



**VILLAGE OF LINDSEY
SANDUSKY COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2005



**Auditor of State
Betty Montgomery**

VILLAGE OF LINDSEY
SANDUSKY COUNTY

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**Auditor of State
Betty Montgomery**

Village of Lindsey
Sandusky County
240 S. Main St. P.O. Box 364
Lindsey, Ohio 43442-0364

To the Village Council:

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

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

Betty Montgomery
Auditor of State

July 17, 2006

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Village of Lindsey
Sandusky County
240 S. Main St. P.O. Box 364
Lindsey, Ohio 43442-0364

To the Village Council:

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

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

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

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the 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 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 fund cash balances of the Village of Lindsey, Sandusky County, as of December 31, 2005 and 2004, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the years ended December 31, 2005 and 2004. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 17, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Betty Montgomery
Auditor of State

July 17, 2006

**VILLAGE OF LINDSEY
SANDUSKY 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>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$40,727		\$40,727
Intergovernmental Receipts	59,550	\$41,614	101,164
Charges for Services		75,000	75,000
Fines, Licenses, and Permits	195		195
Earnings on Investments	4,371	6,124	10,495
Miscellaneous	8,032	5,091	13,123
	<u>112,875</u>	<u>127,829</u>	<u>240,704</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
Security of Persons and Property	14,549	52,402	66,951
Public Health Services	259		259
Leisure Time Activities	9,706		9,706
Community Environment	15,735		15,735
Basic Utility Services	1,350		1,350
Transportation		9,383	9,383
General Government	43,824		43,824
	<u>85,423</u>	<u>61,785</u>	<u>147,208</u>
Total Cash Disbursements			
	<u>27,452</u>	<u>66,044</u>	<u>93,496</u>
Total Receipts Over Disbursements			
Other Financing Disbursements:			
Other Financing Uses	(33)		(33)
	<u>(33)</u>		<u>(33)</u>
Total Other Financing Disbursements			
Excess of Cash Receipts Over Cash Disbursements and Other Financing Disbursements	27,419	66,044	93,463
Fund Cash Balances, January 1	47,807	179,373	227,180
Fund Cash Balances, December 31	<u>\$75,226</u>	<u>\$245,417</u>	<u>\$320,643</u>

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

**VILLAGE OF LINDSEY
SANDUSKY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGE IN FUND CASH BALANCE - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$109,633
Total Operating Cash Receipts	109,633
Operating Cash Disbursements:	
Personal Services	17,805
Contractual Services	14,468
Supplies and Materials	59,537
Capital Outlay	20,712
Total Operating Cash Disbursements	112,522
Operating Loss	(2,889)
Non-Operating Cash Receipts:	
Other Debt Proceeds	136,444
Miscellaneous Receipts	2,790
Other Financing Sources	2,336
Total Non-Operating Cash Receipts	141,570
Non-Operating Cash Disbursements:	
Redemption of Principal	135,237
Interest and Other Fiscal Charges	12,411
Total Non-Operating Cash Disbursements	147,648
Net Disbursements Over Receipts	(8,967)
Fund Cash Balances, January 1	73,638
Fund Cash Balances, December 31	\$64,671

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

**VILLAGE OF LINDSEY
SANDUSKY 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>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$40,083		\$40,083
Intergovernmental Receipts	70,486	\$27,547	98,033
Charges for Services		75,000	75,000
Fines, Licenses, and Permits	120		120
Earnings on Investments	1,546	2,319	3,865
Miscellaneous	1,392		1,392
	<u>113,627</u>	<u>104,866</u>	<u>218,493</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	15,396	103,658	119,054
Public Health Services	269		269
Leisure Time Activities	54,768		54,768
Community Environment	2,650		2,650
Basic Utility Services	3,680		3,680
Transportation		16,346	16,346
General Government	55,040		55,040
	<u>131,803</u>	<u>120,004</u>	<u>251,807</u>
Total Cash Disbursements	<u>131,803</u>	<u>120,004</u>	<u>251,807</u>
Total Disbursements Over Receipts	<u>(18,176)</u>	<u>(15,138)</u>	<u>(33,314)</u>
Other Financing Disbursements:			
Other Financing Uses	(240)		(240)
Total Other Financing Disbursements	<u>(240)</u>		<u>(240)</u>
Excess of Cash Disbursements and Other Financing Disbursements over Cash Receipts	(18,416)	(15,138)	(33,554)
Fund Cash Balances, January 1 (restated)	<u>66,223</u>	<u>194,511</u>	<u>260,734</u>
Fund Cash Balances, December 31	<u>\$47,807</u>	<u>\$179,373</u>	<u>\$227,180</u>

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

**VILLAGE OF LINDSEY
SANDUSKY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGE IN FUND CASH BALANCE - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$118,471
Total Operating Cash Receipts	118,471
Operating Cash Disbursements:	
Personal Services	18,224
Supplies and Materials	67,743
Capital Outlay	39,526
Total Operating Cash Disbursements	125,493
Operating Loss	(7,022)
Non-Operating Cash Receipts:	
Other Debt Proceeds	39,526
Miscellaneous Receipts	1,727
Other Financing Sources	2,016
Total Non-Operating Cash Receipts	43,269
Non-Operating Cash Disbursements:	
Redemption of Principal	23,480
Interest and Other Fiscal Charges	12,685
Total Non-Operating Cash Disbursements	36,165
Net Receipts Over Disbursements	82
Fund Cash Balances, January 1 (restated)	73,556
Fund Cash Balances, December 31	\$73,638

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

**VILLAGE OF LINDSEY
SANDUSKY COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Lindsey, Sandusky County, (the Village) as a body corporate and politic. A publicly-elected six-member Council governs the Village. The Village provides water and sewer utilities, park operations, and police services. The Village contracts with the Sandusky County Sheriff's department to provide security of persons and property. The Village appropriates special revenue 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 accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. This basis recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

C. Cash

The Village values certificates of deposit at cost.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

Fire Fund - This fund receives revenue from Rice and Washington Townships for providing fire services.

**VILLAGE OF LINDSEY
SANDUSKY COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

3. Enterprise Funds

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

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

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

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2005 and 2004 budgetary activity appears in Note 4.

F. Property, Plant, and Equipment

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

G. Accumulated Leave

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

**VILLAGE OF LINDSEY
SANDUSKY COUNTY**

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

2. PRIOR PERIOD ADJUSTMENT

The Village's Water Fund receives an annual payment for leasing farm land on its well fields. Receipt #145-2003, which was the payment of the farm lease, was receipted into the General Fund in 2003, rather than the Water Fund. The Clerk posted a fund balance adjustment in 2004 to correctly post this receipt into the Water Fund. The effect of this adjustment as previously reported is as follows:

	General	Enterprise
Fund Balance December 31, 2003	\$69,883	\$69,896
Fund Balance Reclassification	(\$3,660)	\$3,660
Restated Fund Balance January 1, 2004	\$66,223	\$73,556

3. EQUITY IN POOLED CASH

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

	2005	2004
Demand deposits	\$374,495	\$293,457
Funds on deposit with County Treasurer	6,998	3,798
Certificates of deposit	3,821	3,563
Total deposits	\$385,314	\$300,818

Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool. Funds on deposit with the County Treasurer are held in the County's cash and investment pool. The County Treasurer is responsible for obtaining sufficient collateral for such funds.

4. BUDGETARY ACTIVITY

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

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$98,277	\$112,875	\$14,598
Special Revenue	112,983	127,829	14,846
Enterprise	138,500	251,203	112,703
Total	\$349,760	\$491,907	\$142,147

**VILLAGE OF LINDSEY
SANDUSKY COUNTY**

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

4. BUDGETARY ACTIVITY – (Continued)

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$146,084	\$85,456	\$60,628
Special Revenue	280,757	61,785	218,972
Enterprise	212,138	260,170	(48,032)
Total	<u>\$638,979</u>	<u>\$407,411</u>	<u>\$231,568</u>

2004 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$103,315	\$113,627	\$10,312
Special Revenue	100,501	104,866	4,365
Enterprise	121,000	161,740	40,740
Total	<u>\$324,816</u>	<u>\$380,233</u>	<u>\$55,417</u>

2004 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$173,197	\$132,043	\$41,154
Special Revenue	294,426	120,004	174,422
Enterprise	190,896	161,658	29,238
Total	<u>\$658,519</u>	<u>\$413,705</u>	<u>\$244,814</u>

5. PROPERTY TAX

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

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

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

**VILLAGE OF LINDSEY
SANDUSKY COUNTY**

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

6. DEBT

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

	Principal	Interest Rate
Ohio Water Development Authority Loan #1684	\$103,122	8.97%
Ohio Water Development Authority Loan #4402	111,062	2.75%
Old Fort Bank Loan	81,598	Variable
Total	\$295,782	

Ohio Water Development Authority (OWDA) loan #1684 relates to a utility construction project. The OWDA approved a loan of \$242,265 to the Village for this project. The Village will repay the loan in semiannual installments, including interest, over 25 years with a maturity date of July 1, 2011. Water and sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

Ohio Water Development Authority (OWDA) loan #4402 relates to a new water treatment plant. The OWDA has approved a loan up to \$228,829 to the Village for this project. This loan is still in the "open" status, so no amortization schedule is available at this time, and it is not included in the following schedule. The Village will repay the loan in semiannual installments, including interest, over 20 years. Water receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Old Fort Bank Loan represents a \$120,800 loan entered into on October 7, 2002 for the purchase of land for the Village well field. The interest rate is variable (currently 6.7%) set at 0.3 percent below the Wall Street Journal Prime Rate and is adjusted annually. The Village will repay the loan in monthly installments, including interest over 5 years with a balloon payment for the balance due on 9-30-07. Future tax revenues collateralize the loan.

Amortization of the above debt, including interest, follows:

Year ending December 31:	OWDA Loan 1684	Old Fort Bank Loan
2006	\$24,604	\$8,292
2007	24,604	82,527
2008	24,604	
2009	24,604	
2010	24,604	
2011	24,604	
Total	\$147,624	\$90,819

**VILLAGE OF LINDSEY
SANDUSKY COUNTY**

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

7. RETIREMENT SYSTEMS

The Village's full-time employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes the plans' retirement benefits, including postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2005 and 2004, OPERS members contributed 8.5 percent of their wages. The Village contributed an amount equal to 13.55 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2005.

8. RISK MANAGEMENT

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

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

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

Casualty Coverage

PEP retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$12,000,000 with the General Reinsurance Corporation, through contracts with PEP.

If losses exhaust PEP's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

Through 2004, PEP retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence. APEEP's Guarantee Fund was responsible for losses and loss adjustment expenses exceeding operating contributions.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable value. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2005 was \$1,682,589.

**VILLAGE OF LINDSEY
SANDUSKY COUNTY**

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

8. RISK MANAGEMENT – (Continued)

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

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

Members may withdraw on each anniversary of the date they joined PEP. They must provide written notice to PEP 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contribution, minus the subsequent year's premium. Also upon withdrawal, payments for all property and casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the withdrawal.

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2005 and 2004.

<u>Casualty Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$29,719,675	\$27,437,169
Liabilities	<u>(15,994,168)</u>	<u>(13,880,038)</u>
Retained earnings	<u>\$13,725,507</u>	<u>\$13,557,131</u>
<u>Property Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$4,443,332	\$3,648,272
Liabilities	<u>(1,068,245)</u>	<u>(540,073)</u>
Retained earnings	<u>\$3,375,087</u>	<u>\$3,108,199</u>

The Casualty Coverage assets and retained earnings above include approximately \$14.3 million and \$12 million of unpaid claims to be billed to approximately 430 member governments in the future, as of December 31, 2005 and 2004, respectively. PEP will collect these amounts in future annual premium billings when PEP's related liabilities are due for payment. The Village's share of these unpaid claims is approximately \$29,794.

**VILLAGE OF LINDSEY
SANDUSKY COUNTY**

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

9. CONTINGENT LIABILITIES

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.



**Auditor of State
Betty Montgomery**

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

Village of Lindsey
Sandusky County
240 S. Main St. P.O. Box 364
Lindsey, Ohio 43442-0364

To the Village Council:

We have audited the financial statements of the Village of Lindsey, Sandusky County, (the Village) as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated July 17, 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 also noted that the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Village's management dated July 17, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the Village's management dated July 17, 2006, we reported other matters related to noncompliance we deemed immaterial.

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

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

Betty Montgomery
Auditor of State

July 17, 2006

**VILLAGE OF LINDSEY
SANDUSKY COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2003-001	Ohio Revised Code § 5705.41(D) funds were not certified.	No	Partially Corrected. Repeated in management letter.
2003-002	Ohio Revised Code § 5705.41(B) expenditures exceeded appropriations.	No	Partially Corrected. Repeated in management letter.
2003-003	Ohio Revised Code § 5705.36 requesting increased amended certificates of estimated resources.	Yes	Corrected.



**Auditor of State
Betty Montgomery**

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VILLAGE OF LINDSEY

SANDUSKY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 3, 2006**