



**VILLAGE OF SUGAR GROVE
FAIRFIELD COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2006



Mary Taylor, CPA
Auditor of State

VILLAGE OF SUGAR GROVE
FAIRFIELD COUNTY

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Sugar Grove
Fairfield County
101 Bridge Street, PO Box 7
Sugar Grove, Ohio 43155-0007

To the Village Council:

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 Sugar Grove, Fairfield County, Ohio, (the Village) as of and for the year ended December 31, 2006, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinions.

As discussed in Note 2, the accompanying financial statements and notes follow the modified cash accounting basis. 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 modified cash financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Sugar Grove, Fairfield County, Ohio, as of December 31, 2006, and the respective changes in modified cash financial position and the respective budgetary comparisons for the General and Street Construction Maintenance and Repair Funds thereof for the year 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 August 18, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. 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.

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

Mary Taylor, CPA
Auditor of State

August 18, 2008

**VILLAGE OF SUGAR GROVE
FAIRFIELD COUNTY**

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

This discussion and analysis of the Village of Sugar Grove, Ohio financial performance provides an overall review of the Village's financial activities for the year ended December 31, 2006, within the limitations of the Village's modified 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 2006 are as follows:

Net assets of governmental activities decreased \$18,669, or 9 percent, a significant change from the prior year. The fund most affected by the decrease in cash and cash equivalents was the Fire Hydrant Fund, which realized the greatest burden of increased costs in 2006; however, cost increases affected most funds.

The Village's general receipts are primarily property and income taxes. These receipts represent respectively 7 and 24 percent of the total cash received for governmental activities during the year. Property and income tax receipts for 2006 changed very little compared to 2005 as development within the Village is slow.

The water operation, sewer operation, and sanitation operation make up the business-type activity, the net assets of BTA increased \$21,645 due to increases in consumer consumption charges.

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 modified 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.

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 modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Village's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

**VILLAGE OF SUGAR GROVE
FAIRFIELD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED
(Continued)**

As a result of using the modified 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 modified 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 2006 within the limitations of modified cash basis accounting. The statement of net assets presents the cash balances and investments 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 modified 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 police, streets and parks. State and federal grants and income 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 activities. The Village has three business-type activities, the provision of water, sewer and sanitation. Business-type activities are financed by a fee charged to the customers receiving the service.

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 three categories: governmental, proprietary and fiduciary.

**VILLAGE OF SUGAR GROVE
FAIRFIELD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED
(Continued)**

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, Street Fund, Fire Hydrant Replacement Fund, FEMA Fund. The 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's enterprise funds are the Water Fund, Sewer Fund and Sanitation Fund.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the Village. Fiduciary funds are not reflected on the government-wide financial statements because the resources of these funds are not available to support the Village's programs.

The Village as a Whole

Table 1 provides a summary of the Village's net assets for 2006 compared to 2005 on a modified cash basis:

**VILLAGE OF SUGAR GROVE
FAIRFIELD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED
(Continued)**

(Table 1)

Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Assets						
Cash and Cash Equivalents	\$174,085	\$192,755	\$67,695	\$46,049	\$241,780	\$238,804
Investments	5,000	5,000	0	0	5,000	5,000
Total Assets	\$179,085	\$197,755	\$67,695	\$46,049	\$246,780	\$243,804
Net Assets						
Restricted for:						
Debt Service					\$0	\$0
Capital Outlay	0	15,957	0	0	0	15,957
Permanent Fund	0	0	0	0	0	0
Expendable	57	57	0	0	57	57
Non-Expendable	5,000	5,000	0	0	5,000	5,000
Other Purposes	63,086	52,632	0	0	63,086	52,632
Unrestricted	110,942	124,109	67,695	46,049	178,637	170,158
Total Net Assets	\$179,085	\$197,755	\$67,695	\$46,049	\$246,780	\$243,804

As mentioned previously, net assets of governmental activities decreased \$18,669 or 9 percent during 2006. The primary reasons contributing to the decrease in cash balance are as follows:

- Slow growth in local tax receipts.
- The General Fund decreased by \$14,173
- The Fire Hydrant Replacement Fund decreased by \$15,596
- The Special Revenue Funds increase by \$11,460

Also, as mentioned previously, the net assets of business-type activities increased \$21,645 due to increases in consumer consumption charges due to the Village planning for a major water line replacement project.

Table 2 reflects the changes in net assets on a modified cash basis in 2006 and 2005 for governmental activities, business-type activities and total primary government.

**VILLAGE OF SUGAR GROVE
FAIRFIELD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED
(Continued)**

(Table 2)

Changes in Net Assets

	Governmental		Business-Type		Total	
	Activities		Activities			
	2006	2005	2006	2005	2006	2005
Receipts:						
Program Receipts:						
Charges for Services and Sales	\$3,543	\$5,912	\$105,247	\$109,695	\$108,790	\$115,607
Operating Grants and Contributions	27,972	31,749	0	0	27,972	31,749
Capital Grants and Contributions	137,723	63,646	0	0	137,723	63,646
Total Program Receipts	169,238	101,307	105,247	109,695	274,485	211,002
General Receipts:						
Property and Other Local Taxes	22,832	24,575	0	0	22,832	24,575
Income Taxes	81,870	92,749	0	0	81,870	92,749
Grants and Entitlements	19,427	19,350	0	0	19,427	19,350
Sale of Notes	0	0	6,275	62,041	6,275	62,041
Interest	3,304	2,075	0	0	3,304	2,075
Miscellaneous	41,268	619	0	0	41,268	619
Total General Receipts	168,701	139,368	6,275	62,041	174,976	201,409
Total Receipts	337,939	240,675	111,522	171,736	449,461	412,411
Disbursements:						
General Government	112,254	85,560	0	0	112,254	85,560
Security of Persons and Property:	68,019	35,373	0	0	68,019	35,373
Public Health Services	1,250	1,310	0	0	1,250	1,310
Leisure Time Activities	417	24	0	0	417	24
Community Environment	1,546	1,618	0	0	1,546	1,618
Basic Utilities	0	0	87,456	157,858	87,456	157,858
Transportation	19,443	16,008	0	0	19,443	16,008
Capital Outlay	153,680	47,689	2,420	0	156,100	47,689
Total Disbursements	356,609	187,582	89,876	157,858	446,485	345,440
Increase (Decrease) in Net Assets	(18,670)	53,093	21,646	13,878	2,976	66,971
Net Assets, January 1	197,755	144,662	46,049	32,171	243,804	176,833
Net Assets, December 31	\$179,085	\$197,755	\$67,695	\$46,049	\$246,780	\$243,804

**VILLAGE OF SUGAR GROVE
FAIRFIELD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED
(Continued)**

In 2006 and 2005 program receipts represent 50 and 42 percent respectively, of total receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money, building permits and grants.

In 2006 and 2005 general receipts represent 50 and 58 percent respectively, of the Village's total receipts, and of this amount, over 62 and 84 percent respectively, are local taxes. State and federal grants and entitlements make up the balance of the Village's general receipts. Other receipts that were significant in 2006 were insurance claims, due to a cruiser fire. Interest and 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, auditor, treasurer, and income tax departments, as well as internal services such as payroll and purchasing.

Security of Persons and Property are the costs of police and fire protection; Public Health Services is the health department; Leisure Time Activities are the costs of maintaining the parks and playing fields. Transportation is the cost of maintaining the roads.

Governmental Activities

If you look at the Statement of Activities 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 capital outlay, which account for 43 percent of all governmental disbursements, respectively. General government also represents a significant cost, about 31 percent. 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	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2006	2006	2005	2005
General Government	\$112,254	\$109,139	\$85,560	\$80,020
Security of Persons and Property	68,019	68,019	35,373	16,993
Public Health Services	1,250	1,250	1,310	1,310
Leisure Time Activities	417	405	24	11
Community Environment	1,546	1,130	1,618	1,259
Basic Utilities	0	0	0	0
Transportation	19,443	(8,529)	16,008	(12,906)
Capital Outlay	153,680	15,957	47,689	(361)
Total Expenses	\$356,609	\$187,371	\$187,582	\$86,326

**VILLAGE OF SUGAR GROVE
FAIRFIELD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED
(Continued)**

The dependence upon property and income tax receipts is apparent as over 62 percent of governmental activities are supported through these general receipts.

Business-type Activities

Net assets of business type activities increased in 2006 by \$21,646 and increased in 2005 by \$13,878. The major revenue source in both years was charges for services.

The water, sewer and sanitation operation of the Village is relatively small and routinely reports receipts and cash disbursements that are relatively equal. The infrastructure is beginning to age and the Village has begun discussing the need for major repairs and how these will be funded.

The Village's Funds

Total governmental funds had receipts of \$337,939 and disbursements of \$356,609. The greatest change within governmental funds occurred within the Fire Hydrant Fund. The fund balance of the General Fund decreased \$15,596 as the result of the fire hydrant replacement project nearing completion.

General Fund receipts were less than disbursements by \$14,172 indicating that the General Fund is in a deficit spending situation. It was the recommendation of the finance committee and the administration to request additional funds from the taxpayers by replacing the current 4 mill levy as development and income taxes remains stagnant.

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 2006, the Village amended its General Fund budget several times to reflect changing circumstances. Final budgeted receipts were greater than original budgeted receipts. The difference between final budgeted receipts and actual receipts was not significant.

Final disbursements were budgeted at \$288,029.32 while actual disbursements were \$214,739.69. Through the course of the year, appropriations were not reduced as the Village had anticipated an expenditure for relocating the utility lines from the Maple Street bridge, per the County Engineer. With changes in planning by the County Engineer this expense will happen in 2007. The Village kept spending very close to budgeted amounts as demonstrated by the minor reported variances. The result is the decrease in fund balance of \$14,172 for 2006.

Capital Assets and Debt Administration

Capital Assets

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

Debt

At December 31, 2006, the Village's outstanding debt included \$72,659.88 in principal and interest for an OWDA Loan issued for Water Line & Fire Hydrant Replacement Design.

VILLAGE OF SUGAR GROVE
FAIRFIELD COUNTY

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

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. Our newly prepared financial forecast predicts a deficit for 2007; therefore, the finance committee and the administration implemented a strategy to delay the deficit. This plan became effective for 2007. We reviewed our sources of revenue and determined that increases were likely. We took to the voters a 4 mill replacement levy which passed in 2006, which will be first collected in 2008.

Contacting the Government'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 Kathryn Thimmes, Clerk-Treasurer, Village of Sugar Grove, 101 Bridge St., Sugar Grove, Ohio 43155.

SUGAR GROVE VILLAGE, FAIRFIELD COUNTY

Statement of Net Assets - Modified Cash Basis

December 31, 2006

	<u>Governmental Activities</u>	<u>Business - Type Activities</u>	<u>Total</u>
Assets			
Cash	\$174,085.16	\$67,695.09	\$241,780.25
Investments	5,000.00	0.00	5,000.00
<i>Total Assets</i>	<u>179,085.16</u>	<u>67,695.09</u>	<u>246,780.25</u>
Net Assets			
Restricted for:			
Expendable	56.77	0.00	56.77
Permanent Fund	5,000.00	0.00	5,000.00
Other Purposes	63,086.29	0.00	63,086.29
Unrestricted	<u>110,942.10</u>	<u>67,695.09</u>	<u>178,637.19</u>
<i>Total Net Assets</i>	<u>\$179,085.16</u>	<u>\$67,695.09</u>	<u>\$246,780.25</u>

See accompanying notes to the basic financial statements

SUGAR GROVE VILLAGE, FAIRFIELD COUNTY
Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2006

	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
Governmental Activities							
Security of Persons and Property	\$68,019.15	\$0.00	\$0.00	\$0.00	(\$68,019.15)	\$0.00	(\$68,019.15)
Public Health Services	1,249.90	0.00	0.00	0.00	(1,249.90)	0.00	(1,249.90)
Leisure Time Activities	417.65	12.50	0.00	0.00	(405.15)	0.00	(405.15)
Community Environment	1,546.14	416.00	0.00	0.00	(1,130.14)	0.00	(1,130.14)
Transportation	19,442.50	0.00	27,971.57	0.00	8,529.07	0.00	8,529.07
General Government	112,253.70	3,115.00	0.00	0.00	(109,138.70)	0.00	(109,138.70)
Capital Outlay	153,679.73	0.00	0.00	137,722.83	(15,956.90)	0.00	(15,956.90)
<i>Total Governmental Activities</i>	<u>356,608.77</u>	<u>3,543.50</u>	<u>27,971.57</u>	<u>137,722.83</u>	<u>(187,370.87)</u>	<u>0.00</u>	<u>(187,370.87)</u>
Business Type Activities							
Water Operating	33,989.18	38,965.96	0.00	0.00	0.00	4,976.78	11,251.78
Sewer Operating	29,326.75	39,382.05	0.00	0.00	0.00	10,055.30	10,055.30
Sanitation	26,560.36	26,898.76	0.00	0.00	0.00	338.40	338.40
<i>Total Business Type Activities</i>	<u>89,876.29</u>	<u>105,246.77</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>15,370.48</u>	<u>21,645.48</u>
<i>Total Primary Government</i>	<u>\$446,485.06</u>	<u>\$108,790.27</u>	<u>\$27,971.57</u>	<u>\$137,722.83</u>	<u>(\$187,370.87)</u>	<u>\$15,370.48</u>	<u>(\$165,725.39)</u>
General Receipts							
Property Taxes for General Purposes					\$20,434.89	\$0.00	\$20,434.89
Municipal Income Taxes					81,869.53	0.00	81,869.53
Other Taxes					2,397.50	0.00	2,397.50
Grants and Entitlements not Restricted to Specific Programs					19,427.08	0.00	19,427.08
Other Debt Proceeds					0.00	6,275.00	6,275.00
Sale of Fixed Assets					4,601.00	0.00	4,601.00
Cable Franchise Fees					2,433.49	0.00	2,433.49
Earnings on Investments					3,304.10	0.00	3,304.10
Miscellaneous					34,233.92	0.00	34,233.92
<i>Total General Receipts</i>					<u>168,701.51</u>	<u>6,275.00</u>	<u>174,976.51</u>
Change in Net Assets					(18,669.36)	21,645.48	2,976.12
<i>Net Assets Beginning of Year</i>					<u>197,754.52</u>	<u>46,049.61</u>	<u>243,804.13</u>
<i>Net Assets End of Year</i>					<u>\$179,085.16</u>	<u>\$67,695.09</u>	<u>\$246,780.25</u>

See accompanying notes to the basic financial statements

SUGAR GROVE VILLAGE, FAIRFIELD COUNTY
Statement of Modified Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2006

	<u>GENERAL</u>	<u>STREET CONST. MAINT.REP.</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
Assets				
Cash	\$112,179.33	\$48,549.88	\$13,355.95	\$174,085.16
Investments	0.00	0.00	5,000.00	5,000.00
<i>Total Assets</i>	<u>112,179.33</u>	<u>48,549.88</u>	<u>18,355.95</u>	<u>179,085.16</u>
Fund Balances				
Reserved:				
Reserved for Encumbrances	1,001.56	579.05	0.00	1,580.61
Reserved for Permanent Fund	0.00	0.00	5,056.77	5,056.77
Unreserved:				
Undesignated, Reported in:				
General Fund	111,177.77	0.00	0.00	111,177.77
Special Revenue Funds	0.00	47,970.83	13,299.18	61,270.01
<i>Total Fund Balances</i>	<u>\$112,179.33</u>	<u>\$48,549.88</u>	<u>\$18,355.95</u>	<u>\$179,085.16</u>

See accompanying notes to the basic financial statements

SUGAR GROVE VILLAGE, FAIRFIELD COUNTY

Statement of Cash Receipts, Disbursements and Changes in Modified-Cash Basis Fund Balances

Governmental Funds

For the Year Ended December 31, 2006

	GENERAL	STREET CONST. MAINT.REP.	FIRE HYDRANT REPLACEMENT	FEMA	OTHER GOVERNMENTAL FUNDS	TOTAL
Receipts						
Property and Other Local Taxes	\$20,434.89	\$0.00	\$0.00	\$0.00	\$2,397.50	\$22,832.39
Municipal Income Taxes	81,869.53	0.00	0.00	0.00	0.00	81,869.53
Intergovernmental	19,427.08	26,772.82	56,132.94	81,589.89	1,198.75	185,121.48
Charges for Services	0.00	0.00	0.00	0.00	12.50	12.50
Fines, Licenses and Permits	5,384.49	0.00	0.00	0.00	580.00	5,964.49
Earnings on Investments	2,744.34	438.12	0.00	0.00	121.64	3,304.10
Miscellaneous	34,083.92	0.00	0.00	0.00	150.00	34,233.92
Total Receipts	163,944.25	27,210.94	56,132.94	81,589.89	4,460.39	333,338.41
Disbursements						
Current:						
Security of Persons and Property	68,019.15	0.00	0.00	0.00	0.00	68,019.15
Public Health Services	1,249.90	0.00	0.00	0.00	0.00	1,249.90
Leisure Time Activities	128.42	0.00	0.00	0.00	289.23	417.65
Community Environment	1,546.14	0.00	0.00	0.00	0.00	1,546.14
Transportation	0.00	18,240.51	0.00	0.00	1,201.99	19,442.50
General Government	111,773.70	0.00	0.00	0.00	480.00	112,253.70
Capital Outlay	0.00	0.00	71,728.94	81,950.79	0.00	153,679.73
Total Disbursements	182,717.31	18,240.51	71,728.94	81,950.79	1,971.22	356,608.77
Excess of Receipts Over (Under) Disbursements	(18,773.06)	8,970.43	(15,596.00)	(360.90)	2,489.17	(23,270.36)
Other Financing Sources (Uses)						
Sale of Fixed Assets	4,601.00	0.00	0.00	0.00	0.00	4,601.00
Advances In	30,792.11	0.00	0.00	30,792.11	0.00	61,584.22
Advances Out	(30,792.11)	0.00	0.00	(30,792.11)	0.00	(61,584.22)
Total Other Financing Sources (Uses)	4,601.00	0.00	0.00	0.00	0.00	4,601.00
Net Change in Fund Balances	(14,172.06)	8,970.43	(15,596.00)	(360.90)	2,489.17	(18,669.36)
Fund Balances Beginning of Year	126,351.39	39,579.45	15,596.00	360.90	15,866.78	197,754.52
Fund Balances End of Year	\$112,179.33	\$48,549.88	\$0.00	\$0.00	\$18,355.95	\$179,085.16

See accompanying notes to the basic financial statements

SUGAR GROVE VILLAGE, FAIRFIELD COUNTY
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
General Fund
For the Year Ended December 31, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Receipts				
Property and Other Local Taxes	\$18,000.00	\$19,000.00	\$20,434.89	\$1,434.89
Municipal Income Taxes	80,000.00	80,000.00	81,869.53	1,869.53
Intergovernmental	17,009.63	17,009.63	19,427.08	2,417.45
Fines, Licenses and Permits	4,700.00	4,700.00	5,384.49	684.49
Earnings on Investments	994.67	994.67	2,744.34	1,749.67
Miscellaneous	0.00	28,000.00	34,083.92	6,083.92
<i>Total receipts</i>	<u>120,704.30</u>	<u>149,704.30</u>	<u>163,944.25</u>	<u>14,239.95</u>
Disbursements				
Current:				
Security of Persons and Property	42,800.86	88,650.86	68,846.83	19,804.03
Public Health Services	1,250.00	1,250.00	1,249.90	0.10
Leisure Time Activities	1,000.00	1,000.00	128.42	871.58
Community Environment	2,799.00	2,799.00	1,546.14	1,252.86
General Government	134,387.35	153,657.35	111,947.58	41,709.77
<i>Total Disbursements</i>	<u>182,237.21</u>	<u>247,357.21</u>	<u>183,718.87</u>	<u>63,638.34</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(61,532.91)</u>	<u>(97,652.91)</u>	<u>(19,774.62)</u>	<u>77,878.29</u>
Other Financing Sources (Uses)				
Sale of Fixed Assets	0.00	0.00	4,601.00	4,601.00
Advances In	0.00	0.00	30,792.11	30,792.11
Advances Out	0.00	0.00	(30,792.11)	(30,792.11)
Other Financing Uses	<u>(20,000.00)</u>	<u>(9,880.00)</u>	<u>0.00</u>	<u>9,880.00</u>
<i>Total Other Financing Sources (Uses)</i>	<u>(20,000.00)</u>	<u>(9,880.00)</u>	<u>4,601.00</u>	<u>14,481.00</u>
<i>Net Change in Fund Balance</i>	(81,532.91)	(107,532.91)	(15,173.62)	92,359.29
<i>Fund Balance Beginning of Year</i>	125,767.66	125,767.66	125,767.66	0.00
Prior Year Encumbrances Appropriated	<u>583.73</u>	<u>583.73</u>	<u>583.73</u>	<u>0.00</u>
<i>Fund Balance End of Year</i>	<u>\$44,818.48</u>	<u>\$18,818.48</u>	<u>\$111,177.77</u>	<u>\$92,359.29</u>

See accompanying notes to the basic financial statements

SUGAR GROVE VILLAGE, FAIRFIELD COUNTY
*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>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Receipts				
Intergovernmental	\$20,270.00	\$20,270.00	\$26,772.82	\$6,502.82
Earnings on Investments	100.00	100.00	438.12	338.12
<i>Total receipts</i>	<u>20,370.00</u>	<u>20,370.00</u>	<u>27,210.94</u>	<u>6,840.94</u>
Disbursements				
Current:				
Transportation	41,398.76	41,398.76	18,819.56	22,579.20
<i>Total Disbursements</i>	<u>41,398.76</u>	<u>41,398.76</u>	<u>18,819.56</u>	<u>22,579.20</u>
<i>Net Change in Fund Balance</i>	(21,028.76)	(21,028.76)	8,391.38	29,420.14
<i>Fund Balance Beginning of Year</i>	38,715.69	38,715.69	38,715.69	0.00
Prior Year Encumbrances Appropriated	<u>863.76</u>	<u>863.76</u>	<u>863.76</u>	<u>0.00</u>
<i>Fund Balance End of Year</i>	<u>\$18,550.69</u>	<u>\$18,550.69</u>	<u>\$47,970.83</u>	<u>\$29,420.14</u>

See accompanying notes to the basic financial statements

SUGAR GROVE VILLAGE, FAIRFIELD COUNTY
Statement of Fund Net Assets - Modified Cash Basis
Proprietary Funds
December 31, 2006

	<u>WATER OPERATING</u>	<u>SEWER OPERATING</u>	<u>SANITATION OPERATING</u>	<u>TOTAL ENTERPRISE FUNDS</u>
Assets				
Cash	\$27,648.86	\$28,801.86	\$11,244.37	\$67,695.09
<i>Total Assets</i>	<u>27,648.86</u>	<u>28,801.86</u>	<u>11,244.37</u>	<u>67,695.09</u>
Net Assets				
Unrestricted	27,648.86	28,801.86	11,244.37	67,695.09
<i>Total Net Assets</i>	<u>\$27,648.86</u>	<u>\$28,801.86</u>	<u>\$11,244.37</u>	<u>\$67,695.09</u>

See accompanying notes to the basic financial statements

SUGAR GROVE VILLAGE, FAIRFIELD COUNTY
*Statement of Cash Receipts,
Disbursements and Changes in Fund Net Assets - Modified Cash Basis
Proprietary Funds
For the Year Ended December 31, 2006*

	WATER OPERATING TOTAL	SEWER OPERATING TOTAL	SANITATION OPERATING TOTAL	TOTAL ENTERPRISE FUNDS
Operating Receipts				
Charges for Services	\$38,965.96	\$39,382.05	\$26,898.76	\$105,246.77
<i>Total Operating Receipts</i>	<u>38,965.96</u>	<u>39,382.05</u>	<u>26,898.76</u>	<u>105,246.77</u>
Operating Disbursements				
Personal Services	7,548.42	2,919.84	2,919.84	13,388.10
Employee Fringe Benefits	935.86	150.00	100.00	1,185.86
Contractual Services	10,970.03	23,898.29	23,310.53	58,178.85
Supplies and Materials	7,244.99	953.12	229.99	8,428.10
<i>Total Operating Disbursements</i>	<u>26,699.30</u>	<u>27,921.25</u>	<u>26,560.36</u>	<u>81,180.91</u>
<i>Operating Income (Loss)</i>	<u>12,266.66</u>	<u>11,460.80</u>	<u>338.40</u>	<u>24,065.86</u>
Non-Operating Receipts (Disbursements)				
Other Debt Proceeds	6,275.00	0.00	0.00	6,275.00
Capital Outlay	(7,289.88)	(1,405.50)	0.00	(8,695.38)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(1,014.88)</u>	<u>(1,405.50)</u>	<u>0.00</u>	<u>(2,420.38)</u>
<i>Change in Net Assets</i>	11,251.78	10,055.30	338.40	21,645.48
<i>Net Assets Beginning of Year</i>	<u>16,397.08</u>	<u>18,746.56</u>	<u>10,905.97</u>	<u>46,049.61</u>
<i>Net Assets End of Year</i>	<u>\$27,648.86</u>	<u>\$28,801.86</u>	<u>\$11,244.37</u>	<u>\$67,695.09</u>

See accompanying notes to the basic financial statements

SUGAR GROVE VILLAGE, FAIRFIELD COUNTY
Statement of Fiduciary Net Assets - Modified Cash Basis
Agency Fund
December 31, 2006

	<u>Agency</u>
Assets	
Cash	<u>\$10.00</u>
<i>Total Assets</i>	<u><u>\$10.00</u></u>
Net Assets	
Unrestricted	<u>\$10.00</u>
<i>Total Net Assets</i>	<u><u>\$10.00</u></u>

See accompanying notes to the basic financial statements

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**VILLAGE OF SUGAR GROVE
FAIRFIELD COUNTY**

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

Note 1 – Reporting Entity

The Village of Sugar Grove, Fairfield County, Ohio, 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, serves as the President of Council and votes only to break a tie.

The reporting entity is comprised of the primary government.

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 and sewer utilities, maintenance of Village roads and bridges, park operations, and police services.

B. Component Units

Component units are legally separate organizations for which the Village is financially accountable. The Village is financially accountable for an organization if the Village appoints a voting majority of the organization's governing board and (1) the Village is able to significantly influence the programs or services performed or provided by the organization; or (2) the Village is legally entitled to or can otherwise access the organization's resources; the Village is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or the Village is obligated for the debt of the organization. The Village is also financially accountable for any organizations that are fiscally dependent on the Village in that the Village approves their budget, the issuance of their debt or the levying of their taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Village, are accessible to the Village and are significant in amount to the Village.

The Village of Sugar Grove has no component units.

C. Joint Ventures, Jointly Governed Organizations and Public Entity Risk Pools

A joint venture is a legal entity or other organization that results from a contractual arrangement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility. Under the *modified* cash basis of accounting, the Village does not report assets for equity interests in joint ventures.

The Village participates in the Public Entities Pool of Ohio (PEP), a risk sharing pool available to Ohio local governments. PEP provides property and casualty insurance for its members. PEP is a member of the American Public Entity Pool (APEEP). Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductions. Note 7 to the financial statements provide additional information for this entity.

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

**VILLAGE OF SUGAR GROVE
FAIRFIELD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

Note 2 – Summary of Significant Accounting Policies

As discussed further in Note 2.C, these financial statements are presented on a *modified* cash basis of accounting. This *modified* 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 *modified* 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 *modified* 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 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 nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of net assets presents the cash and investment balances, 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 *modified* 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. Nonmajor 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.

**VILLAGE OF SUGAR GROVE
FAIRFIELD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

Note 2 – Summary of Significant Accounting Policies (continued)

Proprietary fund statements distinguish operating transactions from nonoperating 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 proprietary fund statements report all other receipts and disbursements as nonoperating.

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 three categories, governmental, proprietary and fiduciary.

Governmental Funds

The Village classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The Village's major governmental funds in 2006 are the General Fund, Street Construction Maintenance and Repairs Fund (the Street Fund), Fire Hydrant Replacement Fund, and the FEMA 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. The Street Fund is used to account for monies received from gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village streets. The Fire Hydrant Replacement Fund is used to account for grants and other resources to replace the fire hydrants in the Village. The FEMA Fund is used to account for the receipts and disbursements for emergency sewer plant repair. 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, sewer, and sanitation funds. The Village has no Internal Service Funds.

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

Sewer Fund - This fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

Sanitation Fund - This fund accounts for the garbage and trash services provided to Village residents and commercial users.

**VILLAGE OF SUGAR GROVE
FAIRFIELD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

Note 2 – Summary of Significant Accounting Policies (continued)

B. Fund Accounting (continued)

Fiduciary Funds

Fiduciary funds include pension trust funds, investment trust funds, private purpose trust funds, and agency funds. The Village has no trust funds. Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village's agency fund, the Mayor's Court Fund, accounts for gross money received from Mayor's Court Fines. A portion of the money belongs to the state of Ohio and a portion to the Village. The gross receipts are receipted into the agency fund then disbursed.

C. Basis of Accounting

The Village's financial statements are prepared using the *modified* 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 *modified* 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 liabilities and the related expenses) 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 Council may appropriate.

The appropriations ordinance is the Village Council's authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the Village Council. The legal level of control has been established at the fund and program 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 Council.

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.

**VILLAGE OF SUGAR GROVE
FAIRFIELD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

Note 2 – Summary of Significant Accounting Policies (continued)

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”.

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, respectively.

During 2006, the Village invested in U.S. Series I Bond. The Series I Bond is reported at cost.

Interest earnings are allocated to Village funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2006 was \$2,744.34, of which \$870.28 was assigned from other funds. The Street Fund was \$438.12, and the Permissive MVL Fund was \$121.64.

F. Restricted Assets

Cash, cash equivalents and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation.

G. Inventory and Prepaid Items

The Village reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

H. Capital Assets

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

I. 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.

J. 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 *modified* cash basis of accounting.

**VILLAGE OF SUGAR GROVE
FAIRFIELD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

Note 2 – Summary of Significant Accounting Policies (continued)

K. Employer Contributions to Cost-Sharing Pension Plans

The Village recognizes the disbursement for their 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.

L. Long-Term Obligations

The Village's *modified* 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 an other financing source nor a capital outlay expenditure is reported at inception. Lease payments are reported when paid.

M. 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 the permanent fund include resources restricted in the amount of \$5,000.00 per the will of a donor in which the interest in the amount of \$57.00 will be used for the purpose of mowing and maintaining the Sugar Grove Cemetery. Net assets restricted for other purposes in 2006 include resources in the amount of \$1237.23 from the Ohio Chief's of Police Association Grant for high speed internet connection over a three year period and \$1300.00 from an anonymous donation for the L.E.A.D.S. Mobile Data Service (MDT/TAC) for the Police Department. Net assets restricted for other purposes include the fund balances of restricted funds in the amount of \$63,086.29.

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.

N. 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. In 2006, reserve for encumbrances totaled \$1,001.56 in the General Fund, \$579.05 in the Street Fund. In 2006 reserve for permanent fund is \$5,056.77. Unreserved fund balance indicates that portion of fund balance is available for appropriation in future periods. Fund balance reserves have been established for encumbrances and the nonexpendable portion of the permanent fund.

O. Interfund Transactions

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

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the 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 no 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.

**VILLAGE OF SUGAR GROVE
FAIRFIELD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

Note 3 – 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 presented for the General Fund and the Street Fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the *modified* cash basis are outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (*modified* cash basis). In 2006, the encumbrances outstanding at year end (budgetary basis) amounted to \$1,001.56 for the General Fund and \$579.05 for the Street Fund.

Note 4 – 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 Council has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim 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.

**VILLAGE OF SUGAR GROVE
FAIRFIELD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

Note 4 – Deposits and Investments (continued)

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).

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 year end, the Village had no undeposited cash on hand.

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 year end, \$155,894.61 of the Village's bank balance of \$255,894.61 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Village's name.

The Village has a deposit policy for custodial risk beyond the requirements of State statute as follows: limiting investments to the safest types of securities where there is certainty of receiving full par value plus accrued interest, at the securities' legal final maturity; pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisors with which an entity will do business; and diversifying the investment portfolio so that potential losses on individual securities will be minimized. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited with the Village or a qualified trustee by the financial institution as security for 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, 2006 the Village had the following investments

	<u>Carrying Value</u>	<u>Maturity</u>
U.S. Bond (Series I)	\$5,000.00	9/6/2030
Total Portfolio	<u>\$5,000.00</u>	

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. The Village's investment policy addresses interest rate risk by requiring that the Village's Investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations, thereby avoiding that need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments.

**VILLAGE OF SUGAR GROVE
FAIRFIELD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

Note 4 – Deposits and Investments (continued)

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Village will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The U.S. Treasury Bills are exposed to custodial credit risk as they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in the Village's name. The Village has no investment policy dealing with investment custodial risk beyond the requirements in ORC 135.14(M)(2) which states, "Payment for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee."

Note 5 – Income Taxes

The Village levies a 3/4 percent income tax whose proceeds are placed into the General Fund. The Village levies and contracts with Timothy Oatney, Tax Administrator, to collect the tax on all income earned within the Village as well as on incomes of residents earned outside the Village. In the latter case, the Village allows a credit of 1/2 percent of the 3/4 percent tax rate on taxable income for taxes paid to another city. Employers within the Village are required to withhold income tax on employee earnings and remit the tax to the Village at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually.

Note 6 – Property Taxes

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Village. Real property tax receipts received in 2006 represent the collection of 2005 taxes. Real property taxes received in 2006 were levied after October 1, 2005, on the assessed values as of January 1, 2005, 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 2006 represent the collection of 2005 taxes. Public utility real and tangible personal property taxes received in 2006 became a lien on December 31, 2005, were levied after October 1, 2005, 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 2006 (other than public utility property) represent the collection of 2006 taxes. Tangible personal property taxes received in 2006 were levied after October 1, 2005, on the true value as of December 31, 2005. Tangible personal property is currently assessed at 25 percent of true value for 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.

**VILLAGE OF SUGAR GROVE
FAIRFIELD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

Note 6 – Property Taxes (continued)

The full tax rate for all Village operations for the year ended December 31, 2006, was 5.80 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2006 property tax receipts were based are as follows:

Real Property	2006
Residential	\$4,463,480
Commercial	\$ 912,650
Industrial	\$ 700
Public Utility	
Real	\$ 3,430
Personal	\$ 327,850
Tangible Personal Property	\$ 39,830
Tangible Personal Property Exem	\$ 11,120
Total Assessed Value	\$5,759,060

Note 7 – Risk Management

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

The Village insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

For an occurrence prior to January 1, 2006 PEP retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence, including loss adjustment expenses. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with PEP.

If losses exhaust PEP's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (for claims prior to January 1, 2006) or \$3,000,000 (for claims on or after January 1, 2006) as noted above.

Property Coverage

Through 2004, PEP retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence.

**VILLAGE OF SUGAR GROVE
FAIRFIELD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

Note 7 – Risk Management (continued)

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2006 was \$1,901,127.

The aforementioned casualty and property reinsurance agreements do not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2006 and 2005:

<u>Casualty Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$30,997,868	\$29,719,675
Liabilities	(15,875,741)	(15,994,168)
Retained earnings	<u>\$15,122,127</u>	<u>\$13,725,507</u>

<u>Property Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$5,125,326	\$4,443,332
Liabilities	(863,163)	(1,068,245)
Retained earnings	<u>\$4,262,163</u>	<u>\$3,375,087</u>

At December 31, 2006 and 2005, respectively, casualty coverage liabilities noted above include approximately \$14.4 million and \$14.3 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$14.4 million and \$14.3 million of unpaid claims to be billed to approximately 447 member governments in the future, as of December 31, 2006 and 2005, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Village's share of these unpaid claims collectible in future years is approximately \$17,073. This payable includes the subsequent year's contribution due if the Village terminates participation, as described in the last paragraph below.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

**VILLAGE OF SUGAR GROVE
FAIRFIELD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

Note 7 – Risk Management (continued)

<u>Contributions to PEP</u>	
2004	\$7,344.00
2005	\$8,326.50
2006	\$8,536.50

After completing one year of membership, members may withdraw on each anniversary of the date they joined PEP provided they give written notice to PEP 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

Note 8 – Defined Benefit Pension Plans

A. Ohio Public Employees Retirement System

The Village participates in the Ohio Public Employees Retirement System (OPERS). OPER 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 accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings.

The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPER 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, 2006, the members of all three plans, except those in law enforcement participating in the traditional plan, were required to contribute 9 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary. The Village's contribution rate for pension benefits for 2006 was 13.7 percent, except for those plan members in law enforcement or public safety. For those classifications, the Village's pension contributions were 16.93 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Village's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2006, 2005, and 2004 were \$11,560, \$11,189, and \$10,891 respectively. The full amount has been contributed for 2005 and 2004 but \$1,386.46 is owed for 2006.

**VILLAGE OF SUGAR GROVE
FAIRFIELD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

Note 9 - Postemployment Benefits

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and qualified survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2006 local government employer contribution rate was 13.7 percent of covered payroll (16.93 percent for public safety and law enforcement); 4.5 percent 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 of December 31, 2005, include a rate of return on investments of 6.50 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.30 percent based on additional annual pay increases. Health care premiums were assumed to increase between .5 and 6.00 percent annually for the next eight years and 4.00 percent annually after eight 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.

The number of active contributing participants in the traditional and combined plans was 369,214. The number of active contributing participants for both plans used in the December 31, 2005, actuarial valuation was 358,804. Actual employer contributions for 2006 which were used to fund postemployment benefits were \$2,292. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2005, were \$11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$31.3 billion and \$20.2 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. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

Note 10 - Debt

The Village's long-term debt activity for the year ended December 31, 2006, was as follows:

2006	Interest Rate	Balance Dec. 31 2005	Additions	Reductions	Balance Dec.31 2006	Due Within One Year
<u>Business Type Activities</u>						
2005 OWDA Loan-Water Line and Fire Hydrant Replacement Design						
	5%	\$62,041	\$6,275	\$0	\$68,316	<u>\$0</u>

**VILLAGE OF SUGAR GROVE
FAIRFIELD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

Note 10 – Debt (continued)

The Ohio Water Development Authority (OWDA) loan relates to a water line & fire hydrant replacement design loan. The loan must be repaid in 2010. The loan is secured by water receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The following is a summary of the Village's future annual debt service requirements:

Year	OWDA LOAN	
	<u>Principal</u>	<u>Interest</u>
2007	\$0	\$0
2008	0	0
2009	0	0
2010	68,316	4,344
Totals	<u>\$68,316</u>	<u>\$4,344</u>

The Ohio Revised Code provides that net general obligation debt of the Village, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 5.5 percent of the tax valuation of the Village. The Revised Code further provides that total voted and unvoted net debt of the Village less the same exempt debt shall never exceed amount equal to 10.5 percent of its tax valuation. The effects of the debt limitations at December 31, 2006, were an overall debt margin of \$604,701 and an unvoted debt margin of \$316,748.

Note 11 – Public Entity Risk Pool

The Village participates in the Public Entities Pool of Ohio (PEP), a risk sharing pool available to Ohio local governments. PEP provides property and casualty insurance for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductions. Note 7 to the financial statements provide additional information for this entity.

Note 12 – Subsequent Events

The Village entered into a loan agreement with the Ohio Water Development Authority on February 28, 2008 for a water line replacement project (#4859) in the amount of \$246,840. The loan has an interest rate of 4.45% with a first payment date of January 1, 2009 and a maturity date of July 1, 2038.



Mary Taylor, CPA

Auditor of State

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

Village of Sugar Grove
Fairfield County
101 Bridge Street, PO Box 7
Sugar Grove, Ohio 43155-0007

To the Village Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Sugar Grove, Fairfield County, Ohio (the Village) as of and for the year ended December 31, 2006, which collectively comprise the Village's basic financial statements and have issued our report thereon dated August 18, 2008, wherein we noted that the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in 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 the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

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

88 E. Broad St. / Tenth Floor / Columbus, OH 43215-3506
Telephone: (614) 466-3402 (800) 443-9275 Fax: (614) 728-7199
www.auditor.state.oh.us

Compliance and Other Matters

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

We intend this report solely for the information and use of the finance committee, management, and Village Council. We intend it for no one other than these specified parties.

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

Mary Taylor, CPA
Auditor of State

August 18, 2008

**VILLAGE OF SUGAR GROVE
FAIRFIELD COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2005-001	Payroll Records	Yes	
2005-002	Documentation of Gas Purchases	Yes	
2005-003	Deposits and Collection of Building Permit Payments	Yes	



Mary Taylor, CPA
Auditor of State

VILLAGE OF SUGAR GROVE

FAIRFIELD 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
SEPTEMBER 30, 2008**