

VILLAGE OF LAURELVILLE
HOCKING COUNTY
REGULAR AUDIT
FOR YEARS ENDED DECEMBER 31, 2005 AND 2004

BALESTRA, HARR & SCHERER, CPAs, INC.
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**Auditor of State
Betty Montgomery**

Village Council
Village of Laurelville
18751 Main Street
P.O. Box 393
Laurelville, Ohio 43135-0393

We have reviewed the *Independent Auditors' Report* of the Village of Laurelville, Hocking County, prepared by Balestra, Harr & Scherer, CPAs, 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. 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 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 *Independent Auditors' Report* 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 Laurelville is responsible for compliance with these laws and regulations.

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

BETTY MONTGOMERY
Auditor of State

November 7, 2006

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HOCKING COUNTY
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Independent Auditors' Report

Village of Laurelville
Hocking County
18751 Main Street, P.O. Box 393
Laurelville, OH 43135-0393

We have audited the accompanying financial statements of Village of Laurelville, Hocking County, (the Village) as of and for the years ended December 31, 2005 and 2004. 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 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 in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

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

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

Village of Laurelville
Hocking County
Independent Auditors' Report
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Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Village of Laurelville, Hocking County, as of December 31, 2005 and 2004, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion & Analysis for the year ended December 31, 2005 and 2004. The Village has not presented Management's Discussion & 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 September 18, 2006, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.



Balestra, Harr & Scherer, CPAs, Inc.

September 18, 2006

**VILLAGE OF LAURELVILLE
HOCKING COUNTY**

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

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Local Taxes	\$40,569	\$ 2,629	\$ -	\$ 43,198
Intergovernmental	12,106	28,512	-	40,618
Charges for Services	93,885	-	-	93,885
Licenses, Permits, and Fees	13,486	-	-	13,486
Earnings on Investments	568	23	-	591
Other Revenue	5,851	-	-	5,851
Total Cash Receipts	166,465	31,164	-	197,629
Cash Disbursements:				
Current:				
General Government	54,312	-	-	54,312
Security of Persons & Property	69,354	-	-	69,354
Basic Utility Services	7,888	-	-	7,888
Transportation	-	24,224	-	24,224
Debt Service:				
Principal	45,576	-	-	45,576
Interest	3,200	-	-	3,200
Total Cash Disbursements	180,330	24,224	-	204,554
Total Cash Receipts Over/(Under) Cash Disbursements	(13,865)	6,940	-	(6,925)
Other Financing Receipts and (Disbursements):				
Transfers-In	-	3,000	-	3,000
Transfers-Out	(3,000)	-	-	(3,000)
Total Other Financing Receipts/(Disbursements)	(3,000)	3,000	-	-
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(16,865)	9,940	-	(6,925)
Fund Cash Balances, January 1	48,824	6,556	32	55,412
Fund Cash Balances, December 31	<u>\$31,959</u>	<u>\$ 16,496</u>	<u>\$ 32</u>	<u>\$ 48,487</u>

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

**VILLAGE OF LAURELVILLE
HOCKING COUNTY**

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

	Enterprise	Agency	Totals (Memorandum Only)
Operating Cash Receipts:			
Charges for Services	\$ 173,791	\$ -	\$ 173,791
Total Operating Cash Receipts	173,791	-	173,791
Operating Cash Disbursements:			
Personal Service	50,908	-	50,908
Employee Fringe Benefits	9,736	-	9,736
Contractual Services	19,560	-	19,560
Supplies and Materials	25,899	-	25,899
Capital Outlay	50,000	-	50,000
Total Operating Cash Disbursements	156,103	-	156,103
Operating Income	17,688	-	17,688
Non-Operating Cash Receipts (Disbursements):			
Sale of Notes	50,000	-	50,000
Redemption of Principal	(64,000)	-	(64,000)
Interest and Other Fiscal Charges	(6,777)	-	(6,777)
Other Non-Operating Cash Receipts	-	17,831	17,831
Other Non-Operating Cash Disbursements	-	(17,831)	(17,831)
Total Non-Operating Cash Receipts (Disbursements):	(20,777)	-	(20,777)
Net Receipts Under Disbursements	(3,089)	-	(3,089)
Fund Cash Balances, January 1, 2005	\$ 31,113	\$ -	\$ 31,113
Fund Cash Balances, December 31, 2005	\$ 28,024	\$ -	\$ 28,024

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

**VILLAGE OF LAURELVILLE
HOCKING 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**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Local Taxes	\$ 44,748	\$ 3,086	\$ -	\$ 47,834
Intergovernmental	71,295	24,687	-	95,982
Charges for Services	79,423	-	-	79,423
Licenses, Permits, and Fees	13,709	-	-	13,709
Earnings on Investments	750	20	-	770
Other Revenue	8,936	-	-	8,936
Total Cash Receipts	<u>218,861</u>	<u>27,793</u>	<u>-</u>	<u>246,654</u>
Cash Disbursements:				
Current:				
General Government	62,347	-	-	62,347
Security of Persons & Property	138,421	-	-	138,421
Basic Utility Services	7,100	-	-	7,100
Transportation	-	30,065	-	30,065
Capital Outlay	-	-	521	521
Debt Service:				
Principal	44,223	-	-	44,223
Interest	4,552	-	-	4,552
Total Cash Disbursements	<u>256,643</u>	<u>30,065</u>	<u>521</u>	<u>287,229</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(37,782)</u>	<u>(2,272)</u>	<u>(521)</u>	<u>(40,575)</u>
Other Financing Receipts and (Disbursements):				
Transfers-In	-	1,000	-	1,000
Transfers-Out	(1,000)	-	-	(1,000)
Total Other Financing Receipts/(Disbursements)	<u>(1,000)</u>	<u>1,000</u>	<u>-</u>	<u>-</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(38,782)	(1,272)	(521)	(40,575)
Fund Cash Balances, January 1 (As restated - See Notes)	87,606	7,828	553	95,987
Fund Cash Balances, December 31	<u>\$ 48,824</u>	<u>\$ 6,556</u>	<u>\$ 32</u>	<u>\$ 55,412</u>
Reserve for Encumbrances, December 31	<u>\$ 3,677</u>	<u>\$ 243</u>	<u>\$ -</u>	<u>\$ 3,920</u>

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

**VILLAGE OF LAURELVILLE
HOCKING COUNTY**

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

	<u>Enterprise</u>	<u>Agency</u>	<u>Totals (Memorandum Only)</u>
Operating Cash Receipts:			
Charges for Services	\$ 193,397	\$ -	\$ 193,397
Total Operating Cash Receipts	<u>193,397</u>	<u>-</u>	<u>193,397</u>
Operating Cash Disbursements:			
Personal Service	54,139	-	54,139
Employee Fringe Benefits	10,516	-	10,516
Contractual Services	23,723	-	23,723
Supplies and Materials	45,485	-	45,485
Other	24,484	-	24,484
Capital Outlay	77,111	-	77,111
Total Operating Cash Disbursements	<u>235,458</u>	<u>-</u>	<u>235,458</u>
Operating Loss	(42,061)	-	(42,061)
Non-Operating Cash Receipts (Disbursements):			
Advance-Out	(66,163)	-	(66,163)
Advance-In	66,163	-	66,163
Intergovernmental	50,935	-	50,935
Redemption of Principal	(34,932)	-	(34,932)
Interest and Fiscal Charges	(6,441)	-	(6,441)
Other Non-Operating Cash Disbursements	-	(14,417)	(14,417)
Other Non-Operating Cash Receipts	0	14,417	14,417
Total Non-Operating Cash Receipts (Disbursements):	<u>9,562</u>	<u>-</u>	<u>9,562</u>
Net Receipts Under Disbursements	(32,499)	-	(32,499)
Fund Cash Balances, January 1, 2004	<u>63,612</u>	<u>-</u>	<u>63,612</u>
Fund Cash Balances, December 31, 2004	<u>\$ 31,113</u>	<u>\$ -</u>	<u>\$ 31,113</u>
Reserve for Encumbrances, December 31	<u>\$ 14,691</u>	<u>\$ -</u>	<u>\$ 14,691</u>

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

**VILLAGE OF LAURELVILLE
HOCKING COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Village of Laurelville, Hocking County, (the Village) is a body corporate and politic 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, Mayor and Clerk. The Village provides general governmental services, including maintenance of streets, water and sewer utility services, and police protection services. The Village appropriates General Fund money to support a volunteer fire department.

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

B. Basis of Accounting

These financial statements follow the 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. 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:

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Fund

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:

**VILLAGE OF LAURELVILLE
HOCKING COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

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

3. Capital Project 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 funds). The village had the following significant Capital Project Fund:

Capital Improvement Fund – This fund accumulates revenue for various general governmental projects in the Village.

4. Enterprise Funds

These funds accounted 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.

Sewage Repair Fund- This fund receives intergovernmental funding to repair the sewage lines.

5. Fiduciary Fund (Agency Fund)

Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village has the following Agency Fund:

Mayor's Court Fund – This fund accounts for the financial activity of the Mayor's Court.

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund 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.

**VILLAGE OF LAURELVILLE
HOCKING COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgetary Process (continued)

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2005 and 2004 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Village maintains a cash and investments 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:

	<u>2005</u>	<u>2004</u>
Demand Deposits	\$70,825	\$80,963
Certificates of Deposit	<u>5,686</u>	<u>5,562</u>
Total Deposits	<u><u>\$76,511</u></u>	<u><u>\$86,525</u></u>

Deposits: Deposits are insured by the Federal Deposit Insurance Corporation.

**VILLAGE OF LAURELVILLE
HOCKING COUNTY**

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2005 and December 31, 2004 follows:

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$147,531	\$166,465	\$18,934
Special Revenue	27,114	34,164	7,050
Capital Improvement	0	0	0
Enterprise	201,750	223,791	22,041
Total	<u>\$376,395</u>	<u>\$424,420</u>	<u>\$48,025</u>

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$194,302	\$183,330	\$10,972
Special Revenue	29,871	24,224	5,647
Capital Improvement	0	0	0
Enterprise	223,200	226,880	(3,680)
Total	<u>\$447,373</u>	<u>\$434,434</u>	<u>\$12,939</u>

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$167,200	\$218,861	\$51,661
Special Revenue	33,500	28,793	(4,707)
Capital Improvement	0	0	0
Enterprise	296,000	244,332	(51,668)
Total	<u>\$496,700</u>	<u>\$491,986</u>	<u>\$(4,714)</u>

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$282,314	\$261,320	\$20,994
Special Revenue	30,556	30,308	248
Capital Improvement	521	521	0
Enterprise	306,250	291,522	14,728
Total	<u>\$619,641</u>	<u>\$583,671</u>	<u>\$35,970</u>

Contrary to Ohio Law, the Village's expenditures exceeded appropriations at December 31, 2005 in the Sewer Operating Fund by \$18,655. Contrary to Ohio Law, total appropriations exceeded total estimated resources at December 31, 2004 in the General Fund and Sewer Operating Fund by \$27,508 and \$28,304, respectively. Also contrary to Ohio Law, the Village did not obtain a reduced amended certificate when necessary.

**VILLAGE OF LAURELVILLE
HOCKING COUNTY**

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

4. PROPERTY TAX

Real property taxes become a lien on the January 1st proceeding the October 1 date for which rates are adopted by the Village Council. 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. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due the following June 20.

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

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.

5. DEBT

Debt outstanding at December 31, 2005, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Notes	\$47,330	2.85-6.9%
Mortgage Revenue Bonds	<u>61,000</u>	7.50%
Total	\$108,330	

The general obligation notes relate to the purchase of a 2003 fire truck and the purchase of a police cruiser in 2003. The full faith and credit of the Village are pledged to repay the debt.

The Mortgage revenue bonds relate to the improvement of the sewer system. Revenues of the sewer are pledged to repay this debt.

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

	<u>General Obligation Notes</u>	<u>Mortgage Revenue Bonds</u>
Year Ending December 31:		
2006	\$ 48,773	\$ 20,275
2007	0	20,075
2008	0	19,763
2009	<u>0</u>	<u>10,375</u>
Total	<u>\$ 48,773</u>	<u>\$ 70,488</u>

**VILLAGE OF LAURELVILLE
HOCKING COUNTY**

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

6. RETIREMENT SYSTEMS

All Village employees and elected officials belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement 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, members of PERS contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 2005.

7. RISK MANAGEMENT

Commercial Insurance

The village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Public official's liability;
- Vehicles

Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

The Village has not incurred significant reductions in insurance coverage from coverage in the prior year by major category or risk.

8. FUND BALANCE RESTATEMENT

The Village's December 31, 2005 General Fund Balance was restated to properly reflect the balance of its certificate of deposit balance. The following restatement was necessary:

	General Fund
Fund Balance at December 31, 2003	\$82,125
Restatement	<u>5,481</u>
Restated Fund Balance at January 1, 2004	<u>\$87,606</u>

BALESTRA, HARR & SCHERER, CPAs, INC.

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Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

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

Village of Laurelville
Hocking County
18751 Main Street, P.O. Box 393
Laurelville, OH 43135-0393

We have audited the financial statements of Village of Laurelville, Hocking County, Ohio (the Village), as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated September 18, 2006, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the Village's internal control over financial reporting in order to determine 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 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 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and 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 instances of noncompliance that are required to be reported under *Governmental Auditing Standards* and which are described in the accompanying schedule of findings as items 2005-001 thru 2005-003.

We also noted certain other matters that we reported to management in a separate letter dated September 18, 2006.

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



Balestra, Harr & Scherer, CPAs, Inc.
September 18, 2006

**VILLAGE OF LAURELVILLE
HOCKING COUNTY**

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

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

Finding Number 2005-001

Noncompliance Citation

Ohio Revised Code Section 5705.36(A)(2) allows all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources.

Estimated receipts exceeded actual receipts at December 31, 2004 in the Street Construction and Maintenance \$7,142, Water Operating \$21,873, Guaranteed Deposits \$150, and Sewer Repairs Grant \$69,981 and at December 31, 2005 in the Permissive Motor Vehicle License Tax \$371 and Sewer Repairs Grant \$25,000.

Ohio Revised Code Section 5705.36(A)(4) requires obtaining a reduced amended certificate if the amount of the deficiency will reduce available resources below the current level of appropriation.

Upon comparison of appropriations to available resources (defined as unencumbered beginning balance plus actual receipts), appropriations were noted in excess of available resources in the Sewer Repairs Grant Fund (\$25,000) in 2005 and in the Water Operating Fund (\$4,353) and Sewer Repairs Grant Fund (\$13,835) at year end 2004.

The Village Clerk and Board of Trustees should implement control procedures to monitor budget versus actual activity periodically throughout the year.

Finding Number 2005-002

Noncompliance Citation

Ohio Revised Code Section 5705.41(B) states that no subdivision or taxing unit is to expend money unless it has been appropriated.

In 2005, the Sewer Operating Fund expenditures exceeded appropriations by \$18,655.

The Village Clerk should deny payment requests exceeding appropriations. The Village Clerk may request the Board of Trustees to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

**VILLAGE OF LAURELVILLE
HOCKING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004
(Continued)**

Finding Number 2005-003

Noncompliance Citation

Ohio Rev. Code Section 5705.39 provides in part that total appropriations from each fund shall not exceed the total estimated resources. No appropriation measure is effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

In 2004, the General Fund and Sewer Operating Fund appropriations exceeded estimated resources by \$27,508 and \$28,304, respectively.

The Village Clerk and Board of Trustees should monitor budget versus actual activity periodically throughout the year. When it is apparent that appropriations exceed budgetary estimated resources, the Village Clerk should obtain a reduced amended certificate from the County Budget Commission.

**VILLAGE OF LAURELVILLE
HOCKING COUNTY**

SCHEDULE OF PRIOR AUDIT FINDINGS

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2003-01	Ohio Revised Code 5705.36, Increased Amended Certificate	No	Not Corrected. Reissued as Finding 2005-001.
2003-02	Ohio Revised Code 5705.41(B), Expenditures in excess of Appropriations	No	Not Corrected. Reissued as Finding 2005-002.



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VILLAGE OF LAURELVILLE

HOCKING COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 21, 2006**