

**VILLAGE OF  
COMMERCIAL POINT  
PICKAWAY COUNTY, OHIO**

*Financial Statements*  
**(Audited)**

For The Years Ended  
December 31, 2005 and 2004

**SUSAN MCCLURE-LANGE, CLERK/TREASURER**





**Auditor of State  
Betty Montgomery**

Members of Council  
Village of Commercial Point  
9 Bellshazzar Street  
Commercial Point, Ohio 43116

We have reviewed the *Independent Auditors' Report* of the Village of Commercial Point, Pickaway County, prepared by Julian & Grube, Inc. for the audit period January 1, 2004 through December 31, 2005. 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's Office (AOS). Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditors' Report* on your financial statements. While the 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. 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 *Independent Auditors' Report* also includes an opinion on the financial statements using the regulatory format the AOS 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 Commercial Point is responsible for compliance with these laws and regulations.

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

BETTY MONTGOMERY  
Auditor of State

October 10, 2006

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**VILLAGE OF COMMERCIAL POINT  
PICKAWAY COUNTY, OHIO**

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

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

**Independent Auditors' Report**

Members of Council and Mayor  
Village of Commercial Point  
9 Bellshazzar St.  
Commercial Point, OH 43116

We have audited the accompanying financial statements of the Village of Commercial Point, Pickaway County, Ohio, as of and for the years ended December 31, 2005 and 2004. These financial statements are the responsibility of the Village of Commercial Point'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 that our audit provides a reasonable basis for our opinion.

As described more fully in Note 2, the Village of Commercial Point 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 of Commercial Point to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2005 and 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2005 and 2004. While the Village of Commercial Point 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 of Commercial Point has elected not to reformat its statements. Since the Village of Commercial Point 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.

Village of Commercial Point  
Independent Auditors Report

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2005 and 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village of Commercial Point as of December 31, 2005 and 2004, or its changes in financial position or cash flows of its proprietary funds for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash fund balances of the Village of Commercial Point, Pickaway County, Ohio as of December 31, 2005 and 2004, and its combined cash receipts and disbursements and combined budgeted and actual receipts and budgeted and actual disbursements and encumbrances for the years then ended on the basis of accounting described in Note 2.

As disclosed in Note 3 to the financial statements, the Village has presented a prior period adjustment to restate fund balances at January 1, 2004 due to errors and omissions.

The aforementioned revision to generally accepted accounting principles also requires the Village of Commercial Point to include Management's Discussion and Analysis for the years ended December 31, 2005 and 2004. The Village of Commercial Point 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 March 22, 2006, on our consideration of the Village of Commercial Point'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.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.  
March 22, 2006

**VILLAGE OF COMMERCIAL POINT  
PICKAWAY COUNTY, OHIO**

COMBINED STATEMENT OF CASH FUND BALANCES  
ALL FUND TYPES  
DECEMBER 31, 2005 AND 2004

| <u>Cash and Cash Equivalents</u>  | 2005         | 2004         |
|-----------------------------------|--------------|--------------|
| Cash and Cash Equivalents         | \$ 2,050,678 | \$ 2,118,904 |
| Total Cash and Cash Equivalents   | \$ 2,050,678 | \$ 2,118,904 |
| <br><u>Cash Fund Balances</u>     |              |              |
| <u>Governmental Fund Types:</u>   |              |              |
| General                           | \$ 158,654   | \$ 95,812    |
| Special Revenue                   | 132,788      | 81,924       |
| Debt Service                      | (552)        | (75)         |
| Total Governmental Fund Types     | 290,890      | 177,661      |
| <br><u>Proprietary Fund Type:</u> |              |              |
| Enterprise                        | 1,759,788    | 1,941,243    |
| Total Fund Balances               | \$ 2,050,678 | \$ 2,118,904 |

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF COMMERCIAL POINT  
PICKAWAY COUNTY, OHIO**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN CASH FUND BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2005

|   | Governmental Fund Types |                    |                 | Total<br>(Memorandum<br>Only) |
|---|-------------------------|--------------------|-----------------|-------------------------------|
|   | General                 | Special<br>Revenue | Debt<br>Service |                               |
| Cash receipts:                                      |                         |                    |                 |                               |
| Local taxes   | \$ 76,950               | \$ -               | \$ -            | \$ 76,950                     |
| Intergovernmental                                   | 35,762                  | 36,399             | -               | 72,161                        |
| Special assessments                                 | -                       | -                  | 2,494           | 2,494                         |
| Charges for services                                | -                       | 102,072            | -               | 102,072                       |
| Fines, licenses, and permits                        | 34,060                  | 2,500              | -               | 36,560                        |
| Interest  | 50,439                  | 681                | -               | 51,120                        |
| Miscellaneous                                       | 7,293                   | -                  | -               | 7,293                         |
| Total cash receipts                                 | <u>204,504</u>          | <u>141,652</u>     | <u>2,494</u>    | <u>348,650</u>                |
| Cash disbursements:                                 |                         |                    |                 |                               |
| Current:  |                         |                    |                 |                               |
| Security of persons and property                    | 38,914                  | -                  | -               | 38,914                        |
| Public health services                              | 3,091                   | -                  | -               | 3,091                         |
| Leisure time activities                             | -                       | 50                 | -               | 50                            |
| Community environment                               | 9,904                   | 81,510             | -               | 91,414                        |
| Transportation                                      | 4,645                   | 9,228              | -               | 13,873                        |
| General government                                  | 85,108                  | -                  | -               | 85,108                        |
| Debt service:                                       |                         |                    |                 |                               |
| Principal retirement                                | -                       | -                  | 2,600           | 2,600                         |
| Interest and fiscal charges                         | -                       | -                  | 371             | 371                           |
| Total cash disbursements                            | <u>141,662</u>          | <u>90,788</u>      | <u>2,971</u>    | <u>235,421</u>                |
| Total cash receipts over/(under) cash disbursements | 62,842                  | 50,864             | (477)           | 113,229                       |
| Cash fund balances, January 1, 2005                 | <u>95,812</u>           | <u>81,924</u>      | <u>(75)</u>     | <u>177,661</u>                |
| Cash fund balances, December 31, 2005               | <u>\$ 158,654</u>       | <u>\$ 132,788</u>  | <u>\$ (552)</u> | <u>\$ 290,890</u>             |

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF COMMERCIAL POINT  
PICKAWAY COUNTY, OHIO**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH  
FUND BALANCES - PROPRIETARY FUND TYPE AND SIMILAR FIDUCIARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2005

|  | Proprietary<br>Fund Type | Fiduciary<br>Fund Type | Total<br>(Memorandum<br>Only) |
|--|--------------------------|------------------------|-------------------------------|
|  | Enterprise               | Agency                 |                               |
| Operating cash receipts:                         |                          |                        |                               |
| Charges for services                             | \$ 1,011,375             | \$ -                   | \$ 1,011,375                  |
| Other miscellaneous                              | 2,428                    | -                      | 2,428                         |
| Total operating cash receipts                    | <u>1,013,803</u>         | <u>-</u>               | <u>1,013,803</u>              |
| Operating cash disbursements:                    |                          |                        |                               |
| Personal services                                | 95,856                   | -                      | 95,856                        |
| Employee fringe benefits                         | 18,199                   | -                      | 18,199                        |
| Contractual services                             | 150,796                  | -                      | 150,796                       |
| Supplies and material                            | 70,007                   | -                      | 70,007                        |
| Capital outlay                                   | 968,934                  | -                      | 968,934                       |
| Total operating cash disbursements               | <u>1,303,792</u>         | <u>-</u>               | <u>1,303,792</u>              |
| Operating (loss)                                 | <u>(289,989)</u>         | <u>-</u>               | <u>(289,989)</u>              |
| Nonoperating cash receipts/(disbursements):      |                          |                        |                               |
| Fines collected                                  | -                        | 10,180                 | 10,180                        |
| Fines disbursed                                  | -                        | (10,180)               | (10,180)                      |
| Proceeds of bonds                                | 495,371                  | -                      | 495,371                       |
| Debt service:                                    |                          |                        |                               |
| Principal  | (202,181)                | -                      | (202,181)                     |
| Interest   | (184,656)                | -                      | (184,656)                     |
| Total nonoperating cash receipts/(disbursements) | <u>108,534</u>           | <u>-</u>               | <u>108,534</u>                |
| Net cash receipts over cash disbursements        | (181,455)                | -                      | (181,455)                     |
| Cash fund balances, January 1, 2005              | <u>1,941,243</u>         | <u>-</u>               | <u>1,941,243</u>              |
| Cash fund balances, December 31, 2005            | <u>\$ 1,759,788</u>      | <u>\$ -</u>            | <u>\$ 1,759,788</u>           |

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

VILLAGE OF COMMERCIAL POINT  
PICKAWAY COUNTY, OHIO

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS  
AND ENCUMBRANCES COMPARED WITH EXPENDITURE  
AUTHORITY - BUDGET AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2005

| Fund Types                 | Receipts                                    |                     |                                 |                         |  | Disbursements                             |                        |                     |                              |  |                     |  |
|----------------------------|---|---------------------|---------------------------------|-------------------------|--|---|------------------------|---------------------|------------------------------|--|---------------------|--|
|                            | County<br>Certified<br>Unencumbered<br>Cash | Budget              | Total<br>Estimated<br>Resources | Actual 2005<br>Receipts | Variance<br>Favorable<br>(Unfavorable) | Prior Year<br>Carryover<br>Appropriations | 2005<br>Appropriations | Total               | Actual 2005<br>Disbursements | Encumbrances<br>Outstanding<br>at 12/31/05 | Total               | Variance<br>Favorable<br>(Unfavorable) |
| Governmental:              |   |                     |                                 |                         |  |   |                        |                     |                              |  |                     |  |
| General                    | \$ 95,808                                   | \$ 136,578          | \$ 232,386                      | \$ 204,504              | \$ 67,926                              | \$ 34                                     | \$ 206,287             | \$ 206,321          | \$ 141,662                   | \$ -                                       | \$ 141,662          | \$ 64,659                              |
| Special Revenue            | 81,925                                      | 196,343             | 278,268                         | 141,652                 | (54,691)                               | -   | 122,495                | 122,495             | 90,788                       | -  | 90,788              | 31,707                                 |
| Debt Service               | 2,841                                       | 3,013               | 5,854                           | 2,494                   | (519)                                  | -   | 2,971                  | 2,971               | 2,971                        | -  | 2,971               | -                                      |
| Proprietary:               |   |                     |                                 |                         |  |   |                        |                     |                              |  |                     |  |
| Enterprise                 | <u>1,938,328</u>                            | <u>1,300,627</u>    | <u>3,238,955</u>                | <u>1,509,174</u>        | <u>208,547</u>                         | <u>277</u>                                | <u>2,786,886</u>       | <u>2,787,163</u>    | <u>1,690,629</u>             | <u>-</u>                                   | <u>1,690,629</u>    | <u>1,096,534</u>                       |
| Total<br>(Memorandum Only) | <u>\$ 2,118,902</u>                         | <u>\$ 1,636,561</u> | <u>\$ 3,755,463</u>             | <u>\$ 1,857,824</u>     | <u>\$ 221,263</u>                      | <u>\$ 311</u>                             | <u>\$ 3,118,639</u>    | <u>\$ 3,118,950</u> | <u>\$ 1,926,050</u>          | <u>\$ -</u>                                | <u>\$ 1,926,050</u> | <u>\$ 1,192,900</u>                    |

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF COMMERCIAL POINT  
PICKAWAY COUNTY, OHIO**

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

|  | Governmental Fund Types |                    |                 | Total<br>(Memorandum<br>Only) |
|--|-------------------------|--------------------|-----------------|-------------------------------|
|  | General                 | Special<br>Revenue | Debt<br>Service |                               |
| Cash receipts:   |                         |                    |                 |                               |
| Local taxes  | \$ 66,535               | \$ -               | \$ -            | \$ 66,535                     |
| Intergovernmental  | 37,244                  | 26,101             | -               | 63,345                        |
| Special assessments  | -                       | -                  | 2,793           | 2,793                         |
| Charges for services   | -                       | 103,914            | -               | 103,914                       |
| Fines, licenses, and permits   | 34,222                  | 1,400              | -               | 35,622                        |
| Interest   | 24,223                  | 177                | -               | 24,400                        |
| Miscellaneous  | 6,838                   | 1,000              | -               | 7,838                         |
| Total cash receipts  | <u>169,062</u>          | <u>132,592</u>     | <u>2,793</u>    | <u>304,447</u>                |
| Cash disbursements:  |                         |                    |                 |                               |
| Current:   |                         |                    |                 |                               |
| Security of persons and property   | 31,965                  | -                  | -               | 31,965                        |
| Public health services   | 2,576                   | -                  | -               | 2,576                         |
| Leisure time activities  | -                       | 5,700              | -               | 5,700                         |
| Community environment  | 3,236                   | 120,631            | -               | 123,867                       |
| Transportation   | 3,364                   | 13,485             | -               | 16,849                        |
| General government   | 68,759                  | -                  | 16              | 68,775                        |
| Debt service:  |                         |                    |                 |                               |
| Principal retirement   | -                       | -                  | 2,600           | 2,600                         |
| Interest and fiscal charges  | -                       | -                  | 571             | 571                           |
| Total cash disbursements   | <u>109,900</u>          | <u>139,816</u>     | <u>3,187</u>    | <u>252,903</u>                |
| Total cash receipts over/(under) cash disbursements  | <u>59,162</u>           | <u>(7,224)</u>     | <u>(394)</u>    | <u>51,544</u>                 |
| Other financing receipts/(disbursements):  |                         |                    |                 |                               |
| Operating transfers in   | -                       | -                  | 315             | 315                           |
| Operating transfers out  | (1,477)                 | -                  | -               | (1,477)                       |
| Total other financing receipts/(disbursements)   | <u>(1,477)</u>          | <u>-</u>           | <u>315</u>      | <u>(1,162)</u>                |
| Excess of cash receipts and other financing receipts over/(under) cash disbursements and other financing disbursements | 57,685                  | (7,224)            | (79)            | 50,382                        |
| Cash fund balances, January 1, 2004 (restated)   | <u>38,127</u>           | <u>89,148</u>      | <u>4</u>        | <u>127,279</u>                |
| Cash fund balances, December 31, 2004  | <u>\$ 95,812</u>        | <u>\$ 81,924</u>   | <u>\$ (75)</u>  | <u>\$ 177,661</u>             |

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF COMMERCIAL POINT  
PICKAWAY COUNTY, OHIO**

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

|  | Proprietary<br>Fund Type | Fiduciary<br>Fund Type | Total<br>(Memorandum<br>Only) |
|--|--------------------------|------------------------|-------------------------------|
|  | Enterprise               | Agency                 |                               |
| Operating cash receipts:                         |                          |                        |                               |
| Charges for services                             | \$ 1,277,478             | \$ -                   | \$ 1,277,478                  |
| Total operating cash receipts                    | <u>1,277,478</u>         | <u>-</u>               | <u>1,277,478</u>              |
| Operating cash disbursements:                    |                          |                        |                               |
| Personal services                                | 97,659                   | -                      | 97,659                        |
| Employee fringe benefits                         | 14,484                   | -                      | 14,484                        |
| Contractual services                             | 124,883                  | -                      | 124,883                       |
| Supplies and material                            | 73,964                   | -                      | 73,964                        |
| Capital outlay                                   | 1,197,245                | -                      | 1,197,245                     |
| Total operating cash disbursements               | <u>1,508,235</u>         | <u>-</u>               | <u>1,508,235</u>              |
| Operating (loss)                                 | <u>(230,757)</u>         | <u>-</u>               | <u>(230,757)</u>              |
| Nonoperating cash receipts/(disbursements):      |                          |                        |                               |
| Proceeds of bonds                                | 866,010                  | -                      | 866,010                       |
| Fines collected                                  | -                        | 8,950                  | 8,950                         |
| Fines disbursed                                  | -                        | (9,130)                | (9,130)                       |
| Debt service:                                    |                          |                        |                               |
| Principal  | (151,277)                | -                      | (151,277)                     |
| Interest   | (165,628)                | -                      | (165,628)                     |
| Total nonoperating cash receipts/(disbursements) | <u>549,105</u>           | <u>(180)</u>           | <u>548,925</u>                |
| Income before operating transfers                | 318,348                  | (180)                  | 318,168                       |
| Transfers in                                     | <u>1,162</u>             | <u>-</u>               | <u>1,162</u>                  |
| Net cash receipts over cash disbursements        | 319,510                  | (180)                  | 319,330                       |
| Cash fund balances, January 1, 2004              | <u>1,621,733</u>         | <u>180</u>             | <u>1,621,913</u>              |
| Cash fund balances, December 31, 2004            | <u>\$ 1,941,243</u>      | <u>\$ -</u>            | <u>\$ 1,941,243</u>           |

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF COMMERCIAL POINT  
PICKAWAY COUNTY, OHIO**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS  
AND ENCUMBRANCES COMPARED WITH EXPENDITURE  
AUTHORITY - BUDGET AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2004

| Fund Types           | Receipts                                    |              |                                 |                         |  | Disbursements                             |                        |              |                              |  |              |  |
|----------------------|---|--------------|---------------------------------|-------------------------|--|---|------------------------|--------------|------------------------------|--|--------------|--|
|                      | County<br>Certified<br>Unencumbered<br>Cash | Budget       | Total<br>Estimated<br>Resources | Actual 2004<br>Receipts | Variance<br>Favorable<br>(Unfavorable) | Prior Year<br>Carryover<br>Appropriations | 2004<br>Appropriations | Total        | Actual 2004<br>Disbursements | Encumbrances<br>Outstanding<br>at 12/31/04 | Total        | Variance<br>Favorable<br>(Unfavorable) |
| <b>Governmental:</b> |   |              |                                 |                         |  |   |                        |              |                              |  |              |  |
| General              | \$ 34,013                                   | \$ 172,273   | \$ 206,286                      | \$ 169,062              | \$ (3,211)                             | \$ 580                                    | \$ 158,980             | \$ 159,560   | \$ 111,377                   | \$ 34                                      | \$ 111,411   | \$ 48,149                              |
| Special Revenue      | 60,923                                      | 102,064      | 162,987                         | 132,592                 | 30,528                                 | -   | 199,210                | 199,210      | 139,816                      | -  | 139,816      | 59,394                                 |
| Debt Service         | 4   | 3,124        | 3,128                           | 3,108                   | (16)                                   | -   | 3,438                  | 3,438        | 3,187                        | -  | 3,187        | 251                                    |
| <b>Proprietary:</b>  |   |              |                                 |                         |  |   |                        |              |                              |  |              |  |
| Enterprise           | 1,537,225                                   | 2,165,276    | 3,702,501                       | 2,144,650               | (20,626)                               | 918,250                                   | 3,548,111              | 4,466,361    | 1,825,140                    | 277  | 1,825,417    | 2,640,944                              |
| <b>Total</b>         |   |              |                                 |                         |  |   |                        |              |                              |  |              |  |
| (Memorandum Only)    | \$ 1,632,165                                | \$ 2,442,737 | \$ 4,074,902                    | \$ 2,449,412            | \$ 6,675                               | \$ 918,830                                | \$ 3,909,739           | \$ 4,828,569 | \$ 2,079,520                 | \$ 311.00                                  | \$ 2,079,831 | \$ 2,748,738                           |

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF COMMERCIAL POINT  
PICKAWAY COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

**NOTE 1 - DESCRIPTION OF THE ENTITY**

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

The Village operates under a council-mayor form of government and provides the following services: water, sewer, street construction, maintenance and repair, security of persons and property, a mayor's court, as well as other general government services.

Management believes the financial statements included in this report represent all of the funds of the Village over which the Village officials have direct operating control.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The most significant of the Village's accounting policies are described below.

**A. BASIS OF PRESENTATION - FUND ACCOUNTING**

The accounts of the Village are maintained on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts. The following fund types are used by the Village.

**GOVERNMENTAL FUNDS**

**General Fund**

The general fund is used to account for all activities of the Village not required to be included 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.

**Special Revenue Funds**

These funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

**VILLAGE OF COMMERCIAL POINT  
PICKAWAY COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

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

The Village had the following significant special revenue fund:

*Housing Fund* - This fund receives monies for engineering services for the various subdivisions being built in the Village.

Debt Service Fund

This fund is used to accumulate resources for the payment of bonds and note indebtedness. The Village had the following significant debt service fund:

*General Obligation Bond Fund* - This fund receives special assessments to pay for debt associated with United States Development Association loan.

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 and grant and loan proceeds from various agencies for the expansion of the Village's water plant.

*Sewer Fund* - This fund receives charges for services from residents to cover the cost of providing this utility and grant and loan proceeds from various agencies for the expansion of the Village's sewer system.

Fiduciary Funds (Agency Fund)

*Mayor's Court* - This fund receives money from citations issued by the Village. Money collected is distributed in accordance with the Ohio Revised Code to the Village and the State.

**VILLAGE OF COMMERCIAL POINT  
PICKAWAY COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

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

**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 paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

**C. BUDGETARY PROCESS**

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

*Tax Budget:*

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

*Estimated Resources:*

The County Budget Commission determines if the budget substantiates a need to levy the full amount of authorized property tax rates and reviews receipt estimates. The County Budget Commission certifies its actions to the Village by September 1. As part of this certification, the Village receives the official certificate of estimated resources, which states the projected receipts of each fund.

**VILLAGE OF COMMERCIAL POINT  
PICKAWAY COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

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

On or about January 1, the certificate is amended to include unencumbered fund balances at December 31 of the preceding year. Further amendments may be made during the year if the Village determines that receipts collected will be greater than or less than the prior estimates and the Budget Commission finds the revised estimates to be reasonable. Prior to December 31, the Village must revise its budget so that the total contemplated expenditures from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure.

*Appropriations:*

A temporary appropriation measure to control cash disbursements may be passed on or about January 1 of each year for the period January to March 31. An annual appropriation measure must be passed by April 1 of each year for the period January 1 to December 31. The appropriations measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources. The Village adopted supplemental appropriations during 2005 and 2004.

*Encumbrances:*

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

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated. The Village had outstanding encumbrances at December 31, 2004 and none at December 31, 2005.

**D. CASH AND CASH EQUIVALENTS**

For reporting purposes, the Village considers "Cash and Cash Equivalents" to be cash on hand, demand deposits, and all investments held by the Village with a maturity date less than or equal to three months from the date of purchase. Interest income earned and received by the Village totaled \$51,120 and \$24,400 for the years ended December 31, 2005 and 2004, respectively.

**VILLAGE OF COMMERCIAL POINT  
PICKAWAY COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

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

**E. PROPERTY, PLANT AND EQUIPMENT**

Capital 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.

**F. 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.

**G. INTERFUND TRANSACTIONS**

During the course of normal operations, the Village had transactions between funds. The most significant include:

Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers.

**H. TOTAL COLUMNS ON FINANCIAL STATEMENTS**

Total columns on the financial statements are captioned "Total (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Interfund-type eliminations have not been made in the aggregation of this data.

**NOTE 3 - COMPLIANCE AND PRIOR PERIOD ADJUSTMENT**

**A. Prior Period Adjustment**

The Village is restating its General Fund, Special Revenue – Housing Fund, and Special Housing Deposit fund balances at January 1, 2004. The prior period adjustment is due to additional information regarding monies paid to the General Fund and Special Revenue – Housing Fund related to receipts from developers.

**VILLAGE OF COMMERCIAL POINT  
PICKAWAY COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

**NOTE 3 – COMPLIANCE AND PRIOR PERIOD ADJUSTMENT (Continued)**

The prior period adjustments above had the following effects on the Village’s fund balances:

|                           | <u>General</u>   | <u>Special<br/>Revenue</u> |
|---------------------------|------------------|----------------------------|
| Balance 1/01/04           | \$ 19,127        | \$ 108,148                 |
| Prior Period Adjustments  | <u>19,000</u>    | <u>(19,000)</u>            |
| Restated Balances 1/01/04 | <u>\$ 38,127</u> | <u>\$ 89,148</u>           |

**B. Compliance**

- i.* Contrary to Ohio Revised Code Section 5705.39, the Village’s total appropriations exceeded the total resources in the follow fund in fiscal year 2004 as follows:

| <u>Fund Type/ Fund</u> | <u>Excess</u> |
|------------------------|---------------|
| Special Revenue Fund:  |               |
| Housing                | \$ 36,814     |
| Debt Service Fund:     |               |
| General Obligation     | 310           |

- ii.* The Village did not properly encumber all expenditures prior to payment in noncompliance with Ohio Revised Code 5705.41(D).
- iii.* The Village had negative cash balances in the Debt Service fund of \$75 and \$552, for the years ended December 31, 2005 and 2004, respectively, in noncompliance with Ohio Revised Code Section 5705.10.

**VILLAGE OF COMMERCIAL POINT  
PICKAWAY COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

**NOTE 4 - CASH AND CASH EQUIVALENTS**

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

|                                | 2005         | 2004         |
|--------------------------------|--------------|--------------|
| Demand deposits                | \$ 616,647   | \$ 728,120   |
| Investments in STAR Ohio       | 1,434,031    | 1,390,784    |
| Total Deposits and Investments | \$ 2,050,678 | \$ 2,118,904 |

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

**Investments:** Investments in STAR Ohio are not endorsed by securities that exist in physical or book-entry form. Investments in STAR Ohio are valued at amounts reported by the State Treasurer.

**NOTE 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.

**VILLAGE OF COMMERCIAL POINT  
PICKAWAY COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004**

**NOTE 6 - DEBT OBLIGATIONS**

At December 31, 2005 and 2004, debt obligations consisted of the following issuances:

| <u>Description</u>  | <u>Balance at<br/>12/31/05</u> | <u>Balance at<br/>12/31/04</u> |
|---|--------------------------------|--------------------------------|
| 2001 Ohio Public Works Commission (OPWC) note for elevated water tower improvements, due in semiannual installments of \$9,860 through 2021 at a rate of 0%.  | \$ 152,831                     | \$ 162,691                     |
| 2003 Waterworks System Mortgage Revenue bonds for the general upgrade to Village water treatment facilities, due in semi-annual installments of varying amounts through 2019 at a rate of varying rates 3-0%. | 878,279                        | 886,664                        |
| 2004 sewer system mortgage revenue bonds for certain sanitary sewer improvements of the village, due in semi-annual installments of varying amounts through 2020 at a rate of varying rates 3-0%.             | 484,890                        | 48,364                         |
| 1998 Ohio Water Development Authority (OWDA) Sewer Plant Expansion Loan, due in semiannual installments of \$89,684 through 2018 at a rate of 5.860%.   | 1,558,174                      | 1,641,357                      |
| 1997 Ohio Water Development Authority (OWDA) Water Plant Expansion Loan, due in semiannual installments of \$45,268 through 2017 at a rate of 5.360%.   | 722,673                        | 764,581                        |
| 1985 United States Department of Agriculture (USDA) Fire Hydrant Installation Special Assessment Loan, due in annual installments of varying amounts through 2006 at a rate of 7.125%.                        | <u>2,600</u>                   | <u>5,200</u>                   |
| Total debt obligations at December 31   | <u>\$ 3,799,447</u>            | <u>\$ 3,508,857</u>            |

**VILLAGE OF COMMERCIAL POINT  
PICKAWAY COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

**NOTE 6 - DEBT OBLIGATIONS (Continued)**

Transactions for the years ended December 31, 2005 and 2004 are summarized as follows:

| <u>Description</u>                            | <u>Balance at</u><br><u>12/31/2004</u> | <u>Proceeds</u>   | <u>Payments</u>     | <u>Balance at</u><br><u>12/31/2005</u> |
|---|--|-------------------|---------------------|--|
| <u>2005:</u>                                  |  |                   |                     |  |
| Loan - OPWC - 2001                            | \$ 162,691                             | \$ -              | \$ (9,860)          | \$ 152,831                             |
| Loan - OWDA - 1998 #3163                      | 1,641,357                              | -                 | (83,183)            | 1,558,174                              |
| Loan - OWDA 1997 #3162                        | 764,581                                | -                 | (41,908)            | 722,673                                |
| 2003 Waterworks System Mortgage Revenue Bonds | 886,664                                | 39,900            | (48,285)            | 878,279                                |
| 2004 Sewer System Mortgage Revenue Bonds      | 48,364                                 | 455,471           | (18,945)            | 484,890                                |
| Loan - USDA - 1985                            | 5,200                                  | -                 | (2,600)             | 2,600                                  |
| Totals  | <u>\$ 3,508,857</u>                    | <u>\$ 495,371</u> | <u>\$ (204,781)</u> | <u>\$ 3,799,447</u>                    |

| <u>Description</u>                            | <u>Balance at</u><br><u>12/31/2003</u> | <u>Proceeds</u>   | <u>Payments</u>     | <u>Balance at</u><br><u>12/31/2004</u> |
|---|--|-------------------|---------------------|--|
| <u>2004:</u>                                  |  |                   |                     |  |
| Loan - OPWC - 2001                            | \$ 172,551                             | \$ -              | \$ (9,860)          | \$ 162,691                             |
| Loan - OWDA - 1998 #3163                      | 1,719,936                              | -                 | (78,579)            | 1,641,357                              |
| Loan - OWDA - 1997 #3162                      | 803,983                                | -                 | (39,402)            | 764,581                                |
| 2003 Waterworks System Mortgage Revenue Bonds | 92,454                                 | 817,646           | (23,436)            | 886,664                                |
| 2004 Sewer System Mortgage Revenue Bonds      | -                                      | 48,364            | -                   | 48,364                                 |
| Loan - USDA - 1985                            | 7,800                                  | -                 | (2,600)             | 5,200                                  |
| Totals  | <u>\$ 2,796,724</u>                    | <u>\$ 866,010</u> | <u>\$ (153,877)</u> | <u>\$ 3,508,857</u>                    |

**VILLAGE OF COMMERCIAL POINT  
PICKAWAY COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

**NOTE 6 - DEBT OBLIGATIONS (Continued)**

The principal and interest requirements to retire the debt obligations outstanding at December 31, 2005, are as follows:

| Year Ending<br>December 31 | <u>Loan OPWC - 2001</u> |  | <u>Loan - OWDA - 1998</u> |                   | <u>Loan - OWDA - 1997</u> |                   |
|----------------------------|-------------------------|--|---------------------------|-------------------|---------------------------|-------------------|
|                            | <u>Principal</u>        |  | <u>Principal</u>          | <u>Interest</u>   | <u>Principal</u>          | <u>Interest</u>   |
| 2006                       | \$ 9,860                |  | \$ 88,058                 | \$ 91,309         | \$ 44,574                 | 45,962            |
| 2007                       | 9,860                   |  | 93,219                    | 86,149            | 47,409                    | 43,127            |
| 2008                       | 9,860                   |  | 98,681                    | 80,686            | 50,424                    | 40,112            |
| 2009                       | 9,860                   |  | 104,464                   | 74,903            | 53,631                    | 36,905            |
| 2010                       | 9,860                   |  | 110,586                   | 68,782            | 57,042                    | 33,494            |
| 2011 - 2015                | 49,300                  |  | 658,069                   | 238,768           | 344,467                   | 108,212           |
| 2016 - 2020                | 49,300                  |  | 405,097                   | 43,322            | 125,126                   | 10,677            |
| 2021                       | 4,931                   |  | -                         | -                 | -                         | -                 |
| Total                      | <u>\$ 152,831</u>       |  | <u>\$ 1,558,174</u>       | <u>\$ 683,919</u> | <u>\$ 722,673</u>         | <u>\$ 318,489</u> |

| Year Ending<br>December 31 | <u>Note - USDA -1985</u> |                 | <u>2003 Water Bonds</u> |                   | <u>2004 Sewer Bonds</u> |                   |
|----------------------------|--------------------------|-----------------|-------------------------|-------------------|-------------------------|-------------------|
|                            | <u>Principal</u>         | <u>Interest</u> | <u>Principal</u>        | <u>Interest</u>   | <u>Principal</u>        | <u>Interest</u>   |
| 2006                       | \$ 2,600                 | \$ 185          | \$ 50,229               | \$ 34,547         | \$ 38,316               | \$ 36,080         |
| 2007                       | -                        | -               | 52,253                  | 32,523            | 40,064                  | 34,352            |
| 2008                       | -                        | -               | 54,359                  | 30,417            | 41,891                  | 32,545            |
| 2009                       | -                        | -               | 56,550                  | 28,227            | 43,802                  | 30,656            |
| 2010                       | -                        | -               | 58,828                  | 25,948            | 45,799                  | 28,680            |
| 2011 - 2015                | -                        | -               | 331,672                 | 92,212            | 262,301                 | 110,469           |
| 2016 - 2020                | -                        | -               | 274,388                 | 22,329            | 12,717                  | 45,672            |
| Total                      | <u>\$ 2,600</u>          | <u>\$ 185</u>   | <u>\$ 878,279</u>       | <u>\$ 266,203</u> | <u>\$ 484,890</u>       | <u>\$ 318,454</u> |

| Year Ending<br>December 31 | <u>Totals</u>       |                     |
|----------------------------|---------------------|---------------------|
|                            | <u>Principal</u>    | <u>Interest</u>     |
| 2006                       | \$ 233,637          | \$ 208,083          |
| 2007                       | 242,805             | 196,151             |
| 2008                       | 255,215             | 188,484             |
| 2009                       | 268,307             | 170,691             |
| 2010                       | 282,115             | 156,904             |
| 2011 - 2015                | 1,645,809           | 549,661             |
| 2016 - 2020                | 866,628             | 122,000             |
| 2021                       | 4,931               | -                   |
| Total                      | <u>\$ 3,799,447</u> | <u>\$ 1,591,974</u> |

**VILLAGE OF COMMERCIAL POINT  
PICKAWAY COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004**

**NOTE 6 - DEBT OBLIGATIONS (Continued)**

The Village has obtained Sewer System Mortgage Revenue bonds for the general upgrade and expansion of the Village's sewer treatment facilities. This bond functions similar to a line of credit agreement with total permissible borrowing of \$800,000. The Village has borrowed \$504,602 of this total at December 31, 2005 and semi-annual payments began in 2005. The amortization schedule at December 31, 2005 reflects the outstanding principal balance at year end. Interest is estimated using the full line of credit amount.

**NOTE 7 - RETIREMENT SYSTEMS**

The Village's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. These plans provide retirement benefits, including post-retirement healthcare, 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 2005 and 2004, OPERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries through December 31, 2005. As of December 31, 2005, the Village has paid all contributions required for 2005 and 2004.

**NOTE 8 - RISK MANAGEMENT**

The Village belongs to the Ohio Government Risk Management Plan (the "Plan"), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 500 Ohio governments ("Members"). Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverage, modified for each Member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the member's deductible.

The Plan issues its own policies and reinsures the Plan with A-VII or better rated carriers, except for the 5% portion retained by the Plan. After September 1, 2003, the Plan pays the lesser of 5% or \$25,000 of casualty losses and the lesser of 5% or \$50,000 of property losses. The individual members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

**VILLAGE OF COMMERCIAL POINT  
PICKAWAY COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

**NOTE 8 - RISK MANAGEMENT - (Continued)**

The Pool's audited financial statements conform with the generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2004 and 2003 (the latest information available):

|                 | <u>2004</u>         | <u>2003</u>         |
|-----------------|---------------------|---------------------|
| Assets          | \$ 6,685,522        | \$ 5,402,167        |
| Liabilities     | \$ 2,227,808        | \$ 1,871,123        |
| Members' Equity | <u>\$ 4,457,714</u> | <u>\$ 3,531,044</u> |

You can read the complete audited financial statements for The Ohio Government Management Plan at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).

**NOTE 9 - INTERFUND TRANSACTIONS**

The Village had the following interfund transactions for the year ended December 31, 2004:

| <u>Fund Type/Fund</u>    | <u>Transfers In</u> | <u>Transfers Out</u> |
|--------------------------|---------------------|----------------------|
| General Fund             | \$ -                | \$ 1,477             |
| Debt Service             | 315                 | -                    |
| <u>Enterprise Funds:</u> |                     |                      |
| Water Fund               | 261                 | -                    |
| Sewer Fund               | <u>901</u>          | <u>-</u>             |
| Total                    | <u>\$ 1,477</u>     | <u>\$ 1,477</u>      |

All transfers are allowable in accordance with Sections 5705.14, 5705.15, 5705.16 of the Ohio Revised Code.

**NOTE 10 - CONTINGENT LIABILITY**

LITIGATION

The Village is currently not involved in litigation.



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

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**Report on Internal Control Over Financial  
Reporting and on Compliance and Other Matters Based on an Audit of Financial  
Statements Performed in Accordance with Government Auditing Standards**

Members of Council and Mayor  
Village of Commercial Point  
9 Bellshazzar St.  
Commercial Point, OH 43116

We have audited the financial statements of the Village of Commercial Point, Pickaway County, Ohio, as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated March 22, 2006, wherein we noted the Village of Commercial Point followed accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. As disclosed in Note 3 to the financial statements, the Village has presented a prior period adjustment to restate fund balances at January 1, 2004 due to errors and omissions. 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 Commercial Point'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 an opinion 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 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 operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to the management of the Village of Commercial Point in a separate letter dated March 22, 2006.

Members of Council and Mayor  
Village of Commercial Point

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village of Commercial Point's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed three instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2005-VOCP-001, 2005-VOCP-002 and 2005-VOCP-003. We also noted certain immaterial instances of noncompliance, which we have reported to the management of the Village of Commercial Point in a separate letter dated March 22, 2006.

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

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.  
March 22, 2006

**VILLAGE OF COMMERCIAL POINT  
PICKAWAY COUNTY, OHIO**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2005 AND 2004**

|   |               |
|---|---------------|
| <b>1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS<br/>REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b> |               |
| Finding Number  | 2005-VOCP-001 |

Ohio Revised Code Section 5705.39 requires that a subdivision's total appropriations from each fund should not exceed the total estimated resources.

It was noted during the audit that the total appropriations exceeded the total estimated resources in the following funds in fiscal year 2004:

| <u>Fund Type/ Fund</u> | <u>Excess</u> |
|------------------------|---------------|
| Special Revenue Fund:  |               |
| Housing                | \$ 36,814     |
| Debt Service Fund:     |               |
| General Obligation     | 310           |

With appropriations exceeding estimated resources the Village may spend more funds than in the Treasury or process of collection and cause fund deficits.

We recommend that the Village comply with the Ohio Revised Code and Auditor of State Bulletin 97-010 by keeping more accurate appropriations versus estimated resources records and amending the budget prior to year end. If it is determined that estimated revenues will be greater than initially anticipated, the Village should amend its official estimate in order to provide for any additional appropriations; however, appropriations should not exceed estimated resources. In addition, the Village should monitor its budgetary process on a regular basis.

Client Response: Clerk/Treasurer will monitor the budget to ensure appropriations do not exceed estimated resources and will amend the budget as necessary.

**VILLAGE OF COMMERCIAL POINT  
PICKAWAY COUNTY, OHIO**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2005 AND 2004**

| <b>1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS<br/>REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)</b> |               |
|---|---------------|
| Finding Number  | 2005-VOCP-002 |

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

It was noted during the audit that for the year ended December 31, 2005, 20% of expenditures tested had the invoice dated prior to the purchase order by the Clerk/Treasurer, thus causing those expenditures not to be certified in a timely manner.

Without timely certification, the Village increases the risk that purchases may be made for an improper public purpose, expend more funds than are appropriated, or that are available in the treasury or in the process of collection. Thus a negative fund balance may result. It may also result in unnecessary purchases.

We recommend that all orders or contracts involving the expenditure of money be timely certified to ensure all monies expended are lawfully appropriated and available in the treasury or in the process of collection. A policy and procedure statement adopted by the Council and distributed at least annually may be beneficial. The Village should consider using "Then" and "Now" certificates where applicable.

Client Response: The Clerk/Treasurer is attempting to create and utilize the purchase order system.

|                |               |
|----------------|---------------|
| Finding Number | 2005-VOCP-003 |
|----------------|---------------|

Ohio Revised Code Section 5705.10 in part requires that money paid into any fund shall be expended only after such fund receives monies to cover expenditures.

It was noted during the audit that at December 31, 2005 and December 31, 2004, the Village had a negative cash balance in the Debt Service Fund of \$552 and \$75 and throughout the years ended.

The Village has spent monies not available to that fund and thus causing noncompliance. No fund should have a negative cash fund balance throughout the year or at year end.

**VILLAGE OF COMMERCIAL POINT  
PICKAWAY COUNTY, OHIO**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2005 AND 2004**

| <b>1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS<br/>REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)</b> |                             |
|---|-----------------------------|
| Finding Number  | 2005-VOCP-003 – (Continued) |

We recommend that the Village properly expend monies only after funds have been received and subsequent to proper appropriation. If funds are anticipated, but not yet received and expenditures are necessary, the Village should advance or transfer funds from the General Fund with proper Council approval.

Client Response: The Clerk/Treasurer will transfer monies from the General fund if necessary to prevent negative fund balances.

**VILLAGE OF COMMERCIAL POINT  
PICKAWAY COUNTY, OHIO**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2005 AND 2004**

| <b><u>Finding Number</u></b> | <b><u>Finding Summary</u></b>  | <b><u>Fully Corrected?</u></b> | <b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:</b> |
|------------------------------|--|--------------------------------|--|
| 2003-VOCP-001                | Ohio Revised Code Section 5705.41 (D) requires that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer attached that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. | No                             | Repeated as Finding 2005-VOCP-002  |



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**VILLAGE OF COMMERCIAL POINT**

**PICKAWAY 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  
OCTOBER 19, 2006**