbursements.	<u>790,610</u>	<u>790,610</u>	<u>682,670</u>	<u>107,940</u>
Excess (deficiency) of budgetary basis receipts over (under) budgetary basis disbursements.	<u>(583,179)</u>	<u>(583,179)</u>	<u>(400,760)</u>	<u>182,419</u>
Other financing sources/(uses):				
Sale of notes	360,000	360,000	360,000	-
Transfers in.	155,000	155,000	100,000	(55,000)
Total other financing sources/(uses)	<u>515,000</u>	<u>515,000</u>	<u>460,000</u>	<u>(55,000)</u>
Net change in fund cash balance	(68,179)	(68,179)	59,240	127,419
Cash basis balance at beginning of year	<u>273,929</u>	<u>273,929</u>	<u>273,929</u>	<u>-</u>
Cash basis balance at end of year.	<u>\$ 205,750</u>	<u>\$ 205,750</u>	<u>\$ 333,169</u>	<u>\$ 127,419</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**VILLAGE OF ST. HENRY
MERCER COUNTY, OHIO**

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN CASH BASIS FUND
BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS)
INCOME TAX FUND
FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary basis receipts:				
Income taxes	\$ 575,000	\$ 575,000	\$ 834,483	\$ 259,483
Total budgetary basis receipts	<u>575,000</u>	<u>575,000</u>	<u>834,483</u>	<u>259,483</u>
Budgetary basis disbursements:				
Current:				
General government	232,625	232,625	194,430	38,195
Capital outlay	169,240	169,240	162,282	6,958
Debt service:				
Principal retirement	<u>115,760</u>	<u>115,760</u>	<u>111,000</u>	<u>4,760</u>
Total budgetary basis disbursements.	<u>517,625</u>	<u>517,625</u>	<u>467,712</u>	<u>49,913</u>
Excess (deficiency) of budgetary basis receipts over (under) budgetary basis disbursements	<u>57,375</u>	<u>57,375</u>	<u>366,771</u>	<u>309,396</u>
Other financing sources/(uses):				
Transfers out	<u>(327,000)</u>	<u>(327,000)</u>	<u>(310,000)</u>	<u>17,000</u>
Total other financing sources/(uses)	<u>(327,000)</u>	<u>(327,000)</u>	<u>(310,000)</u>	<u>17,000</u>
Net change in fund cash balance	(269,625)	(269,625)	56,771	326,396
Cash basis balance at beginning of year	<u>274,668</u>	<u>274,668</u>	<u>274,668</u>	<u>-</u>
Cash basis balance at end of year.	<u>\$ 5,043</u>	<u>\$ 5,043</u>	<u>\$ 331,439</u>	<u>\$ 326,396</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**VILLAGE OF ST. HENRY
MERCER COUNTY, OHIO**

STATEMENT OF CASH BASIS ASSETS AND NET CASH ASSETS
ENTERPRISE FUNDS
DECEMBER 31, 2006

	Business-type Activities - Enterprise Funds		
	Water	Sewer	Total
Cash assets:			
Current assets:			
Equity in pooled cash and cash equivalents.	\$ 174,733	\$ 186,926	\$ 361,659
Total assets	174,733	186,926	361,659
Net cash assets:			
Unrestricted.	174,733	186,926	361,659
Total net cash assets.	\$ 174,733	\$ 186,926	\$ 361,659

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**VILLAGE OF ST. HENRY
MERCER COUNTY, OHIO**

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN NET CASH ASSETS
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Operating cash receipts:			
Charges for services	\$ 326,286	\$ 436,652	\$ 762,938
Other operating cash receipts	-	450	450
Total operating cash receipts	<u>326,286</u>	<u>437,102</u>	<u>763,388</u>
Operating cash disbursements:			
Personal services	107,487	105,991	213,478
Employee Fringe Benefits	14,743	17,053	31,796
Contractual services	261,586	226,861	488,447
Materials and supplies	47,116	162,875	209,991
Capital Outlay	-	1,055,469	1,055,469
Other	10,011	10,666	20,677
Total operating cash disbursements	<u>440,943</u>	<u>1,578,915</u>	<u>2,019,858</u>
Operating cash receipts over/(under) operating cash disbursements	<u>(114,657)</u>	<u>(1,141,813)</u>	<u>(1,256,470)</u>
Nonoperating cash receipts (disbursements):			
Intergovernmental receipts.	-	425,330	425,330
Special assessment.	21,303	-	21,303
Sale of notes.	-	400,568	400,568
Debt service:			
Principal	(13,157)	-	(13,157)
Transfers in	-	120,000	120,000
Total nonoperating cash receipts (disbursements).	<u>8,146</u>	<u>945,898</u>	<u>954,044</u>
Changes in net cash assets.	(106,511)	(195,915)	(302,426)
Net cash assets at beginning of year (restated).	<u>281,244</u>	<u>382,841</u>	<u>664,085</u>
Net cash assets at end of year	<u>\$ 174,733</u>	<u>\$ 186,926</u>	<u>\$ 361,659</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**VILLAGE OF ST. HENRY
MERCER COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 1 - DESCRIPTION OF THE ENTITY

The Village of St. Henry (the "Village") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The Village operates under a council-mayor form of government and provides the following services: water and sewer utilities, street construction, maintenance and repair, park operations, police services, Mayors court, as well as other general government services.

Management believes the financial statements included in this report represent all of the funds of the Village over which the Village officials are financially accountable.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

The Village chooses to prepare its financial statements and notes on the basis of cash receipts and disbursements. The cash receipts and disbursements basis of accounting is a comprehensive basis of accounting other than GAAP. 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, in accordance with the basis of accounting described in the preceding paragraph.

B. Fund Accounting

The Village uses funds to maintain its financial records during the year. Fund accounting is a concept development 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. The Village classifies each fund as either governmental, proprietary or fiduciary.

Governmental Funds - The Village classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants) and other non-exchange transactions as governmental funds. The following are the Village's major governmental funds:

General Fund - This fund is used to account for all financial resources of the Village except those required to be accounted for in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Income Tax Fund - This fund accounts for all transactions relating to the administration of the Village's municipal income tax.

**VILLAGE OF ST. HENRY
MERCER COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Other governmental funds of the Village are used to account for grants and other resources, and capital projects whose use is restricted to a particular purpose.

Proprietary Funds - These funds are used to account for activities that are financed and operated in a manner similar to private business enterprises where the intent is that costs of providing services to the general public on a continuing basis be financed or recovered primarily through user charges. The following are the Village's major enterprise funds:

Water Fund - This fund accounts for the provision of water treatment and distribution to its residential and commercial users located within the Village.

Sewer Fund - This fund accounts for the user charges and expenses of maintaining the sewer lines and facilities of the Village.

Fiduciary Funds - Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Village's only fiduciary fund is an agency fund which accounts for the Village's Mayor's Court, which had no cash balance at December 31, 2006.

C. Basis of Presentation and Measurement Focus

Government-wide Statement of Activities - Cash Basis - This statement displays information about the Village as a whole, except for fiduciary funds. The statement distinguishes between those activities of the Village that are governmental and those that are considered business-type activities.

The government-wide statement of activities - cash basis compares disbursements with program receipts for each segment of the business-type activities of the Village and for each function or program of the Village's governmental activities. These disbursements are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program receipts include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Receipts which are not classified as program receipts are presented as general receipts of the Village. The comparison of direct disbursements with program receipts identifies the extent to which each business segment or governmental function is self-financing on the cash basis or draws from the general receipts of the Village.

Fund Financial Statements - Fund financial statements report detailed information about the Village. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

Proprietary funds distinguish operating transactions from nonoperating transactions. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating transactions of the Village's proprietary funds are charges for sales and services, and include personnel and other disbursements related to the operations of the enterprise activity. All other receipts and disbursements not meeting these definitions are reported as nonoperating transactions.

**VILLAGE OF ST. HENRY
MERCER COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimate resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, except agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the item level within each department within each fund. Any budgetary modifications at this level may only be made by resolution of the Village's Council.

Tax Budget:

A budget of estimated cash receipts and disbursements is submitted to the County Auditor, as secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year. The expressed purpose of the tax budget is to reflect the need for existing (or increased) tax rates.

Estimated Resources:

The County Budget Commission determines if the budget substantiates a need to levy the full amount of authorized property tax rates and reviews receipt estimates. The County Budget Commission certifies its actions to the Village by September 1. As part of this certification, the Village receives the official certificate of estimated resources, which states the projected receipts of each fund. On or about January 1, the certificate is amended to include unencumbered fund balances at December 31 of the preceding year. Further amendments may be made during the year if the Village determined that receipts collected will be greater than or less than the prior estimate, and the Budget Commission find the revised estimate to be reasonable. Prior to December 31, the Village must revise its budget so that the total contemplated expenditures from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. The amounts reported within the budgetary statements reflect the original and final estimated resources as certified by the County Budget Commission.

Appropriations:

A temporary appropriation measure to control cash disbursements may be passed on or about January 1 of each year for the period January to March 31. An annual appropriation measure must be passed by April 1 of each year for the period January 1 to December 31. The appropriations measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources. The Village had no appropriation amendments during 2006. The budgetary statement reflects the original and final appropriations as approved by Council.

Encumbrances:

As part of the formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation.

**VILLAGE OF ST. HENRY
MERCER COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be re-appropriated. The Village had no outstanding encumbrances at year end.

E. Cash and Cash Equivalents

To improve cash management, cash received by the Village is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the Village's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements. Interest earnings are allocated as authorized by State statute.

F. Capital Assets

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

G. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the basis of accounting used by the Village (See Note 2.A.).

H. Long-term Obligations

Bonds and other long-term obligations are not recognized as a liability in the financial statements under the cash basis of accounting. These statements report proceeds of debt when cash is received, and debt service disbursements for debt principal payments.

I. Net Assets

Net assets are reported as restricted when enabling legislation or creditors, grantors or laws or regulations of other governments have imposed limitations on its use.

The Village first applies restricted resources when a disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

J. Interfund Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general receipts.

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchasing funds. Nonexchange flows of cash from one fund to another are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented on the basic financial statements.

**VILLAGE OF ST. HENRY
MERCER COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 3 - ACCOUNTABILITY & COMPLIANCE

- A. The Village has restated its water fund (major fund) and other enterprise fund net cash assets at December 31, 2005. This was the result of combining the water improvement fund (other enterprise) with the water major fund. This resulted in the following change to net cash assets:

<u>Net Cash Assets</u>	<u>Water Fund</u>	<u>Other Enterprise Fund</u>
December 31, 2005 Restatement	\$ 250,808	\$ 30,436
Fund reclassification	<u>30,436</u>	<u>(30,436)</u>
Restated balance December 31, 2005	<u>\$ 281,244</u>	<u>\$ -</u>

- B. For 2006, the Village has implemented GASB Statement No. 46, "Net Assets Restricted by Enabling Legislation". GASB Statement No. 46 defines enabling legislation and specifies how net cash assets should be reported in the financial statements when there are changes in such legislation. The Statement also requires governments to disclose in the notes to the financial statements the amount of net cash assets restricted by enabling legislation.

The implementation of GASB Statement No. 46 did not have an effect on the fund cash balances/net cash assets of the Village as previously reported at December 31, 2005.

NOTE 4 - DEPOSITS AND INVESTMENTS

State statutes classify monies held by the Village into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the Village treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Village has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim moneys are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Protection of Village's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Village by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Interim monies to be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

**VILLAGE OF ST. HENRY
MERCER COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time: and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Village, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Deposits with Financial Institutions

At December 31, 2006, the carrying amount of all Village deposits was \$1,147,616. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2006, \$1,089,892 of the Village's bank balance of \$1,239,892 was exposed to custodial risk as discussed below, while \$150,000 was covered by Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that, in the event of bank failure, the Village's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Village.

**VILLAGE OF ST. HENRY
MERCER COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

B. Reconciliation of Cash and Investment to the Statement of Net Assets

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net assets as of December 31, 2006:

<u>Cash and Investments per footnote</u>	
Carrying amount of deposits	<u>\$ 1,147,616</u>
 <u>Cash and Investments per Statement of Net Assets</u>	
Governmental activities	\$ 785,957
Business type activities	<u>361,659</u>
Total	<u>\$ 1,147,616</u>

The Village had no investments at December 31, 2006.

NOTE 5 - DEBT OBLIGATIONS

At December 31, 2006, debt obligations for governmental type activities consisted of the following issuance:

2006 Promissory note, due in annual payments of \$90,000 through 2009, interest free.	<u>\$ 270,000</u>
Balance at December 31, 2006	<u>\$ 270,000</u>

At December 31, 2006, debt obligations for business type activities consisted of the following issuances:

1994 Ohio Public Works Commission (OPWC) Main Street Water Line Loan, due in semiannual payments of \$2,703 through 2013, interest free.	\$ 37,851
1995 Ohio Public Works Commission (OPWC) Water Treatment Plant Expansion Loan, due in semiannual payments of \$3,875 through 2015, interest free.	65,875
2006 Bank note, payable in semi-annual payments of \$30,658 beginning December 27, 2007 and is a variable rate loan.	244,094
2006 Ohio Public Works Commission (OPWC) Water Treatment Plant Expansion Loan Bearing 0% interest and due by project completion.	<u>156,474</u>
Balance at December 31, 2006	<u>\$ 504,294</u>

**VILLAGE OF ST. HENRY
MERCER COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 5 - DEBT OBLIGATIONS - (Continued)

Transactions for the year ended December 31, 2006, are summarized as follows:

<u>Governmental:</u>	Balance			Amounts	
	<u>12/31/05</u>	<u>Proceeds</u>	<u>Payments</u>	<u>Balance 12/31/2006</u>	<u>Due in One Year</u>
2002 Promissory Note	\$ 21,000	\$ -	\$ (21,000)	\$ -	\$ -
2006 Promissory Note	-	360,000	(90,000)	270,000	90,000
Total All Funds	<u>\$ 21,000</u>	<u>\$ 360,000</u>	<u>\$ (111,000)</u>	<u>\$ 270,000</u>	<u>\$ 90,000</u>

<u>Business Type:</u>	Balance			Amounts	
	<u>12/31/05</u>	<u>Proceeds</u>	<u>Payments</u>	<u>Balance 12/31/2006</u>	<u>Due in One Year</u>
1994 OPWC Loan	\$ 43,258	\$ -	\$ (5,407)	\$ 37,851	\$ 5,407
1995 OPWC Loan	73,625	-	(7,750)	65,875	7,750
2006 Bank Note	-	244,094	-	244,094	30,658
2006 OPWC	-	156,474	-	156,474	-
Total All Funds	<u>\$ 116,883</u>	<u>\$ 400,568</u>	<u>\$ (13,157)</u>	<u>\$ 504,294</u>	<u>\$ 43,815</u>

The principal requirements to retire the debt obligations for governmental type activities outstanding at December 31, 2006, are as follows:

<u>Year Ending</u> <u>December 31,</u>	<u>2006</u> <u>Promissory Note</u> <u>Principal</u>
	2007
2008	90,000
2009	90,000
Totals	<u>\$ 270,000</u>

**VILLAGE OF ST. HENRY
MERCER COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 5 - DEBT OBLIGATIONS - (Continued)

The principal requirements to retire the debt obligations for business type activities outstanding at December 31, 2006, are as follows:

Year Ending December 31,	1994	1995	Total Principal
	<u>OPWC Loan Principal</u>	<u>OPWC Loan Principal</u>	
2007	\$ 5,406	\$ 7,750	\$ 13,156
2008	5,406	7,750	13,156
2009	5,406	7,750	13,156
2010	5,406	7,750	13,156
2011	5,406	7,750	13,156
2012-2015	<u>10,821</u>	<u>27,125</u>	<u>37,946</u>
Totals	<u>\$ 37,851</u>	<u>\$ 65,875</u>	<u>\$ 103,726</u>

The 2006 Bank note and 2006 OPWC Loan have not been fully disbursed as of December 31, 2006 and thus a debt requirement schedule has not been presented. The bank and OPWC will provide an amortization schedule upon the loans being fully disbursed.

NOTE 6 - PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the County. 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. Real property taxes are payable annually or semiannually to the County. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20 of the following year. Under certain circumstances, state statute permits later payment dates to be established.

Public utilities are also 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 ST. HENRY
MERCER COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 6 - PROPERTY TAX - (Continued)

The assessed values of real and tangible personal property upon which 2006 property tax receipts were based are as follows:

	<u>2006</u>
Real property tax	\$ 38,448,830
Public utility tangible personal property	495,080
Tangible personal property	<u>2,915,770</u>
Total assessed valuation	<u>\$ 41,859,680</u>

NOTE 7 - LOCAL INCOME TAX

This locally levied tax of 1.0% applies to gross salaries, wages and other personal service compensation earned by residents both in and out of the Village and to earnings of nonresidents (except certain transients) earned in the Village. It also applies to the net income of business organizations located within the Village. The Village collected \$834,483 in 2006 in income tax receipts which are received directly into the Income Tax Special Revenue fund and transferred to various funds for operations.

NOTE 8 - DEFINED BENEFIT PENSION PLAN

A. Ohio Public Employees Retirement System

The Village participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member-directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member- directed plan do not qualify for ancillary benefits. Authority to established and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

For the year ended December 31, 2006, the members of all three plans, except those in law enforcement under the traditional plan, were required to contribute 9.0% of their annual covered salaries. Members participating in the traditional plan that were in law enforcement contributed 10.1% of their annual covered salary. The Village's contribution rate for pension benefits for 2006 was 9.20%, except for those plan members in law enforcement and public safety. For those classifications, the Village's pension contributions were 12.43% of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

**VILLAGE OF ST. HENRY
MERCER COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 8 - DEFINED BENEFIT PENSION PLAN - (Continued)

The Village's contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2006, 2005, and 2004 were \$50,271, \$47,585, and \$41,212, respectively; 100% has been contributed for 2006, 2005, and 2004.

B. Ohio Police and Fire Pension Fund

The Village contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10.0% of their annual covered salary, while the Village is required to contribute 19.50% and 24.0% for police officers and firefighters, respectively. The portion of the Village's contributions to fund pension obligations was 11.75% for police officers and 16.25% for firefighters. The Village's contributions for pension obligations to OP&F for the years ended December 31, 2006, 2005, and 2004 were \$14,488, \$14,379, and \$13,743, respectively; 100% has been contributed for 2006, 2005, and 2004.

NOTE 9 - POSTRETIREMENT BENEFIT PLANS

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits other than Pension Benefits by State and Local Government Employers". A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2006 local government employer contribution rate was 13.70% of covered payroll (16.93% for public safety and law enforcement); 4.50% of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2005, include a rate of return on investments of 6.50%, an annual increase in active employee total payroll of 4.00% compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50% and 6.30% based on additional annual pay increases. Health care premiums were assumed to increase at the projected wage inflation rate (4.00%) plus an additional factor ranging from .50% to 6.00% for the next nine years. In subsequent years, (10 and beyond) health care costs were assumed to increase at 4.00%.

All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach, assets are adjusted to reflect 25% of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12% corridor.

**VILLAGE OF ST. HENRY
MERCER COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 9 - POSTRETIREMENT BENEFIT PLANS - (Continued)

The number of active contributing participants in the traditional and combined plans was 369,214 as of December 31, 2006. The Village's actual employer contributions for 2006 which were used to fund postemployment benefits were \$50,272. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2005 (the latest information available) were \$11.1 billion. At December 31, 2005 (the latest information available), the actuarially accrued liability and the unfunded actuarial accrued liability were \$31.3 billion and \$20.2 billion, respectively.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, is effective on January 1, 2007. OPERS took additional actions to improve the solvency of the Health care Fund in 2005 by creating a separate investment pool for health care assets. Member and employer contribution rates increased as of January 1, 2006, and January 1, 2007, which will allow additional fund to be allocated to the health care plan.

B. Ohio Police and Fire Pension Fund

The Ohio Police and Fire Pension Fund (OP&F) provides postretirement health care coverage to any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school full-time or on a 2/3 basis.

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits other than Pension Benefits by State and Local Government Employers". The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the funds of OP&F shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution rate is 19.5% of covered payroll and the total firefighter employer contribution rate is 24% of covered payroll, of which 7.75% of covered payroll was applied to the postemployment health care program during 2005 and 2006. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The Village's actual contributions for 2006 that were used to fund postemployment benefits was \$1,123 for police. The OP&F's total health care expense for the year ended December 31, 2005 (the latest information available) was \$108.039 million, which was net of member contributions of \$55.272 million. The number of OP&F participants eligible to receive health care benefits as of December 31, 2005 (the latest information available), was 13,922 for police and 10,537 for firefighters.

**VILLAGE OF ST. HENRY
MERCER COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 10 - RISK MANAGEMENT

The Village belongs to the Ohio Government Risk Management Plan (the "Plan"), an unincorporated non-profit association with approximately 600 governmental 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 coverage, 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 coverages and reinsures these coverages. Effective September 1, 2002, the Plan retains 5% of the premium and losses on the first \$500,000 casualty treaty (up to \$25,000 of a loss) and 5% of the first \$1,000,000 property treatment (up to \$50,000 of a loss). The plan also participates in a loss corridor in its first \$500,000 casualty reinsurance. The corridor includes losses paid between 55% and 65% of premiums earned under this treaty. (Reinsurance coverage would resume after a paid loss ratio of 65% is exceeded.) The individual members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years. There has been no significant reduction in amounts of insurance coverage from 2005.

NOTE 11 - CONTINGENT LIABILITY

LITIGATION

The Village is not currently involved in litigation that the Village's legal counsel anticipates a loss.

NOTE 12 - INTERFUND TRANSACTIONS

Interfund transfers for the year ended December 31, 2006, consisted of the following, as reported in the fund financial statements:

<u>Transfer to</u>	<u>Transfer From</u>
	<u>Income Tax</u>
General Fund	\$ 100,000
Parks and Recreation Fund	90,000
Sewer Operating	<u>120,000</u>
Total	<u>\$ 310,000</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. All transfers were made in accordance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.15.



Julian & Grube, Inc.
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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***

Members of Council and Mayor
Village of St. Henry
371 North Linn Street
St. Henry, Ohio 45883

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Village of St. Henry, Mercer County, Ohio, as of and for the year ended December 31, 2006, and have issued our report thereon dated April 25, 2007, wherein we noted the Village of St. Henry prepared its financial statements on the cash basis, a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. As disclosed in Note 3 to the financial statements, the water fund and other enterprise fund net cash assets have been restated at January 1, 2006 due to a fund reclassification. 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 *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 of St. Henry'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 of St. Henry's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village of St. Henry'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 entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity'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 entity's internal control.

Our consideration of internal control over financial reporting was for 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.

Members of Council and Mayor
Village of St. Henry

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village of St. Henry'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*.

In addition, we noted other matters involving the internal control and its operations and compliance and other matters that we reported to the management of the Village in a separate letter dated April 25, 2007.

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

A handwritten signature in cursive script that reads "Julian & Grube, Inc." The signature is written in black ink and is positioned above the printed name of the firm.

Julian & Grube, Inc.
April 25, 2007



Mary Taylor, CPA
Auditor of State

VILLAGE OF ST. HENRY

MERCER 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
JUNE 5, 2007**