

VILLAGE OF MENDON

MERCER COUNTY

REGULAR AUDIT

JANUARY 1, 2006 THROUGH DECEMBER 31, 2007

FISCAL YEARS AUDITED UNDER GAGAS: 2007 & 2006

Caudill & Associates, CPA's

725 5th Street
Portsmouth, OH 45662



Mary Taylor, CPA
Auditor of State

Village Council
Village of Mendon
102 South Main Street
P.O. Box 167
Mendon, Ohio 45862

We have reviewed the *Independent Auditor's Report* of the Village of Mendon, Mercer County, prepared by Caudill & Associates, CPA's, for the audit period January 1, 2006 through December 31, 2007. 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 Mendon is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

November 5, 2008

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Mercer County, Ohio
For the Years Ended December 31, 2007 and 2006
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Caudill & Associates, CPA's

725 5th Street
Portsmouth, OH 45662

Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants
Kentucky Society of Certified Public Accountants

To the Village Council
Village of Mendon
P.O. Box 167
102 South Main Street
Mendon, Ohio 45862

Independent Auditor's Report

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 Mendon, Mercer County, Ohio, (the Village) as of and for the years ended December 31, 2007 and 2006 which collectively comprise the Village's basic financial statements. 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 *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 discussed in Note 2, the Village has prepared these financial statements and notes using the cash basis of accounting. This is a comprehensive accounting basis 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 Mendon, Mercer County, Ohio as of December 31, 2007 and 2006, and the respective changes in cash basis financial position and the respective budgetary comparisons for the General Fund and Street Construction, Maintenance and Repair Fund, thereof for the years then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2008, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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 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.

Village of Mendon
Independent Auditors' Report
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The Management's Discussion and Analysis on pages 3-12 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

Caudill & Associates, CPAs

Caudill & Associates, CPA's

June 30, 2008

Village of Mendon
Management's Discussion and Analysis
For the Years Ended December 31, 2007 and 2006
Unaudited

This management discussion and analysis of the Village of Mendon's financial performance provides an overall review of the Village's financial activities for the year ended December 31, 2007, and 2006, within the limitations of the Village's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Village's financial performance.

Highlights

Key highlights for 2007 are as follows:

The Government's general receipts are primarily property taxes and Intergovernmental. These receipts represent 42.9 percent of the total cash received for governmental activities. Property tax receipts and Intergovernmental receipts for 2007 decreased insignificantly compared to 2006 as development within the Government decreased slightly, and we expect an increase in 2008 due to some new development.

In 2007, the Village received grant money to construct walking paths, a shelter house, or any other park related updates at the new community building/park site. All work associated with these grants will begin in 2008.

Key highlights for 2006 are as follows:

The Government's general receipts are primarily property taxes and Intergovernmental. These receipts represent 38.7 percent of the total cash received for governmental activities.

At the end of 2006, the Village was looking into grant money for community projects, sewer upgrades, and other funding that will benefit the citizens of the Village.

Using the Basic Financial Statements

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

Report Components

The statement of net assets and the statement of activities provide information about the cash activities of the Village as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Village as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Village of Mendon
Management's Discussion and Analysis
For the Years Ended December 31, 2007 and 2006
Unaudited

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Village has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Village's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting the Village as a Whole

The Statement of Net Assets and the Statement of Activities reflect how the Village did financially during 2007 and 2006, within the limitations of cash basis accounting. The Statement of Net Assets presents the cash balances of the governmental and business-type activities of the Village at year end. The Statement of Activities compares cash disbursements with program receipts for each governmental program and business type activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function or business-type activity draws from the Village's general receipts.

These statements report the Village's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Village's financial health. Over time, increases or decreases in the Village's cash position is one indicator of whether the Village's financial health is improving or deteriorating. When evaluating the Village's financial condition, you should also consider other non-financial factors as well such as the Village's property tax base, the condition of the Village's capital assets and infrastructure, the extent of the Village's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property and income taxes.

In the Statement of Net Assets and the statement of activities, we divide the Village into two types of activities:

Governmental activities: Most of the Village's basic services are reported here, including streets and parks. State and federal grants and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Business-type activity: The Village has three business-type activities, water, electric and sewer services. Business-type activities are financed by a fee charged to the customers receiving the service.

Village of Mendon
Management's Discussion and Analysis
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Reporting the Village's Most Significant Funds

Fund financial statements provide detailed information about the Village's major funds – not the Village as a whole. The Village establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Village are split into two categories: governmental and proprietary.

Governmental Funds - Most of the Village's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Village's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Village's programs. The Village's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Village's major governmental funds are the General Fund and the Street Construction, Maintenance, and Repair Fund. These programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

Proprietary Funds – When the Village charges customers for the services it provides, these services are generally reported in proprietary funds. When the services are provided to the general public, the activity is reported as an enterprise fund. The Village has five major enterprise funds, Water, Electric, Water Debt, Sewer Debt and Sewer Replacement funds. When the services are provided to other departments of the Village, the service is reported as an internal service fund. The Village has no internal service funds.

The Village as a Whole

Table 1 provides a summary of the Village's net assets for years 2007 and 2006 on the cash basis of accounting :

Table 1
Net Assets

	Governmental Activities		
	2007	2006	2005
Assets			
Cash and Cash Equivalents	\$ 34,002	\$ 68,700	\$ 68,080
Investments	42,169	21,723	-
Total Assets	\$ 76,171	\$ 90,423	\$ 68,080
Net Assets			
Restricted for:			
Other Purposes	\$ 63,505	\$ 63,626	\$ 47,643
Cemetery -	-	-	
Expendable	375	357	139
Non-Expendable	2,500	2,500	2,500
Unrestricted	9,791	23,922	17,798
Total Net Assets	\$ 76,171	\$ 90,405	\$ 68,080

Village of Mendon
Management's Discussion and Analysis
For the Years Ended December 31, 2007 and 2006
Unaudited

Table 1 (Continued)
Net Assets

	Business-Type Activities		
	2007	2006	2005
Assets			
Cash and Cash Equivalents	\$166,806	\$190,013	\$314,854
Investments	115,317	128,030	-
Total Assets	\$282,123	\$318,043	\$314,854
Net Assets			
Restricted for:			
Debt Service	136,204	125,222	110,006
Capital Projects	39,697	87,778	77,311
Other Purpose	5,199	3,530	-
Unrestricted	101,023	101,513	127,537
Total Net Assets	\$282,123	\$318,043	\$314,854
Total			
	2007	2006	2005
Assets			
Cash and Cash Equivalents	\$200,808	\$258,713	\$382,934
Investments	157,486	149,753	-
Total Assets	\$358,294	\$408,466	\$382,934
Net Assets			
Restricted for:			
Capital Projects	39,697	87,778	77,311
Debt Service	136,204	125,222	110,006
Cemetery			
Expendable	375	357	139
Non-Expendable	2,500	2,500	2,500
Other Purposes	68,704	67,156	47,643
Unrestricted	110,814	125,435	145,335
Total Net Assets	\$358,294	\$408,466	\$382,934

Net assets of governmental activities decreased \$14,252 or 15.7 % during 2007. The primary reason contributing to the decrease in the cash balance is as follows:

- Receipts decreased over the prior year, expenses continue to rise with the economy and thus created a decrease in governmental net assets.

Net assets of governmental activities increased \$22,343 or 32.8 % during 2006. The primary reasons contributing to the increases in cash balances are as follows:

- Main Street Project was completed during the prior audit period.
- In addition, Receipts for property taxes increased after reevaluation by Mercer County.

Village of Mendon
Management's Discussion and Analysis
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Table 2 reflects the changes in net assets in 2007 and 2006.

Table 2- Change in Net Assets

	Governmental Activities		
	2007	2006	2005
Receipts:			
Program Receipts:			
Charges for Services and Sales	\$14,101	\$13,414	\$9,838
Operating Grants and Contribution	28,174	29,596	37,928
Total Program Receipts	42,275	43,010	47,766
General Receipts:			
Property and Other Local Taxes	33,718	34,698	30,993
Grants Not Restricted and Contributions	12,599	16,827	15,848
Interest	6,642	5,824	9,893
Miscellaneous	3,083	4,166	5,969
Transfers In	-	6,500	-
Total General Receipts	58,155	68,015	62,703
<i>Total Receipts</i>	<i>98,317</i>	<i>111,025</i>	<i>110,469</i>
Disbursements:			
General Government	41,720	26,505	43,193
Security of Persons and Property	16,003	16,926	17,306
Public Health	11,228	12,073	12,828
Basic Utilities	3,699	3,521	407
Leisure Time Activities	1,370	-	-
Transportation	31,989	29,657	43,559
Transfers Out	6,560	-	-
Total Disbursements	112,569	88,682	117,293
Increase/(Decrease) in Net Assets	(14,252)	22,343	(6,824)
Net Assets Beginning of Year	90,423	68,080	74,904
Net Assets End of Year	\$76,171	\$90,423	\$68,080

Village of Mendon
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Table 2- Change in Net Assets (Continued)

	Business Type Activities		
	2007	2006	2005
Receipts:			
Program Receipts:			
Charges for Services and Sales	\$589,248	\$577,245	\$142,559
Total Program Receipts	\$589,248	\$577,245	\$142,559
General Receipts:			
Interest	3,477	3,346	1,766
Transfers In	6,560		
Miscellaneous	-	-	750
Total General Receipts	10,037	3,346	2,516
<i>Total Receipts</i>	<u>599,285</u>	<u>580,591</u>	<u>615,823</u>
Disbursements:			
Water	125,952	116,697	113,198
Sewer	78,536	24,336	63,029
Electric	377,271	373,180	406,429
Utility Deposits	53,446	56,689	7,994
Transfers Out	-	6,500	-
<i>Total Disbursements</i>	<u>635,205</u>	<u>577,402</u>	<u>590,650</u>
Increase in Net Assets	(35,920)	3,189	25,173
Net Assets Beginning of Year	<u>318,043</u>	<u>314,854</u>	<u>289,681</u>
Net Assets End of Year	<u><u>\$282,123</u></u>	<u><u>\$318,043</u></u>	<u><u>\$314,854</u></u>

Village of Mendon
Management's Discussion and Analysis
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Table 2- Change in Net Assets (Continued)

	2007	TOTAL 2006	2005
Receipts:			
Program Receipts:			
Charges for Services and Sales	\$603,349	\$590,659	\$623,145
Operating Grants, Contributions, and Interest	28,174	29,596	37,928
Total Program Receipts	\$631,523	620,255	661,073
General Receipts:			
Property and Other Local Taxes	33,718	34,698	30,993
Grants Not Restricted and Contributions	12,599	16,827	15,848
Interest	10,119	9,170	11,659
Miscellaneous	3,083	4,166	6,719
Transfers In	6,560	6,500	-
Total General Receipts	66,079	71,361	65,219
<i>Total Receipts</i>	<i>697,602</i>	<i>691,616</i>	<i>726,292</i>
Disbursements:			
General Government	41,720	26,505	43,193
Security of Persons and Property	16,003	16,926	17,306
Public Health	11,228	12,073	12,828
Basic Utilities	3,699	3,521	407
Leisure Time Activities	1,370	-	-
Transportation	31,989	29,657	43,559
Water	125,952	116,697	113,198
Sewer	78,536	24,336	63,029
Electric	377,271	373,180	406,429
Utility Deposits	53,446	56,689	7,994
Transfers Out	6,560	6,500	-
Total Disbursements	747,774	666,084	707,943
Increase/(Decrease) in Net Assets	(50,172)	25,532	18,349
Net Assets – Beginning of Year	408,466	382,934	364,585
Net Assets End of Year	\$358,294	\$408,466	\$382,934

Village of Mendon
Management's Discussion and Analysis
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Program receipts for the government as a whole, represent 90.5 percent and 89.7 percent for 2007 and 2006, respectively of total receipts and are primarily comprised of charges for services for water, sewer and electric.

General receipts for the government as a whole, represent 9.5 percent and 10.3 percent for 2007 and 2006, respectively of total receipts, and of this amount, 51 percent for 2007 and 49 percent for 2006 are property taxes. State and Federal Grants and entitlements make up approximately 19% and 24% in 2007 and 2006, respectively of the general receipts. Other receipts are very insignificant and somewhat unpredictable revenue sources.

Disbursements for General Government represent the overhead costs of running the Village and the support services provided for the other Village activities. These include the costs of council, Mayor and the Clerk-Treasurer.

Governmental Activities

If you look at the Statement of Activities on page 15 & 16 for 2007 and 2006, respectively, you will see that the first column lists the major services provided by the Village. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for general government and transportation, which together, account for 65.5 and 63.3 percent, in 2007 and 2006 respectively, of all governmental disbursements. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Village that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

Table 3
Governmental Activities

	Total Cost of Services 2007	Net Cost of Services 2007	Total Cost of Services 2006	Net Cost of Services 2006
General Government	\$41,720	\$36,878	\$26,505	\$21,768
Public Health Services	11,228	1,969	12,073	3,396
Security of Persons and Property	16,003	16,003	16,926	16,926
Leisure Time Activities	1,370	1,370	-	-
Basic Utilities	3,699	3,699	3,521	3,521
Transportation	31,989	3,815	29,657	61
Total Expenses	\$106,009	\$63,734	\$88,682	\$45,672

Village of Mendon
Management's Discussion and Analysis
For the Years Ended December 31, 2007 and 2006
Unaudited

The dependence upon tax receipts and intergovernmental support is apparent as 60.1 percent in 2007 and 51.5 percent in 2006 of governmental activities are supported through these general receipts.

Business-type activities

The water, sewer and electric operations of the Village routinely report receipts and cash disbursements that are relatively equal. The excess receipts are being used to pay debt and saved for future capital improvements.

The Village's Funds

Total governmental funds had receipts of \$98,317 and \$111,025 and disbursements of \$112,569 and \$88,682 for 2007 and 2006, respectively. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund decreased in 2007 as the result of normal operation to maintain the Village.

General Fund Budgeting Highlights

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

During 2007 and 2006, the Village amended its General Fund budget to reflect changing circumstances. For 2007, the General Fund budgeted receipts were set at \$57,407. Final budgeted receipts were higher than original budgeted receipts due to an increase in the amount received for property taxes. The difference between final budgeted receipts and actual receipts was (\$6,841). For 2006, the General Fund budgeted receipts were set at \$42,659. Final budgeted receipts were the same as original budgeted receipts due to no amendments made in 2006. The difference between final budgeted receipts and actual receipts was \$11,913.

Final disbursements were budgeted at \$66,829 for 2007 and \$60,456 for 2006 while actual disbursements were \$58,137 and \$54,948, respectively. The Village kept spending under budgeted amounts because of projects that were deferred to 2008.

Capital Assets and Debt Administration

Capital Assets

The Village does not currently keep track of its capital assets and infrastructure.

Debt

At December 31, 2007, the Village's outstanding debt included \$223,875 to make improvements to the water system in the Village and \$218,933 for sanitary sewer system improvements. For further information regarding the Village's debt, refer to Note 10 of the financial statement.

Village of Mendon
Management's Discussion and Analysis
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Current Issues

The challenge for all Governments is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on local taxes and have very little industry to support the tax base. The Council watches the budget very closely. We discuss spending in depth for each major purchase, such as street repair, tree planting, and alley repairs. We try to plan according to what we might want to do to improve the Village each year. We don't have a large budget, but we try to spend the money in a way that will most benefit the residents of our Village. In 2008, we will begin construction of walking paths at the Community Building/Park addition site.

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 reflect the Village's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Kristina Boroff, Fiscal Officer, 102 S. Main Street, P.O. Box 167, Mendon, Ohio 45862.

Village of Mendon
Statement of Net Assets - Cash Basis
December 31, 2007

	Governmental Activities	Business - Type Activities	Total
<u>Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	\$ 34,002	\$ 166,806	\$ 200,808
Investments	42,169	115,317	157,486
<i>Total Assets</i>	<u>\$ 76,171</u>	<u>\$ 282,123</u>	<u>\$ 358,294</u>
<u>Net Assets:</u>			
Restricted for:			
Debt Service	\$ -	\$ 136,204	\$ 136,204
Capital Outlay	-	39,697	39,697
Cemetery -			
Expendable	375	-	375
Non-Expendable	2,500	-	2,500
Other Purposes	63,505	5,199	68,704
Unrestricted	<u>9,791</u>	<u>101,023</u>	<u>110,814</u>
<i>Total Net Assets</i>	<u>\$ 76,171</u>	<u>\$ 282,123</u>	<u>\$ 358,294</u>

See Accompanying Notes to the Basic Financial Statements

Village of Mendon
Statement of Net Assets - Cash Basis
December 31, 2006

	Governmental Activities	Business - Type Activities	Total
<u>Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	\$ 68,700	\$ 190,013	\$ 258,713
Investments	21,723	128,030	149,753
<i>Total Assets</i>	<u>\$ 90,423</u>	<u>\$ 318,043</u>	<u>\$ 408,466</u>
 <u>Net Assets:</u>			
Restricted for:			
Debt Service	\$ -	\$ 125,222	\$ 125,222
Capital Outlay	-	87,778	87,778
Cemetery -			
Expendable	375	-	375
Non-Expendable	2,500	-	2,500
Other Purposes	63,626	3,530	67,156
Unrestricted	<u>23,922</u>	<u>101,513</u>	<u>125,435</u>
<i>Total Net Assets</i>	<u>\$ 90,423</u>	<u>\$ 318,043</u>	<u>\$ 408,466</u>

See Accompanying Notes to the Basic Financial Statements

Village of Mendon
Statement of Activities - Cash Basis
For the Year Ended December 31, 2007

	Program Cash Receipts				Net (Disbursements) Receipts and Changes in Net Assets		
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<u>Governmental Activities:</u>							
General Government	\$ 41,720	\$ 4,842	\$ -	\$ -	\$ (36,878)	\$ -	\$ (36,878)
Public Health Services	11,228	9,259	-	-	(1,969)	-	(1,969)
Security of Persons and Property	16,003	-	-	-	(16,003)	-	(16,003)
Leisure Time Activities	1,370	-	-	-	(1,370)	-	(1,370)
Basic Utility Services	3,699	-	-	-	(3,699)	-	(3,699)
Transportation	31,989	-	28,174	-	(3,815)	-	(3,815)
<i>Total Governmental Activities</i>	<u>106,009</u>	<u>14,101</u>	<u>28,174</u>	<u>-</u>	<u>(63,734)</u>	<u>-</u>	<u>(63,734)</u>
<u>Business Type Activities:</u>							
Water	125,952	115,026	-	-	-	(10,926)	(10,926)
Sewer	78,536	38,145	-	-	-	(40,391)	(40,391)
Electric	377,271	373,339	-	-	-	(3,932)	(3,932)
Utility Deposits	53,446	62,738	-	-	-	9,292	9,292
<i>Total Business Type Activities</i>	<u>635,205</u>	<u>589,248</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(45,957)</u>	<u>(45,957)</u>
Total	<u>\$ 741,214</u>	<u>\$ 603,349</u>	<u>\$ 28,174</u>	<u>\$ -</u>	<u>\$ (63,734)</u>	<u>\$ (45,957)</u>	<u>\$ (109,691)</u>
Property and Other Taxes Levied for General Purposes					\$ 33,718	\$ -	\$ 33,718
Grants and Entitlements not Restricted to Specific Programs					12,599	-	12,599
Interest					6,642	3,477	10,119
Miscellaneous					3,083	-	3,083
Transfers In					-	6,560	6,560
Transfers Out					(6,560)	-	(6,560)
<i>Total General Receipts</i>					<u>49,482</u>	<u>10,037</u>	<u>59,519</u>
Change in Net Assets					(14,252)	(35,920)	(50,172)
<i>Net Assets Beginning of Year</i>					<u>90,423</u>	<u>318,043</u>	<u>408,466</u>
<i>Net Assets End of Year</i>					<u>\$ 76,171</u>	<u>\$ 282,123</u>	<u>\$ 358,294</u>

See Accompanying Notes to the Basic Financial Statements

Village of Mendon
Statement of Activities - Cash Basis
For the Year Ended December 31, 2006

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets		Total
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	
<u>Governmental Activities:</u>						
General Government	\$ 26,505	\$ 4,737	\$ -	\$ (21,768)	\$ -	\$ (21,768)
Public Health Services	12,073	8,677	-	(3,396)	-	(3,396)
Security of Persons and Property	16,926	-	-	(16,926)	-	(16,926)
Leisure Time Activities	-	-	-	-	-	-
Basic Utility Services	3,521	-	-	(3,521)	-	(3,521)
Transportation	29,657	-	29,596	(61)	-	(61)
<i>Total Governmental Activities</i>	<u>88,682</u>	<u>13,414</u>	<u>29,596</u>	<u>(45,672)</u>	<u>-</u>	<u>(45,672)</u>
<u>Business Type Activities:</u>						
Water	116,697	114,812	-	-	(1,885)	(1,885)
Sewer	24,336	44,431	-	-	20,095	20,095
Electric	373,180	364,117	-	-	(9,063)	(9,063)
Utility Deposits	56,689	53,885	-	-	(2,804)	(2,804)
<i>Total Business Type Activities</i>	<u>570,902</u>	<u>577,245</u>	<u>-</u>	<u>-</u>	<u>6,343</u>	<u>6,343</u>
Total	<u><u>\$ 659,584</u></u>	<u><u>\$ 590,659</u></u>	<u><u>\$ 29,596</u></u>	<u><u>\$ (45,672)</u></u>	<u><u>\$ 6,343</u></u>	<u><u>\$ (39,329)</u></u>
Property and Other Taxes Levied for General Purposes				\$ 34,698	\$ -	\$ 34,698
Grants and Entitlements not Restricted to Specific Programs				16,827	-	16,827
Interest				5,824	3,346	9,170
Miscellaneous				4,166	-	4,166
Transfers In				6,500	-	6,500
Transfers Out				-	(6,500)	(6,500)
<i>Total General Receipts</i>				<u>68,015</u>	<u>(3,154)</u>	<u>64,861</u>
Change in Net Assets				22,343	3,189	25,532
<i>Net Assets Beginning of Year</i>				<u>68,080</u>	<u>314,854</u>	<u>382,934</u>
<i>Net Assets End of Year</i>				<u><u>\$ 90,423</u></u>	<u><u>\$ 318,043</u></u>	<u><u>\$ 408,466</u></u>

See Accompanying Notes to the Basic Financial Statements

Village of Mendon
Statement of Cash Basis Assets and Fund Balances - Governmental Funds
December 31, 2007

	<u>General</u>	<u>Street Construction Maintenance and Repair</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$ 5,896	\$ 14,288	\$ 13,818	\$ 34,002
Investments	3,895	22,535	15,739	42,169
<i>Total Assets</i>	<u>\$ 9,791</u>	<u>\$ 36,823</u>	<u>\$ 29,557</u>	<u>\$ 76,171</u>
<u>Fund Balances:</u>				
Unreserved:				
Undesignated (Deficit), Reported in:				
General Fund	\$ 9,791	\$ -	\$ -	\$ 9,791
Special Revenue Funds	-	36,823	29,557	66,380
<i>Total Fund Balances</i>	<u>\$ 9,791</u>	<u>\$ 36,823</u>	<u>\$ 29,557</u>	<u>\$ 76,171</u>

See Accompanying Notes to the Basic Financial Statements

Village of Mendon
Statement of Cash Basis Assets and Fund Balances - Governmental Funds
December 31, 2006

	General	Street Construction Maintenance and Repair	Other Governmental Funds	Total Governmental Funds
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$ 10,117	\$ 33,668	\$ 24,915	\$ 68,700
Investments	13,805	5,000	2,918	21,723
<i>Total Assets</i>	<u>\$ 23,922</u>	<u>\$ 38,668</u>	<u>\$ 27,833</u>	<u>\$ 90,423</u>
<u>Fund Balances:</u>				
Reserved:				
Reserved for Encumbrances	\$ -	\$ -	\$ 31	31
Unreserved:				
Undesignated (Deficit), Reported in:				
General Fund	23,922	-	-	23,922
Special Revenue Funds	-	38,668	\$27,802	66,470
<i>Total Fund Balances</i>	<u>\$ 23,922</u>	<u>\$ 38,668</u>	<u>\$ 27,833</u>	<u>\$ 90,423</u>

See Accompanying Notes to the Basic Financial Statements

Village of Mendon

Statement of Receipts, Disbursements and Changes in Cash Basis Fund Balances - Governmental Funds
For the Year Ended December 31, 2007

	General	Street Construction Maintenance and Repair	Other Governmental Funds	Total Governmental Funds
<u>Receipts:</u>				
Property and Other Local Taxes	\$ 26,628	\$ 4,895	\$ 2,195	\$ 33,718
Intergovernmental	12,599	26,061	2,113	40,773
Charges for Services	-	-	9,259	9,259
Fines, Licenses and Permits	4,842	-	-	4,842
Interest	5,813	599	230	6,642
Miscellaneous	684	-	2,399	3,083
<i>Total Receipts</i>	<u>50,566</u>	<u>31,555</u>	<u>16,196</u>	<u>98,317</u>
<u>Disbursements:</u>				
Current:				
General Government	30,616	11,104	-	41,720
Public Health Services	-	-	11,228	11,228
Security of Persons and Property	16,003	-	-	16,003
Leisure Time Activities	-	-	1,370	1,370
Basic Utility Services	3,699	-	-	3,699
Transportation	7,819	22,296	1,874	31,989
<i>Total Disbursements</i>	<u>58,137</u>	<u>33,400</u>	<u>14,472</u>	<u>106,009</u>
Net Change in Fund Balances	(7,571)	(1,845)	1,724	(7,692)
<u>Other Financing Sources (Uses):</u>				
Transfers Out	(6,560)	-	-	(6,560)
<i>Total Other Financing Sources (Uses)</i>	<u>(6,560)</u>	<u>-</u>	<u>-</u>	<u>(6,560)</u>
Net Change in Fund Balances	(14,131)	(1,845)	1,724	(14,252)
Fund Balances Beginning of Year	23,922	38,668	27,833	90,423
Fund Balances End of Year	<u>\$ 9,791</u>	<u>\$ 36,823</u>	<u>\$ 29,557</u>	<u>\$ 76,171</u>

See Accompanying Notes to the Basic Financial Statements

Village of Mendon
Statement of Receipts, Disbursements and Changes in Cash Basis Fund Balances - Governmental Funds
For the Year Ended December 31, 2006

	General	Street Construction Maintenance and Repair	Other Governmental Funds	Total Governmental Funds
<u>Receipts:</u>				
Property and Other Local Taxes	\$ 27,187	\$ 4,714	\$ 2,797	\$ 34,698
Intergovernmental	16,827	27,376	2,220	46,423
Charges for Services	-	-	8,677	8,677
Fines, Licenses and Permits	4,737	-	-	4,737
Interest	5,164	445	215	5,824
Miscellaneous	657	-	3,509	4,166
<i>Total Receipts</i>	<u>54,572</u>	<u>32,535</u>	<u>17,418</u>	<u>104,525</u>
<u>Disbursements:</u>				
Current:				
General Government	25,797	-	-	25,797
Public Health Services	-	-	12,073	12,073
Security of Persons and Property	16,304	-	622	16,926
Leisure Time Activities	-	-	-	-
Basic Utility Services	3,521	-	-	3,521
Transportation	9,326	19,098	1,233	29,657
Capital Outlay	-	-	-	-
<i>Total Disbursements</i>	<u>54,948</u>	<u>19,098</u>	<u>13,928</u>	<u>87,974</u>
Net Change in Fund Balances	(376)	13,437	3,490	16,551
<u>Other Financing Sources (Uses):</u>				
Transfers In	6,500	-	-	6,500
Other Financing Uses	-	-	(708)	(708)
<i>Total Other Financing Sources (Uses)</i>	<u>6,500</u>	<u>-</u>	<u>(708)</u>	<u>5,792</u>
Net Change in Fund Balances	6,124	13,437	2,782	22,343
Fund Balances Beginning of Year	<u>17,798</u>	<u>25,231</u>	<u>25,051</u>	<u>68,080</u>
Fund Balances End of Year	<u>\$ 23,922</u>	<u>\$ 38,668</u>	<u>\$ 27,833</u>	<u>\$ 90,423</u>

See Accompanying Notes to the Basic Financial Statements

Village of Mendon
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
General Fund
For the Year Ended December 31, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<i>Variance Positive (Negative)</i>
	<u>Original</u>	<u>Final</u>		
<u>Receipts:</u>				
Property and Other Local Taxes	\$ 24,525	\$ 26,194	\$ 26,628	\$ 434
Intergovernmental	13,930	13,993	12,599	(1,394)
Fines, Licenses and Permits	20	20	4,842	4,822
Interest	12,000	12,000	5,813	(6,187)
Miscellaneous	5,200	5,200	684	(4,516)
<i>Total Receipts</i>	<u>55,675</u>	<u>57,407</u>	<u>50,566</u>	<u>(6,841)</u>
<u>Disbursements:</u>				
Current:				
General Government	35,180	36,082	30,616	5,466
Security of Persons and Property	20,300	18,088	16,003	2,085
Basic Utility Services	2,500	3,699	3,699	-
Transportation	8,850	8,960	7,819	1,141
<i>Total Disbursements</i>	<u>66,830</u>	<u>66,829</u>	<u>58,137</u>	<u>8,692</u>
Excess of Receipts Over (Under) Disbursements	<u>(11,155)</u>	<u>(9,422)</u>	<u>(7,571)</u>	<u>1,851</u>
<u>Other Financing Sources (Uses):</u>				
Transfers Out	<u>(12,767)</u>	<u>(12,767)</u>	<u>(6,560)</u>	<u>6,207</u>
Total Other Financing Sources (Uses)	<u>(12,767)</u>	<u>(12,767)</u>	<u>(6,560)</u>	<u>6,207</u>
Net Change in Fund Balance	(23,922)	(22,189)	(14,131)	8,058
Fund Balance Beginning of Year	<u>23,922</u>	<u>23,922</u>	<u>23,922</u>	<u>-</u>
Fund Balance End of Year	<u>\$ -</u>	<u>\$ 1,733</u>	<u>\$ 9,791</u>	<u>\$ 8,058</u>

See Accompanying Notes to the Basic Financial Statements

Village of Mendon
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
General Fund
For the Year Ended December 31, 2006

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
<u>Receipts:</u>				
Property and Other Local Taxes	\$ 22,020	\$ 22,020	\$ 27,187	\$ 5,167
Intergovernmental	12,250	12,250	16,827	4,577
Fines, Licenses and Permits	90	90	4,737	4,647
Interest	5,000	5,000	5,164	164
Miscellaneous	3,299	3,299	657	(2,642)
<i>Total Receipts</i>	<u>42,659</u>	<u>42,659</u>	<u>54,572</u>	<u>11,913</u>
<u>Disbursements:</u>				
Current:				
General Government	31,957	27,955	25,797	2,158
Security of Persons and Property	20,300	18,983	16,304	2,679
Basic Utility Services	150	3,653	3,521	132
Transportation	8,050	9,865	9,326	539
<i>Total Disbursements</i>	<u>60,457</u>	<u>60,456</u>	<u>54,948</u>	<u>5,508</u>
<i>Total Disbursements</i>	<u>60,457</u>	<u>60,456</u>	<u>54,948</u>	<u>5,508</u>
Excess of Receipts Over (Under) Disbursements	<u>(17,798)</u>	<u>(17,797)</u>	<u>(376)</u>	<u>17,421</u>
<u>Other Financing Sources (Uses):</u>				
Transfers In	-	-	6,500.00	6,500.00
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>6,500.00</u>	<u>6,500</u>
Net Change in Fund Balance	(17,798)	(17,797)	6,124	23,921
Fund Balance Beginning of Year	<u>17,798</u>	<u>17,798</u>	<u>17,798</u>	<u>-</u>
Fund Balance End of Year	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ 23,922</u>	<u>\$ 23,921</u>

See Accompanying Notes to the Basic Financial Statements

Village of Mendon
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Street Construction, Maintenance and Repair Fund
For the Year Ended December 31, 2007

	Budgeted Amounts		Actual	<i>Variance Positive (Negative)</i>
	Original	Final		
<i>Receipts:</i>				
Property and Other Local Taxes	\$ 5,000	\$ 5,000	\$ 4,895	\$ (105)
Intergovernmental	25,000	14,294	26,061	11,767
Interest	-	-	599	599
<i>Total Receipts</i>	30,000	19,294	31,555	12,261
<i>Disbursements:</i>				
Current:				
General Government	35,918	15,000	11,104	3,896
Transportation	33,750	33,750	22,296	11,454
<i>Total Disbursements</i>	69,668	48,750	33,400	15,350
Net Change in Fund Balance	(39,668)	(29,456)	(1,845)	27,611
Fund Balance Beginning of Year	38,668	38,668	38,668	-
Fund Balance End of Year	\$ (1,000)	\$ 9,212	\$ 36,823	\$ 27,611

See Accompanying Notes to the Basic Financial Statements

Village of Mendon
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Street Construction, Maintenance and Repair Fund
For the Year Ended December 31, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<i>Variance Positive (Negative)</i>
	<u>Original</u>	<u>Final</u>		
<u>Receipts:</u>				
Property and Other Local Taxes	\$ 5,000	\$ 5,000	\$ 4,714	\$ (286)
Intergovernmental	14,000	14,000	27,376	13,376
Interest	1,000	1,000	445	(555)
<i>Total Receipts</i>	<u>20,000</u>	<u>20,000</u>	<u>32,535</u>	<u>12,535</u>
<u>Disbursements:</u>				
Current:				
General Government	10,231	8,000	-	8,000
Transportation	35,000	35,870	19,098	16,772
<i>Total Disbursements</i>	<u>45,231</u>	<u>43,870</u>	<u>19,098</u>	<u>24,772</u>
Excess of Receipts Over (Under) Disbursements	<u>(25,231)</u>	<u>(23,870)</u>	<u>13,437</u>	<u>37,307</u>
<u>Other Financing Sources (Uses):</u>				
Other Financing Uses	-	(1,361)	-	1,361
Total Other Financing Sources (Uses)	<u>-</u>	<u>(1,361)</u>	<u>-</u>	<u>1,361</u>
Net Change in Fund Balance	(25,231)	(25,231)	13,437	38,668
Fund Balance Beginning of Year	<u>25,231</u>	<u>25,231</u>	<u>25,231</u>	<u>-</u>
Fund Balance End of Year	<u>-</u>	<u>-</u>	<u>38,668</u>	<u>38,668</u>

See Accompanying Notes to the Basic Financial Statements

Village of Mendon
Statement of Fund Net Assets - Cash Basis
Enterprise Funds
December 31, 2007

	Business - Type Activities						
	Water Operating	Electric	Water Debt Service	Sewer Debt Service	Sewer Replacement	Non-Major Enterprise	Total Enterprise
<u>Assets:</u>							
Equity in Pooled Cash and Cash Equivalents	\$ 7,561	\$ 41,993	\$ 26,174	\$ 39,341	\$ (11,992)	\$ 63,729	\$ 166,806
Investments	494	23,785	15,689	55,000	20,349	-	115,317
	\$ 8,055	\$ 65,778	\$ 41,863	\$ 94,341	\$ 8,357	\$ 63,729	\$ 282,123
<u>Net Assets:</u>							
Restricted for							
Debt Services	\$ -	\$ -	\$ 41,863	\$ 94,341	\$ -	\$ -	\$ 136,204
Capital Outlay	-	-	-	-	8,357	31,340	39,697
Other Purposes	-	-	-	-	-	5,199	5,199
Unrestricted	8,055	65,778	-	-	-	27,190	101,023
Total Net Assets	\$ 8,055	\$ 65,778	\$ 41,863	\$ 94,341	\$ 8,357	\$ 63,729	\$ 282,123

See Accompanying Notes to the Basic Financial Statements

Village of Mendon
Statement of Fund Net Assets - Cash Basis
Enterprise Funds
December 31, 2006

	Business - Type Activities						
	Water Operating	Electric	Water Debt Service	Sewer Debt Service	Sewer Replacement	Non-Major Enterprise	Total Enterprise
<u>Assets:</u>							
Equity in Pooled Cash and Cash Equivalents	\$ 6,433	\$ 16,257	\$ 42,054	\$ 28,168	\$ 59,333	\$ 37,768	\$ 190,013
Investments	11,785	49,119	-	55,000	341	11,785	128,030
	18,218	65,376	42,054	83,168	59,674	49,553	318,043
<u>Net Assets:</u>							
Restricted for							
Debt Services	-	-	42,054	83,168	-	-	125,222
Capital Outlay	-	-	-	-	59,674	28,104	87,778
Other Purposes	-	-	-	-	-	3,530	3,530
Unrestricted	18,218	65,376	-	-	-	17,919	101,513
Total Net Assets	\$ 18,218	\$ 65,376	\$ 42,054	\$ 83,168	\$ 59,674	\$ 49,553	\$ 318,043

See Accompanying Notes to the Basic Financial Statements

Village of Mendon
Statement of Cash Receipts
Disbursements and Changes in Fund Net Assets - Cash Basis
Enterprise Funds
For the Year Ended December 31, 2007

	Water Operating	Electric	Water Debt Service	Sewer Debt Service	Sewer Replacement	Non-Major Enterprise	Total Enterprise
<u>Operating Receipts:</u>							
Charges for Services	\$ 74,923	\$ 373,339	\$ 40,103	\$ 34,909	\$ 3,236	\$ 62,738	\$ 589,248
<i>Total Operating Receipts</i>	<u>74,923</u>	<u>373,339</u>	<u>40,103</u>	<u>34,909</u>	<u>3,236</u>	<u>62,738</u>	<u>589,248</u>
<u>Operating Disbursements:</u>							
Current:							
Personal Services	6,194	75,598	-	-	-	6,688	88,480
Fringe Benefits	1,260	36,913	-	-	-	16,531	54,704
Contractual Services	18,301	245,861	-	-	-	5,789	269,951
Supplies and Materials	56,180	11,170	-	-	-	9,660	77,010
Miscellaneous	3,723	2,716	-	-	-	14,778	21,217
Capital Outlay	-	5,013	-	-	54,800	-	59,813
<i>Total Operating Disbursements</i>	<u>85,658</u>	<u>377,271</u>	<u>-</u>	<u>-</u>	<u>54,800</u>	<u>53,446</u>	<u>571,175</u>
<i>Operating Income (Loss)</i>	<u>(10,735)</u>	<u>(3,932)</u>	<u>40,103</u>	<u>34,909</u>	<u>(51,564)</u>	<u>9,292</u>	<u>18,073</u>
<u>Non-Operating Receipts (Disbursements)</u>							
Transfers In	520	4,020	-	-	-	2,020	6,560
Interest Revenue	52	314	-	-	247	2,864	3,477
Principal	-	-	(28,927)	(10,000)	-	-	(38,927)
Interest & Fiscal Charges	-	-	(11,367)	(13,736)	-	-	(25,103)
<i>Total Non-Operating Receipts/Disbursements</i>	<u>572</u>	<u>4,334</u>	<u>(40,294)</u>	<u>(23,736)</u>	<u>247</u>	<u>4,884</u>	<u>(53,993)</u>
<i>Change in Net Assets</i>	<u>(10,163)</u>	<u>402</u>	<u>(191)</u>	<u>11,173</u>	<u>(51,317)</u>	<u>14,176</u>	<u>(35,920)</u>
<i>Net Assets, Beginning of Year</i>	<u>18,218</u>	<u>65,376</u>	<u>42,054</u>	<u>83,168</u>	<u>59,674</u>	<u>49,553</u>	<u>318,043</u>
<i>Net Assets, End of Year</i>	<u>\$ 8,055</u>	<u>\$ 65,778</u>	<u>\$ 41,863</u>	<u>\$ 94,341</u>	<u>\$ 8,357</u>	<u>\$ 63,729</u>	<u>\$ 282,123</u>

See Accompanying Notes to the Basic Financial Statements

Village of Mendon
Statement of Cash Receipts
Disbursements and Changes in Fund Net Assets - Cash Basis
Enterprise Funds
For the Year Ended December 31, 2006

	Water Operating	Electric	Water Debt Service	Sewer Debt Service	Sewer Replacement	Non-Major Enterprise	Total Enterprise
<u>Operating Receipts:</u>							
Charges for Services	\$ 75,333	\$ 364,117	\$ 39,479	\$ 40,366	\$ 4,065	\$ 53,885	\$ 577,245
<i>Total Operating Receipts</i>	<u>75,333</u>	<u>364,117</u>	<u>39,479</u>	<u>40,366</u>	<u>4,065</u>	<u>53,885</u>	<u>577,245</u>
<u>Operating Disbursements:</u>							
Current:							
Personal Services	5,886	69,930	-	-	-	5,958	81,774
Fringe Benefits	1,315	27,652	-	-	-	18,474	47,441
Contractual Services	20,135	251,947	-	-	-	5,385	277,467
Supplies and Materials	47,177	9,183	-	-	-	14,878	71,238
Miscellaneous	1,749	2,606	-	-	-	11,994	16,349
Capital Outlay	-	11,862	-	-	-	-	11,862
<i>Total Operating Disbursements</i>	<u>76,262</u>	<u>373,180</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>56,689</u>	<u>506,131</u>
<i>Operating Income (Loss)</i>	<u>(929)</u>	<u>(9,063)</u>	<u>39,479</u>	<u>40,366</u>	<u>4,065</u>	<u>(2,804)</u>	<u>71,114</u>
<u>Non-Operating Receipts (Disbursements)</u>							
Transfers Out	(500)	(4,000)	-	-	-	(2,000)	(6,500)
Other Financing Uses	(142)	-	-	-	0	-	(142)
Interest Revenue	69	289	-	-	2,919	69	3,346
Principal	-	-	(27,647)	(10,000)	-	-	(37,647)
Interest & Fiscal Charges	-	-	(12,646)	(14,336)	-	-	(26,982)
<i>Total Non-Operating Receipts/Disbursements</i>	<u>(573)</u>	<u>(3,711)</u>	<u>(40,293)</u>	<u>(24,336)</u>	<u>2,919</u>	<u>(1,931)</u>	<u>(67,925)</u>
<i>Change in Net Assets</i>	<u>(1,502)</u>	<u>(12,774)</u>	<u>(814)</u>	<u>16,030</u>	<u>6,984</u>	<u>(4,735)</u>	<u>3,189</u>
<i>Net Assets, Beginning of Year</i>	<u>19,720</u>	<u>78,150</u>	<u>42,868</u>	<u>67,138</u>	<u>52,690</u>	<u>54,288</u>	<u>314,854</u>
<i>Net Assets, End of Year</i>	<u>\$ 18,218</u>	<u>\$ 65,376</u>	<u>\$ 42,054</u>	<u>\$ 83,168</u>	<u>\$ 59,674</u>	<u>\$ 49,553</u>	<u>\$ 318,043</u>

See Accompanying Notes to the Basic Financial Statements

Village of Mendon
Notes to the Basic Financial Statements
For the Years Ended December 31, 2007 and 2006

Note 1 – Reporting Entity

The Village of Mendon, Mercer County, Ohio (the “Village”), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a six-member Council elected at large for four year terms. The Mayor is elected to a four-year term and votes only to break a tie.

A. Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Village. The Village provides general government services, water, sewer, and electric utilities, maintenance of Village roads and bridges, and park operations.

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

Note 2 – Summary of Significant Accounting Policies

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The Village does not apply FASB statements issued after November 30, 1989, to its business-type activities and to its enterprise funds. Following are the more significant of the Village’s accounting policies.

A. Basis of Presentation

The Village’s basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net assets – cash basis and the statement of activities display information about the Village as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid “doubling up” receipts and disbursements. The statements distinguish between those activities of the Village that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Village of Mendon
Notes to the Basic Financial Statements
For the Years Ended December 31, 2007 and 2006

Note 2 – Summary of Significant Accounting Policies (continued)

The statement of net assets presents the cash balance of the governmental and business-type activities of the Village at year end. The statement of activities compares disbursements with program receipts for each of the Village's governmental and business-type activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Village is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function or business-type activity is self-financing on a cash basis or draws from the Village's general receipts.

Fund Financial Statements

During the year, the Village segregates transactions related to certain Village functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Village at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The internal service funds are presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by type.

Proprietary fund statements distinguish operating transactions from non-operating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the funds' principal services. Operating disbursements include costs of sales and services and administrative costs. The fund statements report all other receipts and disbursements as non-operating.

B. Fund Accounting

The Village uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. The funds of the Village are divided into two categories, governmental and proprietary.

Governmental Funds

The Village classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other non-exchange transactions as governmental funds. The Village's only major governmental funds are the General Fund and Street Fund.

General Fund – The General Fund is used to account for all financial resources, 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.

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

Village of Mendon
Notes to the Basic Financial Statements
For the Years Ended December 31, 2007 and 2006

Note 2 – Summary of Significant Accounting Policies (continued)

Governmental Funds (Continued)

The other governmental funds of the Village account for grants and other resources whose use is restricted to a particular purpose.

Proprietary Funds

The Village classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds are classified as either enterprise or internal service.

Enterprise Funds – Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The Village’s major enterprise funds are the water, electric, water debt, sewer debt, and sewer replacement funds.

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

Electric Fund – The electric fund accounts for the provision of electric services to the residents and commercial users within the Village.

Water Debt Service Fund – This fund accounts for a portion of water usage charges and is set aside to retire debt associated with water improvements of the Village.

Sewer Debt Service Fund – This fund accounts for a portion of sewer usage charges and is set aside to retire debt associated with sewer improvements of the Village.

Sewer Replacement Fund – This fund has been established to make capital improvement to the sewer system of the Village.

C. Basis of Accounting

The Village’s financial statements are prepared using the cash basis of accounting. Receipts are recorded in the Village’s financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain 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.

D. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Village may appropriate.

Village of Mendon
Notes to the Basic Financial Statements
For the Years Ended December 31, 2007 and 2006

Note 2 – Summary of Significant Accounting Policies (continued)

D. Budgetary Process Continued

The appropriations ordinance is the Village's authorization to spend resources and sets limits on disbursements plus encumbrances at the level of control selected by the Village. The legal level of control has been established at the fund, department, and object level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Village Clerk. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by the Village.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Village Council during the year.

E. Cash and Investments

To improve cash management, cash received by the Village is pooled and invested. Individual fund integrity is maintained through Village records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

Cash and cash equivalents that are held separately in accounts at a financial institution for retainage and bond reserves and debt service are reported as "Cash and Cash Equivalents with Fiscal Agents."

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During 2007, the Village invested in STAR Ohio. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does not operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2007.

Interest earnings are allocated to Village funds according to State statutes, grant requirements, Village Council directives, or debt related restrictions. Interest receipts credited to the General Fund during 2007 and 2006 was \$5,813 and \$5,164 respectively.

Village of Mendon
Notes to the Basic Financial Statements
For the Years Ended December 31, 2007 and 2006

Note 2 – Summary of Significant Accounting Policies (continued)

F. Interfund Receivables/Payables

The Village reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's cash basis of accounting.

H. Employer Contributions to Cost-Sharing Pension Plans

The Village recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

I. Long Term Obligations

The Village's cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither another financing source nor capital outlay disbursements are reported at inception. Lease payments are reported when paid.

J. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for capital projects and debt service obligations.

The Village's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

K. Fund Balance Reserves

The Village reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. The Village does not have any fund balance reserves.

L. Interfund Transactions

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

Village of Mendon
Notes to the Basic Financial Statements
For the Years Ended December 31, 2007 and 2006

Note 2 – Summary of Significant Accounting Policies (continued)

L. Interfund Transactions (Continued)

Exchange transactions between funds are reported as cash receipts in the seller funds and as cash disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

M. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence.

Note 3 – Compliance

The Village was in violation of the Ohio Revised Code Section 5705.36 due to estimated receipts exceeding actual receipts in several funds at December 31, 2007 and 2006 causing actual resources to fall below the level of appropriations.

The Villages was in violation of the Ohio Revised Code Section 5705.39 when appropriations exceeded estimated resources in 2006 and 2007.

The Village was in violation of the Ohio Revised Code Section 5705.41(D) for not properly certifying funds in 2006 and 2007.

Note 4 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis is presented for the general fund and the street construction, maintenance, and repair fund and are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The difference(s) between the budgetary basis and the cash basis is (are) outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis) and outstanding year end advances are treated as an other financing source or use (budgetary basis) rather than as an interfund receivable or payable (cash basis). However, the Village cancels all encumbrances outstanding at year end (budgetary basis) and reappropriates them in the subsequent year.

Village of Mendon
Notes to the Basic Financial Statements
For the Years Ended December 31, 2007 and 2006

Note 5 – Deposits and Investments

Monies held by the Village are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Village treasury. Active 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 Trustees have 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 monies 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.

Interim monies held by the Village can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, 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;
2. Bonds, notes, debentures, or any other obligation or security 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 the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

Protection of the Village's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by collateral pledged to the Village by the financial institution, or by a collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Village of Mendon
Notes to the Basic Financial Statements
For the Years Ended December 31, 2007 and 2006

Note 5 – Deposits and Investments (Continued)

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.

At each year end, the Village had \$150 in undeposited cash on hand which is included as part of “Equity in Pooled Cash and Cash Equivalents.”

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. At December 31, 2007, the carrying amount of the Village’s deposits was \$200,808 and the bank balance was \$202,933. Of the bank balance, \$100,000 was insured by the FDIC, and \$102,933 was collateralized with securities held by the pledging financial institution, but not in the Village’s name.

At December 31, 2006, the carrying amount of the Village’s deposits was \$258,713 and the bank balance was \$264,404. Of the bank balance, \$100,000 was insured by the FDIC, and the remaining \$164,404 was collateralized with securities held by the pledging financial institution, but not in the Village’s name.

The Village has no deposit policy for custodial credit risk beyond the requirements of State Statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Village or a qualified trustee by the financial institution as security of repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

As of December 31, 2007 and December 31, 2006, the Village had the following investments:

STAR OHIO:	
	<u>Carrying Value:</u>
December 31, 2007	\$157,486
December 31, 2006	\$149,753

STAR Ohio is an investment pool managed by the Treasurer of the State of Ohio. STAR Ohio is not registered with the Securities and Exchange Commission as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Act of 1940. STAR Ohio has obtained an AAA money market rating by Standard & Poor’s. Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase.

STAR Ohio carries a rating of AAAM by Standard and Poor’s. The Village has no investment policy dealing with investment credit risk beyond the requirements in state statutes. Ohio laws requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service.

Village of Mendon
Notes to the Basic Financial Statements
For the Years Ended December 31, 2007 and 2006

Note 6 – Property Taxes

Property taxes include amounts levied against all property, public utility property, and tangible personal property located in the Village. Real property tax receipts received in 2007 represent the collection of 2006 taxes. Real property taxes received in 2007 were levied after October 1, 2006, on the assessed values as of January 1, 2006, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. 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. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2007 represent the collection of 2006 taxes. Public utility real and tangible personal property taxes received in 2006 became a lien on December 31, 2005, were levied after October 1, 2006, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2007 (other than public utility property) represent the collection of 2006 taxes. Tangible personal property taxes received in 2007 were levied in October 1, 2006, on the true value as of December 31, 2006. Tangible personal property is currently assessed at 25 percent of true value of capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all Village operations for the year ended December 31, 2007 was \$69.63 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2007 property tax receipts was \$6,307,500.

Note 7 – Risk Management

The Village maintains comprehensive insurance coverage with private insurers for all real and personal property, including automobile coverage for the following risks: general liability, auto liability, uninsured motorists, property damage, inland marine, crime, and public employee bonding.

The Village offers medical and life insurance for full-time employees through a commercial insurer.

Note 8– Defined Benefit Pension Plan

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 percent per year). Under the member directed plan, members accumulated 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.

Village of Mendon
Notes to the Basic Financial Statements
For the Years Ended December 31, 2007 and 2006

Note 8– Defined Benefit Pension Plan (Continued)

Ohio Public Employees Retirement System (Continued)

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 establish 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 East Town Street, Columbus, OH 43215-4642 or by calling (614)222-6705 or (800)222-7377.

For the year ended December 31, 2007, the members of all three plans were required to contribute 9.5 percent of their annual covered salaries. The Village's contribution rate for pension benefits for 2007 was 13.85 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Village's required contributions for pension obligations to the traditional plan for the years ended December 31, 2007, 2006, and 2005 were \$90,421, \$89,015, and \$82,420, respectively. The full amount has been contributed for 2007, 2006, and 2005.

Note 9 – Post-employment Benefits

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 qualified survivor benefit 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*. 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 2007 local government employer contribution rate was 13.85 percent of covered payroll; 5.0 percent through June 30, 2007 and 6.0 percent thereafter of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as December 31, 2006, include a rate of return on investments of 6.5 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between 0.5 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase at the projected wage inflation rate plus an additional factor ranging from .5 to 5 percent annually for the next eight year and 4 percent annually after nine years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

Village of Mendon
Notes to the Basic Financial Statements
For the Years Ended December 31, 2007 and 2006

Note 9 – Post-employment Benefits (Continued)

The number of active contributing participants in the traditional and combined plans was 362,130. Actual Village contributions for 2007, which were used to fund post employment benefits, were \$24,741. The actual contribution and the actuarially required contribution amounts are the same. The actuarial value of OPERS's net assets available for payment of benefits at December 31, 2006, (the latest information available) was \$12.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$30.7 billion and \$18.7 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007, and January 1, 2008 which allowed additional funds to be allocated to the health care plan.

Note 10 – Debt

The Village's long-term debt activity for the years ending December 31, 2006 and 2007 is as follows:

	Principal Outstanding 12/31/05	Additions	Deductions	Principal Outstanding 12/31/06	Amounts Due Within One Year
First Mortgage Revenue Bonds	\$ 238,933	-	\$ 10,000	\$ 228,933	\$ 10,000
OWDA Loan	280,449	-	27,647	252,802	28,280
	<u>\$ 519,382</u>	<u>\$ -</u>	<u>\$ 37,647</u>	<u>\$ 481,735</u>	<u>\$ 38,280</u>

	Principal Outstanding 12/31/06	Additions	Deductions	Principal Outstanding 12/31/07	Amounts Due Within One Year
First Mortgage Revenue Bonds	\$ 228,933	-	\$ 10,000	\$ 218,933	\$ 11,000
OWDA Loan	252,802	-	28,927	223,875	29,590
	<u>\$ 481,735</u>	<u>\$ -</u>	<u>\$ 38,927</u>	<u>\$ 442,808</u>	<u>\$ 40,590</u>

The Ohio Water Development Authority (OWDA) Loan was obtained in 1998 to make improvements to the water system in the Village. The loan is being repaid in semiannual installments of \$20,147, including interest, over 15 years. The loan is secured by water receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The First Mortgage Revenue Bonds were issued in May of 1990 for sanitary sewer system improvements. Annual payments are being made in May of each year. The loan is being repaid over 30 years. Principal payments range from \$8,933 to \$22,000 annually, which results in total annual payments of \$9,469 to \$24,556 including interest. The Village established a sewer surcharge and a sewer debt fund in compliance with the debt covenant associated with this loan.

Village of Mendon
Notes to the Basic Financial Statements
For the Years Ended December 31, 2007 and 2006

Note 10 – Debt (Continued)

Amortization of the above debt is scheduled as follows:

Year Ending December 31:	OWDA LOAN	First Mtg Rev Bonds	Total
2008	\$29,590	\$11,000	\$40,590
2009	30,966	12,000	42,966
2010	32,408	12,000	44,408
2011	33,922	13,000	46,922
2012	35,511	14,000	49,511
2013-2020	61,478	148,000	209,478
2021	0	8,933	8,933
Total	\$223,875	\$218,933	\$442,808

Note 12 – Leases

The Village has entered into a 60 month lease with Utility Equipment Leasing Corporation for a digger derrick. The lease calls for monthly payments of \$1,977 with an option to buy at the conclusion of the lease for \$1. The final lease payment was made in June of 2006 and the Village purchased the digger derrick for \$1.

Note 13 – Contingent Liabilities

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

Note 14 – Related Organizations

The Village Council appoints members to the local Zoning Board.

CAUDILL & ASSOCIATES, CPA's

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Portsmouth, Ohio 45662

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Member Ohio Society of Certified Public Accountants
Member Kentucky Society of 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*

To the Village Council
Village of Mendon
102 South Main Street
P.O. Box 167
Mendon, Ohio 445862

We have audited the financial statements of the government activities, the business type activities, each major fund, and the aggregate remaining fund information of the Village of Mendon, Mercer County, Ohio (the "Village") as of and for the years ended December 31, 2007 and 2006, which collectively comprise the Village's financial statements and have issued our report thereon dated June 30, 2008, wherein we noted the Village 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. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financing reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses.

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 its applicable accounting basis, 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. We consider the following deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting as items 2007-004 and 2007-005.

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 the 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 the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. The results of our tests disclosed no instances of material weaknesses that are required to be disclosed under *Governmental Auditing Standards*.

Village of Mendon

Mercer County

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*

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants 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 three instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings and Responses as items 2007-001, 2007-002, and 2007-003.

We noted certain noncompliance or other matters that we reported to the Village's management in a separate letter dated June 30, 2008.

The Village's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. We did not audit the Village's responses and, accordingly, we express no opinion on them.

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

Caudill & Associates, CPAs

Caudill & Associates, CPA's

June 30, 2008

**VILLAGE OF MENDON
MERCER COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2007 AND 2006**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2007-001

Noncompliance Citation – Ohio Rev. Code Section 5705.36

The Ohio Revised Code Section 5705.36 (A)(2) allows all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources. ORC 5705.36 requires the village to obtain an increased amended certificate of estimated resources from the budget commission if the legislative authority intends to appropriate and expend excess revenue. The Ohio Revised Code Section 5705.36(A)(4) requires the Village to obtain a reduced amended certificate if the amount of the deficiency will reduce available resources below the current level of appropriation.

In fiscal year 2007, appropriations for the General Fund, Park Addition Fund, Cemetery Fund, Sewer Replacement, Water Replacement, Sewer Debt, and Water Debt Funds exceeded available resources. In fiscal year 2006, appropriations for the Utility Deposit, Sewer Debt, and Water Debt Fund exceeded available resources.

The Village should establish procedures to ensure that reduced certificates of estimated resources are obtained and thereby that appropriations are reduced whenever revenues received will be less than the amount budgeted.

Village's Response:

The Village will establish procedures to ensure that reduced certificates of estimated resources are obtained when necessary.

**VILLAGE OF MENDON
MERCER COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2007 AND 2006**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2007-002

Noncompliance Citation – Ohio Rev. Code Section 5705.39

The Ohio Revised Code Section 5705.39 requires that total appropriations from each fund shall not exceed the total estimated resources.

Appropriating funds in excess of amended certificates may lead to expenditures in excess of available fund balances.

In fiscal year 2006, appropriations for the Park Addition Fund exceeded its estimated resources by \$800 and in 2007, appropriations for the Sewer Replacement Fund exceeded its estimated resources by \$50,000.

The Village should implement procedures to monitor its budget for each fund and appropriate funds only to the extent of their estimated resources.

Village's Response:

The Village will implement procedures to monitor the budget for each fund and appropriate funds only to the extent of their estimated resources.

FINDING NUMBER 2007-003

Noncompliance Citation – Ohio Rev. Code Section 5705.41(D)

Ohio Rev. Code Section 5705.41 (D)(1) states no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer attached that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

The following exceptions to this basic requirement are provided by Ohio Rev. Code Section 5705.41 (D)(1):

Then and Now Certificate: If the fiscal officer can certify that both at the time that the contract or order was made and at the time that he is completing his certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has 30 days from the receipt of the "then and now" certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

Amounts of less than \$100 for counties, or less than \$3,000 for other political subdivisions, may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

VILLAGE OF MENDON
MERCER COUNTY

SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2007 AND 2006

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

FINDING NUMBER 2007-003 (Continued)

Seventy nine percent (79%) or \$357,325 of the expenditures tested were not properly certified in 2007. Sixty five percent (65%) or \$324,428 of the expenditures tested were not properly certified in 2006.

We recommend the Village implement policies to ensure that all purchases first have monies certified by the Clerk/Treasurer before purchasing or ordering an item. We also recommend the use of a “then and now” certificate in instances of emergency or absence of proper authority.

Village’s Response:

Village officials will implement procedures to assure all purchases first have monies certified by the Clerk/Treasurer before purchasing or ordering an item.

FINDING NUMBER 2007-004

Significant Deficiency – Timesheets

In 2007 and 2006, timesheets for the Supervisor were not signed or approved by authorized personnel (e.g. Council). Furthermore, the federal tax deductions recorded on the Clerk/Treasurer’s timesheet did not always agree to the actual amount deducted.

All hourly timesheets, including upper management, should be reviewed by authorized personnel (e.g. Council) to assure accuracy of hours worked and to assure that hours worked do not extend beyond the approved work hours. All timesheets should be dated and all deductions calculated correctly. By not signing, dating, and approving hours worked, wages expense may extend beyond the amount appropriated for.

We recommend all hourly timesheets be signed and approved by authorized personnel.

Village’s Response:

The Village will implement procedures to assure all timesheets are reviewed and approved by authorized personnel.

FINDING NUMBER 2007-005

Significant Deficiency – Misclassification of Receipts/Disbursements

The AICPA establishes auditing standards generally accepted in the United States that certified public accountants and government auditors must follow in conducting audits of state and local governments. SAS No. 112 establishes standards, responsibilities and guidance for auditor during a financial statements audit engagement for identifying and evaluating a client’s internal control over financial reporting. This new standard requires the audit to report *in writing* to management and the governing body any control deficiencies found during the audit that are considered significant deficiencies and/or material weaknesses.

**VILLAGE OF MENDON
MERCER COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2007 AND 2006**

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

FINDING NUMBER 2007-005 (Continued)

During 2007 and 2006, the Village erroneously posted several receipts and disbursements to the incorrect line item. This required reclassifications to properly present the activity of the Village for both years.

We recommend the Village implement control procedures related to financial reporting that enable management to identify, prevent, detect, and correct potential misstatements in the financial statements and footnotes.

Village's Response:

The Clerk/Treasurer will review the UAN manual chart of accounts to determine the correct coding of receipts.



Mary Taylor, CPA
Auditor of State

VILLAGE OF MENDON

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
NOVEMBER 18, 2008**