

VILLAGE OF ANNA

DAYTON REGION, SHELBY COUNTY

REGULAR AUDIT

FOR THE YEARS ENDED
DECEMBER 31, 2004 AND 2003



**Auditor of State
Betty Montgomery**

Mayor and Members of Council
Village of Anna
209 W. Main Street
Anna, Ohio 45302

We have reviewed the *Report of Independent Accountants* of the Village of Anna, Shelby County, prepared by Vanderhorst & Manning CPAs, LLC, for the audit period January 1, 2003 to December 31, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

August 8, 2005

**VILLAGE OF ANNA
SHELBY COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditors Report	1
Combined Statement of Cash Receipts, Cash Disbursements and Changes In Fund Cash Balances – All Governmental Fund Types and Similar Fiduciary Fund Type – For the Year Ended December 31, 2004	3
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances – All Proprietary Fund Types – For the Year Ended December 31, 2004	4
Combined Statement of Cash Receipts, Cash Disbursements and Changes In Fund Cash Balances – All Governmental Fund Types and Similar Fiduciary Fund Type – For the Year Ended December 31, 2003	5
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances – All Proprietary Fund Types – For the Year Ended December 31, 2003	6
Notes to the Financial Statements	7 – 16
Report of Independent Accountants on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	17 – 18

VANDERHORST & MANNING CPAs, LLC
6105 NORTH DIXIE DRIVE
DAYTON, OHIO 45414

REPORT OF INDEPENDENT ACCOUNTANTS

Mayor and Members of Council
Village of Anna
209 W. Main Street
Anna, Ohio 45302

We have audited the accompanying financial statements of the Village of Anna, Shelby 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village of Anna has prepared 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. Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, we presume they are material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village of Anna's combined funds as of December 31, 2004 and 2003, and their changes in financial position.

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

In accordance with *Government Auditing Standards*, we have also issued a report dated June 13, 2005, on our consideration of the Village of Anna's internal control structure over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Vanderhorst & Manning CPAs, LLC
Dayton, Ohio

June 13, 2005

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**VILLAGE OF ANNA
SHELBY COUNTY**

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

	Governmental Fund Types			Fiduciary Fund Type	Total (Memorandum Only)
	General	Special Revenue	Capital Projects	Expendable Trust	
Cash Receipts:					
Property and other Local Taxes	\$ 26,706	32,169	0	0	\$ 58,875
Municipal Income Taxes	0	0	0	433,626	433,626
Intergovernmental Receipts	70,847	44,748	205,433	0	321,028
Special Assessments	0	35,430	15,013	0	50,443
Charges for Services	0	57,817	0	0	57,817
Fines, Licenses and Permits	29,693	2,203	0	0	31,896
Earnings on Investments	6,623	206	578	0	7,407
Miscellaneous	8,269	3,669	10,787	0	22,725
Total Cash Receipts	142,138	176,242	231,811	433,626	983,817
Cash Disbursements:					
Current:					
Security of Person and Property	155,335	175,461	0	0	330,796
Public Health Services	3,036	0	0	0	3,036
Leisure Time Activities	1,200	11,812	0	0	13,012
Community Environment	263	0	0	0	263
Transportation	70,045	47,671	533	0	118,249
General Government	91,473	0	0	24,303	115,776
Capital Outlay	0	48,000	369,529	0	417,529
Debt Service:					
Principal Payments	0	50,543	0	0	50,543
Interest Payments	0	41,467	0	0	41,467
Total Cash Disbursements	321,352	374,954	370,062	24,303	1,090,671
Total Receipts Over/(Under) Disbursements	(179,214)	(198,712)	(138,251)	409,323	(106,854)
Other Financing Receipts/(Disbursements):					
Transfers-in	151,791	201,776	65,054	0	418,621
Transfers-out	(10,351)	0	0	(410,621)	(420,972)
Advances-in	0	0	44,045	0	44,045
Advances-out	0	0	(105,045)	0	(105,045)
Total Other Financing Receipts/ Disbursements	141,440	201,776	4,054	(410,621)	(63,351)
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(37,774)	3,064	(134,197)	(1,298)	(170,205)
Fund Cash Balances, January 1, 2004	194,414	300,151	252,798	17,440	764,803
Fund Cash Balances, December 31, 2004	\$ 156,640	\$ 303,215	\$ 118,601	\$ 16,142	\$ 594,598

The Notes to the Financial Statements are an integral part of this statement.

VILLAGE OF ANNA
SHELBY COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE AND
SIMILAR FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Changes for Services	469,602	\$ 0	\$ 469,602
Subsidy	34,000	0	34,000
Miscellaneous	704	0	704
Total Operating Cash Receipts	<u>504,306</u>	<u>0</u>	<u>504,306</u>
Operating Cash Disbursements:			
Personal Services	177,675	0	177,675
Contractual Services	163,299	0	163,299
Supplies and Materials	53,558	0	53,558
Other	1,676	2,448	4,124
Capital Outlay	139,145	0	139,145
Total Operating Cash Disbursements	<u>535,353</u>	<u>2,448</u>	<u>537,801</u>
Operating Income (Loss)	<u>(31,047)</u>	<u>(2,448)</u>	<u>(33,495)</u>
Non-Operating Receipts (Disbursements)			
Earnings on Investments	25	0	25
Debt Service:			
Principal Payments	(66,605)	0	(66,605)
Interest Payments	(26,395)	0	(26,395)
Total Non-Operating Cash Receipts	<u>(92,975)</u>	<u>0</u>	<u>(92,975)</u>
Income (Loss) Before Operating Transfers	(124,022)	(2,448)	(126,470)
Transfers In	2,351	0	2,351
Advances In	61,000		61,000
Net Receipts Over/(Under) Disbursements	<u>(60,671)</u>	<u>(2,448)</u>	<u>(63,119)</u>
Fund Balances, January 1, 2004	<u>907,663</u>	<u>2,448</u>	<u>910,111</u>
Fund Balances, December 31, 2004	<u><u>846,992</u></u> \$	<u><u>0</u></u> \$	<u><u>846,992</u></u>

The Notes to the Financial Statements are an integral part of this statement.

**VILLAGE OF ANNA
SHELBY COUNTY**

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

	Governmental Fund Types			Fiduciary Fund Type	Total (Memorandum Only)
	General	Special Revenue	Capital Projects	Expendable Trust	
Cash Receipts:					
Property and other Local Taxes	\$ 28,193	14,640	0	0	\$ 42,833
Municipal Income Taxes	0	0	0	385,021	
Intergovernmental Receipts	69,829	36,970	61,000	0	167,799
Special Assessments	0	33,507	9,206	0	42,713
Charges for Services	0	56,325	0	0	56,325
Fines, Licenses and Permits	23,769	1,530	0	0	25,299
Earnings on Investments	18,582	459	0	0	19,041
Miscellaneous	10,614	2,984	14,068	0	27,666
Total Cash Receipts	<u>150,987</u>	<u>146,415</u>	<u>84,274</u>	<u>385,021</u>	<u>766,697</u>
Cash Disbursements:					
Current:					
Security of Person and Property	128,643	293,142	0	0	421,785
Public Health Services	3,100	0	0	0	3,100
Leisure Time Activities	1,200	8,820	0	0	10,020
Community Environment	628	0	0	0	628
Transportation	68,707	27,721	471	0	96,899
General Government	94,533	0	0	27,539	122,072
Capital Outlay	0	0	296,850	0	296,850
Debt Service:					
Principal Payments	0	48,072	0	0	48,072
Interest Payments	0	43,945	0	0	43,945
Total Cash Disbursements	<u>296,811</u>	<u>421,700</u>	<u>297,321</u>	<u>27,539</u>	<u>1,043,371</u>
Total Receipts Over/(Under) Disbursements	<u>(145,824)</u>	<u>(275,285)</u>	<u>(213,047)</u>	<u>357,482</u>	<u>(276,674)</u>
Other Financing Receipts/(Disbursements):					
Sale of Notes	0	0	137,644	0	137,644
Transfers-in	119,246	194,357	52,082	0	365,685
Transfers-out	(15,281)	0	0	(355,468)	(370,749)
Advances-in	0	0	69,745	0	69,745
Advances-out	0	(8,745)	0	0	(8,745)
Total Other Financing Receipts/ Disbursements	<u>103,965</u>	<u>185,612</u>	<u>259,471</u>	<u>(355,468)</u>	<u>193,580</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>(41,859)</u>	<u>(89,673)</u>	<u>46,424</u>	<u>2,014</u>	<u>(83,094)</u>
Fund Cash Balances, January 1, 2003	<u>236,273</u>	<u>389,824</u>	<u>206,374</u>	<u>15,426</u>	<u>847,897</u>
Fund Cash Balances, December 31, 2003	<u>\$ 194,414</u>	<u>\$ 300,151</u>	<u>\$ 252,798</u>	<u>\$ 17,440</u>	<u>\$ 764,803</u>

The Notes to the Financial Statements are an integral part of this statement.

**VILLAGE OF ANNA
SHELBY COUNTY**

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

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Changes for Services	441,846	\$ 0	\$ 441,846
Subsidy Payments	45,000	0	45,000
Miscellaneous	483	0	483
Total Operating Cash Receipts	<u>487,329</u>	<u>0</u>	<u>487,329</u>
Operating Cash Disbursements:			
Personal Services	182,263	0	182,263
Contractual Services	161,737	0	161,737
Supplies and Materials	38,577	0	38,577
Other	1,845	0	1,845
Capital Outlay	94,097	591	94,688
Total Operating Cash Disbursements	<u>478,519</u>	<u>591</u>	<u>479,110</u>
Operating Income (Loss)	<u>8,810</u>	<u>(591)</u>	<u>8,219</u>
Non-Operating Receipts (Disbursements)			
Miscellaneous	375	688	1,063
Debt Service:			
Principal Payments	(57,653)	0	(57,653)
Interest Payments	(29,438)	0	(29,438)
Total Non-Operating Cash Receipts	<u>(86,716)</u>	<u>688</u>	<u>(86,028)</u>
Income (Loss) Before Operating Transfers	(77,906)	97	(77,809)
Transfers In	5,064	0	5,064
Advances Out	<u>(61,000)</u>	<u>0</u>	<u>(61,000)</u>
Net Receipts Over/(Under) Disbursements	<u>(133,842)</u>	<u>97</u>	<u>(133,745)</u>
Fund Balances, January 1, 2003	<u>1,041,505</u>	<u>2,351</u>	<u>1,043,856</u>
Fund Balances, December 31, 2003	<u>907,663</u> \$	<u>2,448</u> \$	<u>910,111</u>

The Notes to the Financial Statements are an integral part of this statement.

**VILLAGE OF ANNA
SHELBY COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004 AND 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Anna, Shelby County, Ohio (the Village) is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly elected six-member Council. The Village provides the following services: fire and police protection, water, electric, sewer, street maintenance and repair, as well as other general governmental services.

The Village's management believes these financial statements represent all of the funds of the Village over which the Village officials have direct operating control.

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when a payment is made rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

C. Cash and Investments

Certificates of deposit are valued at cost.

D. Fund Accounting

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

General Fund:

The General Fund is the general operating fund. It is used to account for all financial resources except those required by law or contract to be restricted.

**VILLAGE OF ANNA
SHELBY COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004 AND 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (continued)

Special Revenue Funds:

These funds are used to 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:

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

State Highway Fund – This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village State Highways.

Fire Fund – This fund receives money from Franklin Township to provide fire-fighting services to local residents.

Parks and Recreation Fund – This fund receives fees to maintain the Village's parks.

Capital Projects Funds:

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant Capital Projects Fund:

Capital Improvement Fund – This fund receives money for various capital improvements within the Village.

Enterprise Funds:

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

Water Fund – This fund receives charges for services from residents to cover the cost of providing this utility.

Sewer Fund – This fund receives charges for services from residents to cover the cost of providing this utility.

Refuse Collection Fund – This fund receives charges for services from residents to cover the cost of providing this utility.

**VILLAGE OF ANNA
SHELBY COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004 AND 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (continued)

Fiduciary Funds (Trust and Agency Funds)

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the fund is classified as 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 funds:

Income Tax Fund – This fund receives monies from collections on the Village’s 1.75% income tax imposed. Funds collected are used in both general operations of the Village and for capital expenditures and maintenance and repairs as required.

Mayor’s Court – This fund receives monies from collections on fines imposed from tickets issued by the Village’s police protection force. Funds collected in part on behalf of the State of Ohio. In addition, funds are used for safety programs, computerization and general Village operations.

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain Agency funds) be budgeted annually.

Appropriations

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

Estimate Resources

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

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 ANNA
SHELBY COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004 AND 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Property, Plant and Equipment

Fixed assets are not capitalized in any of the Village's funds. Instead, capital acquisition and construction costs are reflected as expenditures in the fund in the year expended. The costs of normal maintenance and repairs are also expended, along with improvements. Depreciation is not recorded.

G. Intergovernmental Revenues

Intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursable basis are recorded when received in accordance with the Village's cash basis method of accounting.

H. Unpaid Vacation and Sick Leave

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>2004</u>	<u>2003</u>
Demand Deposits	\$ 971,198	\$1,121,153
Certificates of Deposit	<u>470,392</u>	<u>553,761</u>
Total Deposits	<u>1,441,590</u>	<u>1,674,914</u>

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by the financial institution's public entity deposit pool.

**VILLAGE OF ANNA
SHELBY COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004**

3. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2004 was as follows:

2004 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 321,292	\$ 293,929	\$ (27,363)
Special Revenue	380,397	378,018	(2,379)
Capital Projects	339,513	296,865	(42,648)
Expendable Trust	433,627	433,626	(1)
Enterprise Funds	569,006	506,682	(62,324)
Fiduciary Fund	0	0	0
Total	<u>\$ 2,043,835</u>	<u>\$ 1,909,120</u>	<u>\$ (134,715)</u>

2004 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 510,467	\$ 331,703	\$ 178,764
Special Revenue	523,467	374,954	148,513
Capital Projects	456,133	370,062	86,071
Expendable Trust	442,121	434,924	7,197
Enterprise Funds	1,309,122	628,353	680,769
Fiduciary Fund	2,448	2,448	0
Total	<u>\$ 3,243,758</u>	<u>\$ 2,142,444</u>	<u>\$ 1,101,314</u>

**VILLAGE OF ANNA
SHELBY COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003**

3. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2003 was as follows:

2003 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 334,726	\$ 270,233	\$ (64,493)
Special Revenue	320,497	340,772	20,275
Capital Projects	292,879	274,000	(18,879)
Expendable Trust	417,000	385,021	(31,979)
Enterprise Funds	432,602	492,768	60,166
Fiduciary Fund	0	688	688
Total	<u>\$ 1,797,704</u>	<u>\$ 1,763,482</u>	<u>\$ (34,222)</u>

2003 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 500,858	\$ 312,092	\$ 188,766
Special Revenue	618,364	421,700	196,664
Capital Projects	470,546	297,321	173,225
Expendable Trust	416,000	383,007	32,993
Enterprise Funds	1,043,557	565,610	477,947
Fiduciary Fund	2,351	591	1,760
Total	<u>\$ 3,051,676</u>	<u>\$ 1,980,321</u>	<u>\$ 1,071,355</u>

**VILLAGE OF ANNA
SHELBY COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004 AND 2003**

4. DEBT OBLIGATIONS

Debt outstanding at December 31, 2004 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Water Mortgage Revenue Bonds	\$ 325,254	6.00%
Ohio Water Development Authority	67,378	6.25%
Water Meter Maser Lease-Purchase	8,098	6.25%
Fire Truck Master Lease-Purchase	107,835	4.79%
Fire Station Building Improvement Bond	654,971	5.25%
Water Tower Loan	<u>279,951</u>	0.00%
Total	<u>\$1,443,487</u>	

Water Mortgage Revenue Bonds:

Payments due monthly over a 20 year term at interest rate of 6%. Final payment due September 2016

Ohio Water Development Authority:

Payable in semiannual payments on January 1 and July 1 through 2012 at a rate of 6.25%.

Water Meter Master Lease-Purchase:

Payable in monthly installments over a 5 year term at a rate of 6.25%. Final payment due June 2005.

Fire Truck Master Lease Purchase:

Payable in semiannual payments on December 1 and June 1 through 2009 at a rate of 4.79%.

Fire Station Building Improvement Bonds:

Payable in semiannual payments on December 1 and June 1 through 2019 at a rate of 5.25%.

Water Tower Loan:

Payable in semiannual payments on January 1 and July 1 through 2023 at a rate of 0%.

Amortization of the above debt, including interest, is scheduled as follows:

Year Ending December 31	Water Mortgage Bonds	Ohio Water Auth.	Water Meter Master	Fire Truck Master	Water Tower Loan	Fire Station Building
2005	\$ 46,745	\$ 12,154	\$ 8,250	\$ 26,923	\$ 15,133	\$ 65,087
2006	45,065	12,154	0	26,923	15,133	65,087
2007	43,385	12,154	0	26,923	15,133	65,087
2008	41,705	12,154	0	26,923	15,133	65,087
2009	40,025	12,154	0	13,462	15,133	65,087
Subsequent	<u>224,549</u>	<u>28,977</u>	<u>0</u>	<u>0</u>	<u>204,286</u>	<u>618,327</u>
Total	<u>\$ 441,474</u>	<u>\$ 89,747</u>	<u>\$ 8,250</u>	<u>\$ 121,154</u>	<u>\$ 279,951</u>	<u>\$ 943,762</u>

**VILLAGE OF ANNA
SHELBY COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004 AND 2003**

5. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the County. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Real property taxes are payable annually or semiannually to the County. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20 of the following year. Under certain circumstances, state statute permits later payment dates to be established.

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

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

6. LOCAL INCOME TAX

This locally levied tax of 1.75% applies to gross salaries, wages and other personal service compensation earned by residents both in and out of the Village and to earnings of nonresidents (except certain transients) earned in the Village. It also applies to the net income of business organizations located in the Village. Tax receipts are credited to the Village and amounted to \$433,626 in 2004 and \$385,021 in 2003.

7. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Ohio Police and Fire Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS) of Ohio. OP&F and OPERS are cost sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement health care, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2004 and 2003, members of OP&F contribute 10% of their wages to the OP&F. The Village contributes an amount equal to 19.5% of their wages. OPERS members contribute 8.5% of their gross salaries. The Village contributes an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 2004.

**VILLAGE OF ANNA
SHELBY COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004 AND 2003**

8. RISK MANAGEMENT

The Village maintains comprehensive insurance coverage with private insurers for all real and personal property, including automobile coverage for the following risks: general liability, auto liability, wrongful acts, uninsured motorists, property coverage, wrongful acts coverage, law enforcement, inland marine, EDP coverage, fire vehicle RC, public officials liability, and employee benefits company coverage.

The Village also provides medical, dental and life insurance coverage for full-time employees through a commercial insurer.

9. COMMITMENTS AND CONTINGENCIES

Real Estate Installment Purchase Agreement

The Village entered into a Real Estate Purchase Agreement on January 23, 2002 to purchase a property located adjacent to Village Hall. The agreement calls for equal payment of \$17,000 per year for the next five years due on January 23rd of each year. Upon receipt of the final payment on January 23, 2006, the seller will then transfer ownership of the property to the Village.

Pending Litigation

The Village is a defendant in a lawsuit. In this action, the plaintiffs allege, among other things, numerous violations of the Federal Clean Water Act in connection with the Village's operation of its wastewater treatment plant. The Village has retained a legal firm to vigorously represent the interests of the Village in this litigation.

Plaintiffs have alleged damages against the Village in excess of ten million dollars and have also requested attorney fees. Trial is set for April 2006, in this matter. If the outcome is unfavorable to the Village, the amount of penalties imposed upon the Village could exceed one million dollars and has the potential to exceed ten million dollars. The Village is vigorously defending the federal litigation.

Although the outcome of this suit is not presently determinable, the resolution of these matters could have a material effect on the Village's financial statements, should the Courts rule against the Village. In an effort to resolve this matter short of trial, the Village is participating in meaningful settlements negotiations with the Plaintiffs and is hopeful these negotiations will conclude successfully by the end of July 2005.

In connection with the above actions, other parties may have the right to similar claims as the Plaintiffs did against the Village under the Federal Clean Water Act.

**VILLAGE OF ANNA
SHELBY COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004 AND 2003**

10. SUBSIDY PAYMENTS

The Village entered into an agreement with Honda of America Mfg., Inc. on March 28, 1995 regarding wastewater treatment matters. This agreement, among other things, calls for an annual payment from Honda to the Village to be used to reduce the rates and charges otherwise applicable for the treatment of wastewater by the Village's wastewater treatment system for users (other than Honda) of the Village's wastewater treatment system. Remaining subsidy payments as of December 31, 2004 under this agreement are as follows:

April 1, 2005	\$23,000
April 1, 2006	12,000

11. FUND RECLASSIFICATIONS

Beginning January 1, 2003, the Village reclassified the Lighting Assessment Capital Projects fund to a Special Revenue Fund to reflect the nature of the fund's activity. This reclassification resulted in the following changes in fund cash balances:

	<u>Special Revenue</u>	<u>Capital Projects</u>
Fund cash balance, December 31, 2002	\$385,134	\$211,064
Reclassification of Fund	<u>4,690</u>	<u>(4,690)</u>
Fund cash balance, January 1, 2003	<u>\$389,824</u>	<u>\$206,374</u>

VANDERHORST & MANNING CPAs, LLC
6105 NORTH DIXIE DRIVE
DAYTON, OHIO 45414

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

Mayor and Members of Council
Village of Anna
5 West Fourth Street
Anna, Ohio 45345

We have audited the financial statements of the Village of Anna, Shelby County, as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated June 13, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of Anna's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the specific internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village of Anna in a separate letter dated June 13, 2005.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village of Anna's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted an immaterial instance of noncompliance that we have reported to the management of the Village of Anna in a separate letter dated June 13, 2005.

Mayor and Members of Council
Village of Anna
Page 2

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

Vanderhorst & Manning CPAs, LLC
Dayton, Ohio

June 13, 2005



**Auditor of State
Betty Montgomery**

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**VILLAGE OF ANNA
SHELBY COUNTY**

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 18, 2005**