



**Auditor of State
Betty Montgomery**

VILLAGE OF MILLERSBURG
HOLMES COUNTY

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**Auditor of State
Betty Montgomery**

Village of Millersburg
Holmes County
6 N. Washington St.
Millersburg, Ohio 44654

To the Village Council:

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

A handwritten signature in black ink that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

October 24, 2005

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Village of Millersburg
Holmes County
6 N. Washington St.
Millersburg, Ohio 44654

To the Village Council:

We have audited the accompanying financial statements of the Village of Millersburg, Holmes County, Ohio, (the Village) as of and for the years ended December 31, 2004 and 2003. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since this Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

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

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Millersburg, Holmes County, as of December 31, 2004 and 2003, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2005, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Betty Montgomery
Auditor of State

October 24, 2005

**VILLAGE OF MILLERSBURG
HOLMES COUNTY**

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

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Cash Receipts:						
Property Tax and Other Local Taxes	\$190,594	\$16,794	\$6,467		\$46,663	\$260,518
Municipal Income Taxes	973,922					973,922
Intergovernmental Receipts	107,434	161,177		\$2,711,190	4,664	2,984,465
Charges for Services	17,872	14,600	152,897			185,369
Fines, Licenses, and Permits	38,959	4,526				43,485
Earnings on Investments	7,322	2,752		111		10,185
Miscellaneous	13,040	3,440				16,480
Total Cash Receipts	1,349,143	203,289	159,364	2,711,301	51,327	4,474,424
Cash Disbursements:						
Current:						
Security of Persons and Property	626,000				54,512	680,512
Public Health Services	14,819	38,976				53,795
Leisure Time Activities	96,513					96,513
Community Environment	2,631	29,920				32,551
Professional Engineering Services				242,246		242,246
Transportation	54,919	312,242				367,161
General Government	399,834	3,132				402,966
Debt Service:						
Principal Payments	7,909		6,319			14,228
Interest Payments	1,792					1,792
Capital Outlay		53,768		2,514,930		2,568,698
Total Cash Disbursements	1,204,417	438,038	6,319	2,757,176	54,512	4,460,462
Total Receipts Over/(Under) Disbursements	144,726	(234,749)	153,045	(45,875)	(3,185)	13,962
Other Financing Receipts and (Disbursements):						
Transfers-In		179,999		79,880	7,000	266,879
Transfers-Out	(256,880)			(9,999)		(266,879)
Total Other Financing Receipts/(Disbursements)	(256,880)	179,999	0	69,881	7,000	0
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(112,154)	(54,750)	153,045	24,006	3,815	13,962
Fund Cash Balances, January 1	512,926	140,993	5,872	55,204	1,483	716,478
Fund Cash Balances, December 31	\$400,772	\$86,243	\$158,917	\$79,210	\$5,298	\$730,440
Reserves for Encumbrances, December 31	\$52,874	\$5,750	\$0	\$3,378,766	\$0	\$3,437,390

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

**VILLAGE OF MILLERSBURG
HOLMES COUNTY**

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

	Proprietary Fund Types	Fiduciary Fund Types	Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	
Operating Cash Receipts:			
Charges for Services	\$681,628	\$1,300	\$682,928
Miscellaneous	2,241		2,241
Total Operating Cash Receipts	683,869	1,300	685,169
Operating Cash Disbursements:			
Personal Services	268,779		268,779
Travel Transportation	506		506
Contractual Services	125,562		125,562
Supplies and Materials	72,538		72,538
Capital Outlay	116,349		116,349
Total Operating Cash Disbursements	583,734	0	583,734
Operating Income/(Loss)	100,135	1,300	101,435
Non-Operating Cash Receipts:			
Interest	3,314		3,314
Total Non-Operating Cash Receipts	3,314	0	3,314
Non-Operating Cash Disbursements:			
Redemption of Principal and interest	19,403		19,403
Other Non-Operating Cash Disbursements	68		68
Total Non-Operating Cash Disbursements	19,471	0	19,471
Excess of Receipts Over Disbursements	83,978	1,300	85,278
Fund Cash Balances, January 1	860,617	115,952	976,569
Fund Cash Balances, December 31	\$944,595	\$117,252	\$1,061,847
Reserve for Encumbrances, December 31	\$165,182	\$0	\$165,182

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

**VILLAGE OF MILLERSBURG
HOLMES COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Cash Receipts:						
Property Tax and Other Local Taxes	\$187,817	\$23,722	\$5,982		\$45,673	\$263,194
Municipal Income Tax	899,749					899,749
Intergovernmental Receipts	57,827	141,667	577	\$415,399	4,414	619,884
Charges for Services	16,077	21,766				37,843
Fines, Licenses, and Permits	37,328	3,395				40,723
Earnings on Investments	16,503	2,737		218		19,458
Miscellaneous	19,169	5,471				24,640
Total Cash Receipts	1,234,470	198,758	6,559	415,617	50,087	1,905,491
Cash Disbursements:						
Current:						
Security of Persons and Property	590,394	1,015			52,268	643,677
Public Health Services	14,819	43,752				58,571
Leisure Time Activities	102,647					102,647
Community Environment	33,614	42,286				75,900
Professional Engineering Services				142,681		142,681
Transportation	148,059	316,284				464,343
General Government	394,206	3,303				397,509
Debt Service:						
Principal and Interest Payments			6,319			6,319
Capital Outlay				291,312		291,312
Total Cash Disbursements	1,283,739	406,640	6,319	433,993	52,268	2,182,959
Total Receipts Over/(Under) Disbursements	(49,269)	(207,882)	240	(18,376)	(2,181)	(277,468)
Other Financing Receipts and (Disbursements):						
Transfers-In	16,037	230,000				246,037
Transfers-Out	(230,000)			(16,037)		(246,037)
Other Uses	(12,332)				(1,173)	(13,505)
Total Other Financing Receipts/(Disbursements)	(226,295)	230,000	0	(16,037)	(1,173)	(13,505)
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(275,564)	22,118	240	(34,413)	(3,354)	(290,973)
Fund Cash Balances, January 1	788,490	118,875	5,632	89,617	4,837	1,007,451
Fund Cash Balances, December 31	\$512,926	\$140,993	\$5,872	\$55,204	\$1,483	\$716,478
Reserves for Encumbrances, December 31	\$76,081	\$4,319	\$0	\$19,589	\$0	\$99,989

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

**VILLAGE OF MILLERSBURG
HOLMES COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	
Operating Cash Receipts:			
Charges for Services	\$701,165	\$2,400	\$703,565
Miscellaneous	2,714	150	2,864
Total Operating Cash Receipts	<u>703,879</u>	<u>2,550</u>	<u>706,429</u>
Operating Cash Disbursements:			
Personal Services	275,815		275,815
Travel Transportation	111		111
Contractual Services	151,476		151,476
Supplies and Materials	99,352		99,352
Capital Outlay	94,460		94,460
Total Operating Cash Disbursements	<u>621,214</u>	<u>0</u>	<u>621,214</u>
Operating Income	<u>82,665</u>	<u>2,550</u>	<u>85,215</u>
Non-Operating Cash Receipts:			
Other Non-Operating Receipts	<u>3,285</u>		<u>3,285</u>
Total Non-Operating Cash Receipts	3,285	0	3,285
Non-Operating Cash Disbursements:			
Other Non-Operating Cash Disbursements	<u>3,189</u>		<u>3,189</u>
Excess of Receipts Over Disbursements	<u>82,761</u>	<u>2,550</u>	<u>85,311</u>
Fund Cash Balances, January 1	<u>777,856</u>	<u>113,402</u>	<u>891,258</u>
Fund Cash Balances, December 31	<u>\$860,617</u>	<u>\$115,952</u>	<u>\$976,569</u>
Reserve for Encumbrances, December 31	<u>\$60,050</u>	<u>\$0</u>	<u>\$60,050</u>

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

**VILLAGE OF MILLERSBURG
HOLMES COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Millersburg, Holmes County, (the Village) as a body corporate and politic. A publicly-elected six-member Council governs the Village. The Village provides general government services including water and sewer utilities, road and bridge maintenance, park operations, and police services and fire protection.

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

B. Basis of Accounting

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

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

C. Cash

The Village's accounting basis includes certificates of deposit as assets. The Village values certificates of deposit at cost.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Fund

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

**VILLAGE OF MILLERSBURG
HOLMES COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Fund (Continued)

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

Cemetery Fund -This fund receives revenues from charges for services which are expended for the maintenance of the cemetery.

3. Debt Service Fund

These funds account for resources the Village accumulates to pay bond and note debt. The Village had the following significant debt service funds:

Clay-Monroe Fund – This fund receives proceeds used to repay the Ohio Public Works Commission for a loan for the street improvement project.

Monroe Street Fund – This fund receives proceeds used to repay the Ohio Public Works Commission for a loan for the street improvement project.

4. Capital Project Funds

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

Waste Water Treatment Plant Design Fund - This fund receives loan proceeds from the Ohio Water Development Authority (OWDA) used to pay contractors for improvements made to the Waste Water Treatment Plant.

Court Street Improvement Fund - This fund accounts for receipts used for the improvement of Court Street.

Glen Drive Resurfacing Fund - This fund accounts for receipts used for the resurfacing of Glen Drive.

Massillon Road Storm Sewer Fund - This fund accounts for receipts used for the installment of storm sewer drainage.

5. Enterprise Funds

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

**VILLAGE OF MILLERSBURG
HOLMES COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

5. Enterprise Funds (Continued)

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

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

6. Fiduciary Funds (Trust and Agency Funds)

Trust funds account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the Village classifies the fund as a nonexpendable trust fund. Other trust funds are classified as expendable. Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant fiduciary fund:

Police Pension Fund - This fund receives tax revenues and interfund transfers to subsidize police pensions.

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2004 and 2003 budgetary activity appears in Note 3.

**VILLAGE OF MILLERSBURG
HOLMES COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Property, Plant, and Equipment

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

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. EQUITY IN POOLED CASH

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

	2004	2003
Demand deposits	\$1,132,287	\$733,047
Certificates of deposit	660,000	960,000
Total deposits	1,792,287	1,693,047

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2004 and 2003 follows:

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,760,893	\$1,349,143	(\$411,750)
Special Revenue	604,183	383,288	(220,895)
Debt Service	11,872	159,364	147,492
Capital Projects	7,229,341	2,791,181	(4,438,160)
Enterprise	1,506,968	687,183	(819,785)
Fiduciary	177,250	59,627	(117,623)
Total	\$11,290,507	\$5,429,786	(\$5,860,721)

**VILLAGE OF MILLERSBURG
HOLMES COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2004 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,835,288	\$1,514,171	\$321,117
Special Revenue	486,169	443,788	42,381
Debt Service	6,319	6,319	0
Capital Projects	7,247,325	6,145,940	1,101,385
Enterprise	890,403	768,387	122,016
Fiduciary	60,243	54,512	5,731
Total	<u>\$10,525,747</u>	<u>\$8,933,117</u>	<u>\$1,592,630</u>

2003 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,896,222	\$1,250,507	(\$645,715)
Special Revenue	519,045	428,758	(90,287)
Debt Service	11,631	6,559	(5,072)
Capital Projects	671,707	415,617	(256,090)
Enterprise	1,449,458	707,164	(742,294)
Fiduciary	180,268	52,637	(127,631)
Total	<u>\$4,728,331</u>	<u>\$2,861,242</u>	<u>(\$1,867,089)</u>

2003 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,743,121	\$1,602,152	\$140,969
Special Revenue	473,379	410,959	62,420
Debt Service	6,319	6,319	0
Capital Projects	716,763	469,619	247,144
Enterprise	773,738	684,453	89,285
Fiduciary	60,167	53,441	6,726
Total	<u>\$3,773,487</u>	<u>\$3,226,943</u>	<u>\$546,544</u>

The Village's OWDA agreement requires the Village to encumber the entire project amount, even if project resources won't be available until future years. As a result, the Village's 2004 Capital Projects encumbrances exceeded their December 31, 2004 fund cash balance.

**VILLAGE OF MILLERSBURG
HOLMES COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

4. PROPERTY TAX

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

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

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

5. LOCAL INCOME TAX

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

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

6. DEBT

Debt outstanding at December 31, 2004 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Commission Loan	\$4,500	0.00%
Ohio Public Works Commission Loan	33,189	0.00%
Sewer Jet Loan	58,210	5.25%
Ohio Water Development Authority Loan	3,086,007	0.20%
Total	<u>\$3,181,906</u>	

The Village borrowed funds from the Ohio Public Works Commission for improvement of Clay and Monroe Streets, and Briar Lane. The loans are being repaid in annual installments of \$3,319 and \$3,000, respectively.

The sewer jet loan was obtained from a commercial bank to purchase a jet rodder. The loan is being repaid in five annual installments of \$29,105. The jet rodder was pledged as security.

**VILLAGE OF MILLERSBURG
HOLMES COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

6. DEBT (Continued)

The Ohio Water Development Authority (OWDA) loan relates to a water and sewer plant expansion project the Ohio Environmental Protection Agency mandated. The OWDA approved up to \$6,306,541 in loans to the Village for this project. As this project is still under construction there has been no set repayment amount at this time. It is assumed the Village will borrow the full loan amount of \$6,306,541. However, as of to date \$3,086,007 has been spent on this project. The OWDA will adjust scheduled payment to reflect any revisions in amounts the Village actually borrows. Water and sewer receipts collateralize the loan.

Amortization of the above debt, including interest, follows:

<u>Year ending December 31:</u>	<u>OPWC Loan Briar Lane</u>	<u>OPWC Loan Clay-Monroe</u>	<u>Sewer Jet Loan</u>
2005	\$3,000	\$3,319	\$29,105
2006	1,500	3,319	29,105
2007		3,319	
2008		3,319	
2009		3,319	
2010-2014		16,594	
Total	<u>\$4,500</u>	<u>\$33,189</u>	<u>\$58,210</u>

7. RETIREMENT SYSTEMS

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

The Ohio Revised Code also prescribes contribution rates. For 2004 and 2003, OP&F participants contributed 10 percent of their wages. The Village contributed an amount equal to 19.5 percent of police participant. OPERS members contributed 8.5 percent of their wages. The Village contributed an amount equal to 13.55 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2004.

8. RISK MANAGEMENT

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

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

**VILLAGE OF MILLERSBURG
HOLMES COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

8. RISK MANAGEMENT (Continued)

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

	<u>2004</u>	<u>2003</u>
Assets	\$2,390,150	\$1,811,340
Liabilities	<u>(3,424,271)</u>	<u>(3,653,152)</u>
Accumulated deficit	<u>(\$1,034,121)</u>	<u>(\$1,841,812)</u>

9. 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.



**Auditor of State
Betty Montgomery**

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

Village of Millersburg
Holmes County
6 N. Washington St.
Millersburg, Ohio 44654

To the Village Council:

We have audited the financial statements of the Village of Millersburg, Holmes County, (the Village) as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated October 24, 2005, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Village's management dated October 24, 2005, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

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*. In a separate letter to the Village's management dated October 24, 2005, we reported a matter related to noncompliance we deemed immaterial.

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www.auditor.state.oh.us

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

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

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

Betty Montgomery
Auditor of State

October 24, 2005



**Auditor of State
Betty Montgomery**

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

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800-282-0370

Facsimile 614-466-4490

VILLAGE OF MILLERSBURG

HOLMES COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 13, 2005**