

VILLAGE OF PIKETON
PIKE COUNTY
REGULAR AUDIT
FOR YEARS ENDED DECEMBER 31, 2005 AND 2004

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**Auditor of State
Betty Montgomery**

Members of Council
Village of Piketon
PO Box 547
Piketon, Ohio 45661

We have reviewed the *Independent Auditor's Report* of the Village of Piketon, Pike 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.

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 Piketon is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

November 27, 2006

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VILLAGE OF PIKETON – PIKE COUNTY
YEARS ENDING DECEMBER 31, 2005 AND DECEMBER 31, 2004
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Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

Independent Auditors' Report

Village Council
Village of Piketon
Pike County, Ohio
P. O. Box 547
Piketon, Ohio 45661

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Piketon, Pike County, Ohio, (the Village) as of and for the years ended December 31, 2005 and 2004 which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions on these financial statements based on our audits.

We conducted our audits 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

As discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business-type activities, each major fund, and the remaining fund information of the Village of Piketon, Pike County, Ohio as of December 31, 2005 and 2004, and the respective changes in cash basis financial position and the respective budgetary comparisons for the General, Street, Police, Permissive MVL, and Revolving Loan Funds for 2005 and the General, Police, Street and Revolving Loans Funds for 2004 thereof for the years then ended in conformity with the accounting basis Note 2 describes.

The accompanying financial statements have been prepared assuming that the Village will continue as a going concern. As discussed in Note 13 to the financial statements, the Village accumulated negative cash fund balances in the Police fund of \$170,275 and the Water Fund of \$1,361. Existence of these deficits raises the substantial doubt about the Village's ability to continue as a going concern. Management's plans in regard to these deficits are described in Note 13 to the financial statements. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

As described in Notes 13 to the financial statements, the Village has been declared in a state of fiscal emergency under Ohio law.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 25, 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. That report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. It does not opine on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be considered in assessing the results of our audits.

The Management's Discussion and Analysis on pages 3-8 is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

As discussed further in Note 3, the Village revised its financial presentation comparable to the requirements of Governmental Accounting Standard (GASB) No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements for State and Local Governments: Omnibus*, GASB Statement No. 38, *Certain Financial Statement Note Disclosure*, and GASB Statement No. 40, "Deposit and Investment Risk Disclosures".



Balestra, Harr & Scherer, CPAs, Inc.
August 25, 2006

Village of Piketon, Pike County
Management's Discussion and Analysis
For the Years Ended December 31, 2005 and 2004
Unaudited

This discussion and analysis of the Village of Piketon's (the Village's) financial performance provides an overall review of the Village's financial activities for the years ended December 31, 2005 and 2004, within the limitations of the Village's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Village's financial performance.

Highlights

Key highlights for 2005 and 2004 are as follows:

Net assets of governmental activities increased \$155,483, in 2005. Net assets of governmental activities increased \$81,436, in 2004. The fund most affected by the increase in cash and cash equivalents in 2005 was the Police Fund, which realized the greatest reduction of expenditures. The fund most affected by the increase in 2004 was the General Fund, which realized an increase of receipts combined with a decrease of expenditures.

The Village's general receipts are primarily property taxes, and intergovernmental receipts. These receipts represent respectively 22, and 18 percent of the total cash received for governmental activities during 2005 and 18 and 24 percent of the total cash received for governmental activities during 2004. The water and sewer operations, the Village's business-type activities increased \$23,607 and \$44,984, respectively for 2005 and \$102,120 and \$44,827, respectively for 2004.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Village's cash basis of accounting.

Report Components

The statement of net assets and the statement of activities provide information about the cash activities of the Village as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Village as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Village of Piketon, Pike County
Management's Discussion and Analysis
For the Years Ended December 31, 2005 and 2004
Unaudited

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Village has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Village's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting the Village as a Whole

The statement of net assets and the statement of activities reflect how the Village did financially during 2005 and 2004, within the limitations of the cash basis accounting. The statement of net assets presents the cash balances of the governmental and business-type activities of the Village at year end. The statement of activities compares cash disbursements with program receipts for each governmental program and business-type activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Village's general receipts.

These statements report the Village's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Village's financial health. Over time, increases or decreases in the Village's cash position is one indicator of whether the Village's financial health is improving or deteriorating. When evaluating the Village's financial condition, you should also consider other non-financial factors as well such as the Village's property tax base, the condition of the Village's capital assets and infrastructure, the extent of the Village's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property taxes and income taxes.

In the statement of net assets and the statement of activities, we divide the Village into two types of activities:

Governmental activities. Most of the Village's basic services are reported here, including Police and streets. State and federal grants and income and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Business-type activities. The Village has two business-type activities, the provision of water and sewer utility services. Business-type activities are financed by a fee charged to the customers receiving the service.

Village of Picketon, Pike County
Management's Discussion and Analysis
For the Years Ended December 31, 2005 and 2004
Unaudited

Reporting the Village's Most Significant Funds

Fund financial statements provide detailed information about the Village's major funds – not the Village as a whole. The Village establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Village are split into three categories: governmental, proprietary and fiduciary.

Governmental Funds - Most of the Village's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Village's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Village's programs. The Village's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. For both 2005 and 2004, the Village's major governmental funds are the General, Street, Police, and Revolving Loan Funds. Additionally, in 2005, the Permissive MVL Fund was a major fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

Proprietary Funds – When the Village charges customers for the services it provides, these services are generally reported in proprietary funds. When the services are provided to the general public, the activity is reported as an enterprise fund. The Village has three enterprise funds: Water, Sewer, and Guaranteed Deposits.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the Village. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the Village's programs.

The Village as a Whole

Table 1 provides a summary of the Village's net assets for 2005 compared to 2004 on a cash basis:

(Table 1)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>
Assets						
Cash and Cash Equivalents	<u>(\$3,559)</u>	<u>\$151,924</u>	<u>\$291,928</u>	<u>\$360,519</u>	<u>\$288,369</u>	<u>\$512,443</u>
Net Assets						
Restricted for:						
Other Purposes	\$12,165	\$45,921	\$0	\$0	\$12,165	\$45,921
Unrestricted	<u>(15,724)</u>	<u>106,003</u>	<u>291,928</u>	<u>360,519</u>	<u>276,204</u>	<u>466,522</u>
Total Net Assets	<u>(\$3,559)</u>	<u>\$151,924</u>	<u>\$291,928</u>	<u>\$360,519</u>	<u>\$288,369</u>	<u>\$512,443</u>

As mentioned previously, net assets of governmental activities increased \$155,423 during 2005. The primary reason contributing to the increases in cash balances is as follows:

- Police fund expenditures decreased significantly in 2005.

Net assets of governmental activities increased \$81,436 during 2004. The primary reason contributing to the increase in cash balances is as follows:

- General fund expenditures decreased in 2004 because of the conservative spending of the Village.

Village of Piketon, Pike County
Management's Discussion and Analysis
For the Years Ended December 31, 2005 and 2004
Unaudited

Table 2 reflects the changes in net assets in 2005 and 2004.

(Table 2)
Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Receipts:						
Program Receipts:						
Charges for Services	\$ 96,644	\$ 93,979	\$ 569,985	\$ 600,531	\$ 666,629	\$ 694,510
Operating Grants and Contributions	87,205	87,585	23,877	15,500	111,082	103,085
Capital Grants and Contributions	-	36,000	116,096	231,234	116,096	267,234
Total Program Receipts	183,849	217,564	709,958	847,265	893,807	1,064,829
General Receipts:						
Property Taxes	121,768	92,045	-	-	121,768	92,045
Municipal Income Taxes	27,367	-	-	-	27,367	-
Other Local Taxes	32,536	32,698	-	-	32,536	32,698
Grants and Entitlements Not Restricted to Specific Programs	104,064	121,286	-	-	104,064	121,286
Interest	1,888	1,036	-	-	1,888	1,036
Miscellaneous	100,032	67,034	21,610	-	121,642	67,034
Total General Receipts	387,655	314,099	21,610	-	409,265	314,099
Total Receipts	571,504	531,663	731,568	847,265	1,303,072	1,378,928
Disbursements:						
General Government	158,580	138,826	-	-	158,580	138,826
Security of Persons and Property	158,215	178,924	-	-	158,215	178,924
Community Environment	7,693	7,478	-	-	7,693	7,478
Transportation	91,483	124,442	-	-	91,483	124,442
Interest and Fiscal Charges	50	557	-	-	50	557
Water	-	-	284,469	301,624	284,469	301,624
Sewer	-	-	378,508	398,694	378,508	398,694
Total Disbursements	416,021	450,227	662,977	700,318	1,078,998	1,150,545
Increase / (Decrease) in Net Assets	155,483	81,436	68,591	146,947	224,074	228,383
Net Assets, January 1	(3,559)	(84,995)	291,928	144,981	288,369	59,986
Net Assets, December 31	\$ 151,924	\$ (3,559)	\$ 360,519	\$ 291,928	\$ 512,443	\$ 288,369

Program receipts represent 31 percent of total receipts in 2005 and 43 percent of total receipts in 2004 and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money, building permits and inspection fees and fines and forfeitures derived from police services.

General receipts represent 69 percent of the Village's total receipts for 2005 and 57 percent of the Village's total receipts for 2004, and of this amount, 47 percent are property, income, and other local taxes in 2005 and 42 percent are property, income, and other local taxes in 2004. Grants and Entitlements not restricted to Specific Programs represents 27 percent of general receipts for 2005.

In 2004, the Village received donations for street paving that were not received in 2005.

In 2005, the Village started receiving collections from the one percent income tax.

Village of Piketon, Pike County
Management's Discussion and Analysis
For the Years Ended December 31, 2005 and 2004
Unaudited

Disbursements for General Government represent the overhead costs of running the Village and the support services provided for the other Village activities. These include the costs of council, and the Clerk, the Mayor, the Village solicitor, and Mayor's Court.

Security of persons and property are the costs of police protection; community environment is the cost of the zoning officer and supplies; and transportation is the cost of maintaining Village streets.

Governmental Activities

If you look at the Statement of Activities on pages 11 and 13, you will see that the first column lists the major services provided by the Village. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for security of persons and property and transportation, which account for 37 and 22 percent of all governmental disbursements, respectively in 2005 and 41 and 24 percent of all governmental disbursements, respectively in 2004. The next three columns of the Statement entitled Program Cash Receipts identify amounts paid by people who are directly charged for the service and grants received by the Village that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money mainly provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

Governmental Activities

	Total Cost Of Services 2005	Total Cost Of Services 2004	Net Cost of Services 2005	Net Cost of Services 2004
General Government	\$158,580	\$138,826	(\$158,220)	(\$138,826)
Security of Persons and Property	158,215	178,924	(64,478)	(93,648)
Community Environment	7,693	7,478	(690)	8,076
Transportation	91,483	124,442	(8,734)	(7,708)
Interest and Fiscal Charges	50	557	(50)	(557)
Total Expenses	\$416,021	\$450,227	(\$232,172)	(\$232,663)

The dependence upon general receipts such as property and income taxes and State shared tax receipts is apparent as 57 percent of governmental activities are supported through general receipts.

Business-type Activities

The water and sewer operations of the Village are relatively small and routinely reports receipts and disbursements that are relatively equal. The infrastructure is beginning to age and the Village has begun discussing the need for major repairs and how these will be funded. We have also received notification from the Ohio EPA that improvements may be necessary to satisfy new water quality standards.

Village of Piketon, Pike County
Management's Discussion and Analysis
For the Years Ended December 31, 2005 and 2004
Unaudited

The Village's Funds

Total governmental funds had receipts of \$671,504 and disbursements of \$516,021 in 2005 and receipts of \$531,663 and disbursements of \$450,227 in 2004. The greatest change within governmental funds occurred within the Police Fund. In 2005, the fund balance of the Police Fund increased \$153,276 as the result of the recapture of costs for services performed for the utility department. Police Fund disbursements were less than receipts by \$53,276 indicating that the Police Fund in monitoring expenditures very closely in order to eliminate the deficit in this fund. The fund balance of the General Fund increased by \$82,217 in 2004, as a result of being very conservative with expenditures.

General Fund Budgeting Highlights

The Village's budget is prepared according to Ohio Law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund.

For 2005, General Fund budget basis actual receipts were \$236,860 and \$269,763 for 2004. Total actual disbursements on the budget basis (cash disbursements plus encumbrances) for 2005 were \$253,507, \$16,647 over cash receipts. Total actual disbursements on the budget basis (cash disbursements plus encumbrances) for 2004 were \$188,413, \$81,350 under cash receipts.

Debt

At December 31, 2005, the Village's outstanding debt included \$1,182,832 in OWDA and OPWC loans issued for improvements and expansion of the water and wastewater treatment plants. For additional information on debt, see Note 10 to the basic financial statements.

Current Financial Related Activities

The challenge for all Governments is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on local taxes and have very little industry to support the tax base. Our newly prepared financial forecast predicts a deficit for 2006; therefore, the finance committee and the administration implemented a strategy to delay the deficit. This plan became effective for 2005. We reviewed our sources of revenue and determined that increases were unlikely. We then reviewed the disbursement history of the Village. We have reduced planned park repairs and maintenance and have also reduced staffing levels in areas where we felt it would have the least impact on services. All departments have been asked to reduce their spending for supplies by 10-20 percent.

Contacting the Village's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Village's finances and to reflect the Village's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Beverly Legg, Clerk-Treasurer, Village of Piketon, P. O. Box 547, Piketon, Ohio 45661.

Village of Piketon, Pike County
Statement of Net Assets - Cash Basis
December 31, 2005

	Governmental Activities	Business - Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$151,924	\$360,519	\$512,443
 Net Assets			
Restricted for:			
Other Purposes	\$45,921	\$0	\$45,921
Unrestricted	106,003	360,519	466,522
 <i>Total Net Assets</i>	<u>\$151,924</u>	<u>\$360,519</u>	<u>\$512,443</u>

See accompanying notes to the basic financial statements

Village of Piketon, Pike County
Statement of Net Assets - Cash Basis
December 31, 2004

	<u>Governmental Activities</u>	<u>Business - Type Activities</u>	<u>Total</u>
Assets			
Equity in Pooled Cash and Cash Equivalents	(\$3,559)	\$291,928	\$288,369
Net Assets			
Restricted for:			
Other Purposes	\$12,165	\$0	\$12,165
Unrestricted	(15,724)	291,928	276,204
<i>Total Net Assets</i>	(\$3,559)	\$291,928	\$288,369

See accompanying notes to the basic financial statements

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Village of Piketon, Pike County
Statement of Activities - Cash Basis
For the Year Ended December 31, 2005

	Program Cash Receipts			
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
General Government	\$158,580	\$360	\$0	\$0
Security of Persons and Property	158,215	89,281	4,456	0
Community Environment	7,693	7,003	0	0
Transportation	91,483	0	82,749	0
Interest and Fiscal Charges	50	0	0	0
<i>Total Governmental Activities</i>	416,021	96,644	87,205	0
Business Type Activities				
Water	284,469	150,520	23,877	116,096
Sewer	378,508	419,465	0	0
Total	\$1,078,998	\$666,629	\$111,082	\$116,096

General Receipts

Property Taxes Levied for:

- General Purposes
- Security of Persons and Property
- Municipal Income Tax
- Other Local Taxes
- Grants and Entitlements not Restricted to Specific Programs
- Interest
- Miscellaneous

Total General Receipts

Change in Net Assets

Net Assets Beginning of Year

Net Assets End of Year

See accompanying notes to the basic financial statements

Net (Disbursements) Receipts and Changes in Net Assets

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
(\$158,220)	\$0	(\$158,220)
(64,478)	0	(64,478)
(690)	0	(690)
(8,734)	0	(8,734)
<u>(50)</u>	<u>0</u>	<u>(50)</u>
(232,172)	0	(232,172)
0	6,024	6,024
<u>0</u>	<u>40,957</u>	<u>40,957</u>
<u>(232,172)</u>	<u>46,981</u>	<u>(185,191)</u>
46,939	0	46,939
74,829	0	74,829
27,367	0	27,367
32,536	0	32,536
104,064	0	104,064
1,888	0	1,888
<u>100,032</u>	<u>21,610</u>	<u>121,642</u>
387,655	21,610	409,265
155,483	68,591	224,074
<u>(3,559)</u>	<u>291,928</u>	<u>288,369</u>
<u>\$151,924</u>	<u>\$360,519</u>	<u>\$512,443</u>

Village of Piketon, Pike County
Statement of Activities - Cash Basis
For the Year Ended December 31, 2004

	Program Cash Receipts			
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
General Government	\$138,826	\$0	\$0	\$0
Security of Persons and Property	178,924	78,425	6,851	0
Community Environment	7,478	15,554	0	0
Transportation	124,442	0	80,734	36,000
Interest and Fiscal Charges	557	0	0	0
<i>Total Governmental Activities</i>	450,227	93,979	87,585	36,000
Business Type Activities				
Water	301,624	157,010	15,500	231,234
Sewer	398,694	443,521	0	0
Total	\$1,150,545	\$694,510	\$103,085	\$267,234

General Receipts

Property Taxes Levied for:

- General Purposes
- Security of Persons and Property
- Other Local Taxes
- Grants and Entitlements not Restricted to Specific Programs
- Interest
- Miscellaneous

Total General Receipts

Change in Net Assets

Net Assets Beginning of Year

Net Assets End of Year

See accompanying notes to the basic financial statements

Net (Disbursements) Receipts and Changes in Net Assets

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
(\$138,826)	\$0	(\$138,826)
(93,648)	0	(93,648)
8,076	0	8,076
(7,708)	0	(7,708)
<u>(557)</u>	<u>0</u>	<u>(557)</u>
(232,663)	0	(232,663)
0	102,120	102,120
<u>0</u>	<u>44,827</u>	<u>44,827</u>
<u>(232,663)</u>	<u>146,947</u>	<u>(85,716)</u>
40,512	0	40,512
51,533	0	51,533
32,698	0	32,698
121,286	0	121,286
1,036	0	1,036
<u>67,034</u>	<u>0</u>	<u>67,034</u>
314,099	0	314,099
81,436	146,947	228,383
<u>(84,995)</u>	<u>144,981</u>	<u>59,986</u>
<u>(\$3,559)</u>	<u>\$291,928</u>	<u>\$288,369</u>

Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2005

	General	Street Fund	Permissive MVL Fund	Police Fund	Revolving Loan Fund	Other Governmental Funds	Total Governmental Funds
Assets							
Equity in Pooled Cash and Cash Equivalents	\$77,325	\$14,250	\$28,600	(\$170,275)	\$198,953	\$3,071	\$151,924
Fund Balances							
Reserved:							
Reserved for Encumbrances	\$1,040	\$1,000	\$420	\$0	\$0	\$420	\$2,880
Unreserved:							
Undesignated (Deficit), Reported in:							
General Fund	76,285	0	0	0	0	0	76,285
Special Revenue Funds	0	13,250	28,180	(170,275)	198,953	2,651	72,759
<i>Total Fund Balances</i>	<u>\$77,325</u>	<u>\$14,250</u>	<u>\$28,600</u>	<u>(\$170,275)</u>	<u>\$198,953</u>	<u>\$3,071</u>	<u>\$151,924</u>

See accompanying notes to the basic financial statements

Village of Piketon, Pike County
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2004

	General	Street Fund	Police Fund	Revolving Loan Fund	Other Governmental Funds	Total Governmental Funds
Assets						
Equity in Pooled Cash and Cash Equivalents	\$92,932	\$1,777	(\$323,551)	\$214,895	\$10,388	(\$3,559)
Fund Balances						
Reserved:						
Reserved for Encumbrances	\$867	\$2,567	\$1,983	\$0	\$0	\$5,417
Unreserved:						
Undesignated (Deficit), Reported in:						
General Fund	92,065	0	0	0	0	92,065
Special Revenue Funds	0	(790)	(325,534)	214,895	10,388	(101,041)
<i>Total Fund Balances</i>	<u>\$92,932</u>	<u>\$1,777</u>	<u>(\$323,551)</u>	<u>\$214,895</u>	<u>\$10,388</u>	<u>(\$3,559)</u>

See accompanying notes to the basic financial statements

Village of Piketon, Pike County
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2005

	General	Street Fund	Permissive MVL Fund	Police Fund	Revolving Loan Fund	Other Governmental Funds	Total Governmental Funds
Receipts							
Municipal Income Taxes	\$27,367	\$0	\$0	\$0	\$0	\$0	\$27,367
Property and Other Local Taxes	79,475	0	0	74,829	0	0	154,304
Fines, Licenses and Permits	7,363	0	0	89,281	0	0	96,644
Intergovernmental	104,064	52,056	26,700	4,456	0	3,993	191,269
Interest	1,821	0	46	0	0	21	1,888
Miscellaneous	16,770	16,858	403	18,304	47,697	0	100,032
<i>Total Receipts</i>	<u>236,860</u>	<u>68,914</u>	<u>27,149</u>	<u>186,870</u>	<u>47,697</u>	<u>4,014</u>	<u>571,504</u>
Disbursements							
Current:							
General Government	143,839	0	0	1,102	13,639	0	158,580
Security of Persons and Property	25,694	0	0	126,386	0	79	152,159
Community Environment	7,693	0	0	0	0	0	7,693
Transportation	25,241	56,441	6,333	0	0	3,468	91,483
Debt Service:							
Principal Retirement	0	0	0	6,056	0	0	6,056
Interest and Fiscal Charges	0	0	0	50	0	0	50
<i>Total Disbursements</i>	<u>202,467</u>	<u>56,441</u>	<u>6,333</u>	<u>133,594</u>	<u>13,639</u>	<u>3,547</u>	<u>416,021</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>34,393</u>	<u>12,473</u>	<u>20,816</u>	<u>53,276</u>	<u>34,058</u>	<u>467</u>	<u>155,483</u>
Other Financing Sources (Uses)							
Transfers In	0	0	0	100,000	0	0	100,000
Transfers Out	(50,000)	0	0	0	(50,000)	0	(100,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(50,000)</u>	<u>0</u>	<u>0</u>	<u>100,000</u>	<u>(50,000)</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	(15,607)	12,473	20,816	153,276	(15,942)	467	155,483
<i>Fund Balances Beginning of Year</i>	<u>92,932</u>	<u>1,777</u>	<u>7,784</u>	<u>(323,551)</u>	<u>214,895</u>	<u>2,604</u>	<u>(3,559)</u>
<i>Fund Balances End of Year</i>	<u>\$77,325</u>	<u>\$14,250</u>	<u>\$28,600</u>	<u>(\$170,275)</u>	<u>\$198,953</u>	<u>\$3,071</u>	<u>\$151,924</u>

See accompanying notes to the basic financial statements

Village of Piketon, Pike County
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2004

	General	Street Fund	Police Fund	Revolving Loan Fund	Other Governmental Funds	Total Governmental Funds
Receipts						
Property and Other Local Taxes	\$73,210	\$0	\$51,533	\$0	\$0	\$124,743
Fines, Licenses and Permits	15,554	0	78,425	0	0	93,979
Intergovernmental	141,286	63,788	6,851	0	16,946	228,871
Interest	1,006	0	0	0	30	1,036
Miscellaneous	16,302	1,524	2,579	40,224	0	60,629
<i>Total Receipts</i>	<u>247,358</u>	<u>65,312</u>	<u>139,388</u>	<u>40,224</u>	<u>16,976</u>	<u>509,258</u>
Disbursements						
Current:						
General Government	132,682	0	1,797	4,347	0	138,826
Security of Persons and Property	17,132	0	145,761	0	0	162,893
Community Environment	7,478	0	0	0	0	7,478
Transportation	30,254	63,996	0	0	7,787	102,037
Debt Service:						
Principal Retirement	0	0	16,031	0	0	16,031
Interest and Fiscal Charges	0	0	557	0	0	557
<i>Total Disbursements</i>	<u>187,546</u>	<u>63,996</u>	<u>164,146</u>	<u>4,347</u>	<u>7,787</u>	<u>427,822</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>59,812</u>	<u>1,316</u>	<u>(24,758)</u>	<u>35,877</u>	<u>9,189</u>	<u>81,436</u>
Other Financing Sources (Uses)						
Other Financing Sources	22,405	0	0	0	0	22,405
Other Financing Uses	0	0	0	0	(22,405)	(22,405)
<i>Total Other Financing Sources (Uses)</i>	<u>22,405</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(22,405)</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	82,217	1,316	(24,758)	35,877	(13,216)	81,436
<i>Fund Balances Beginning of Year</i>	<u>10,715</u>	<u>461</u>	<u>(298,793)</u>	<u>179,018</u>	<u>23,604</u>	<u>(84,995)</u>
<i>Fund Balances End of Year</i>	<u>\$92,932</u>	<u>\$1,777</u>	<u>(\$323,551)</u>	<u>\$214,895</u>	<u>\$10,388</u>	<u>(\$3,559)</u>

See accompanying notes to the basic financial statements

Village of Piketon, Pike County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
General Fund
For the Year Ended December 31, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Municipal Income Taxes	\$27,763	\$27,763	\$27,367	(\$396)
Property and Other Local Taxes	82,100	82,100	79,475	(2,625)
Fines, Licenses and Permits	0	0	7,363	7,363
Intergovernmental	100,000	110,000	104,064	(5,936)
Interest	0	0	1,821	1,821
Miscellaneous	0	0	16,770	16,770
<i>Total receipts</i>	<u>209,863</u>	<u>219,863</u>	<u>236,860</u>	<u>16,997</u>
Disbursements				
Current:				
General Government	100,270	150,070	144,879	5,191
Security of Persons and Property	20,000	20,000	25,694	(5,694)
Community Environment	11,000	14,600	7,693	6,907
Transportation	27,000	16,000	25,241	(9,241)
<i>Total Disbursements</i>	<u>158,270</u>	<u>200,670</u>	<u>203,507</u>	<u>(2,837)</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	51,593	19,193	33,353	14,160
Other Financing Uses				
Transfers Out	<u>(50,000)</u>	<u>(50,000)</u>	<u>(50,000)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	1,593	(30,807)	(16,647)	14,160
<i>Fund Balance Beginning of Year</i>	92,932	92,932	92,932	0
Prior Year Encumbrances Appropriated	<u>867</u>	<u>867</u>	<u>0</u>	<u>867</u>
<i>Fund Balance End of Year</i>	<u><u>\$95,392</u></u>	<u><u>\$62,992</u></u>	<u><u>\$76,285</u></u>	<u><u>\$15,027</u></u>

See accompanying notes to the basic financial statements

Village of Piketon, Pike County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Street Fund
For the Year Ended December 31, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Intergovernmental	\$65,000	\$66,076	\$52,056	(\$14,020)
Miscellaneous	0	0	16,858	16,858
<i>Total Receipts</i>	<u>65,000</u>	<u>66,076</u>	<u>68,914</u>	<u>2,838</u>
Disbursements				
Current:				
Transportation	60,000	60,000	57,441	2,559
<i>Total Disbursements</i>	<u>60,000</u>	<u>60,000</u>	<u>57,441</u>	<u>2,559</u>
<i>Net Change in Fund Balance</i>	5,000	6,076	11,473	5,397
<i>Fund Balance Beginning of Year</i>	1,777	1,777	1,777	0
Prior Year Encumbrances Appropriated	<u>2,567</u>	<u>2,567</u>	<u>0</u>	<u>2,567</u>
<i>Fund Balance End of Year</i>	<u>\$9,344</u>	<u>\$10,420</u>	<u>\$13,250</u>	<u>\$7,964</u>

See accompanying notes to the basic financial statements

Village of Piketon, Pike County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Permissive MVL Fund
For the Year Ended December 31, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Intergovernmental	\$8,350	\$8,350	\$26,700	\$18,350
Interest	0	0	46	46
Miscellaneous	0	0	403	403
<i>Total Receipts</i>	<u>8,350</u>	<u>8,350</u>	<u>27,149</u>	<u>18,799</u>
Disbursements				
Current:				
Transportation	7,800	7,800	6,753	1,047
<i>Total Disbursements</i>	<u>7,800</u>	<u>7,800</u>	<u>6,753</u>	<u>1,047</u>
<i>Net Change in Fund Balance</i>	550	550	20,396	19,846
<i>Fund Balance Beginning of Year</i>	<u>7,784</u>	<u>7,784</u>	<u>7,784</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$8,334</u></u>	<u><u>\$8,334</u></u>	<u><u>\$28,180</u></u>	<u><u>\$19,846</u></u>

See accompanying notes to the basic financial statements

Village of Piketon, Pike County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Police Fund
For the Year Ended December 31, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Receipts				
Property and Other Local Taxes	\$45,000	\$45,000	\$74,829	\$29,829
Fines, Licenses and Permits	107,500	217,500	89,281	(128,219)
Intergovernmental	0	0	4,456	4,456
Miscellaneous	0	0	18,304	18,304
<i>Total Receipts</i>	<u>152,500</u>	<u>262,500</u>	<u>186,870</u>	<u>(75,630)</u>
Disbursements				
Current:				
General Government	0	0	1,102	(1,102)
Security of Persons and Property	115,732	115,732	126,386	(10,654)
Debt Service:				
Principal Retirement	6,056	6,056	6,056	0
Interest and Fiscal Charges	50	50	50	0
<i>Total Disbursements</i>	<u>121,838</u>	<u>121,838</u>	<u>133,594</u>	<u>(11,756)</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	30,662	140,662	53,276	(87,386)
Other Financing Sources				
Transfers In	100,000	100,000	100,000	0
<i>Net Change in Fund Balance</i>	130,662	240,662	153,276	(87,386)
<i>Fund Balance Beginning of Year</i>	(323,551)	(323,551)	(323,551)	0
Prior Year Encumbrances Appropriated	1,983	1,983	0	1,983
<i>Fund Balance End of Year</i>	<u>(\$190,906)</u>	<u>(\$80,906)</u>	<u>(\$170,275)</u>	<u>(\$85,403)</u>

See accompanying notes to the basic financial statements

Village of Piketon, Pike County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Revolving Loan Fund
For the Year Ended December 31, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Receipts				
Miscellaneous	\$50,000	\$50,000	\$47,697	(\$2,303)
Disbursements				
Current:				
General Government	55,250	105,250	13,639	91,611
<i>Excess of Receipts Over (Under) Disbursements</i>	(5,250)	(55,250)	34,058	89,308
Other Financing Uses				
Transfers Out	(50,000)	(50,000)	(50,000)	0
<i>Net Change in Fund Balance</i>	(55,250)	(105,250)	(15,942)	89,308
<i>Fund Balance Beginning of Year</i>	214,895	214,895	214,895	0
<i>Fund Balance End of Year</i>	<u>\$159,645</u>	<u>\$109,645</u>	<u>\$198,953</u>	<u>\$89,308</u>

See accompanying notes to the basic financial statements

Village of Piketon, Pike County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
General Fund
For the Year Ended December 31, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Receipts				
Property and Other Local Taxes	\$124,650	\$102,600	\$73,210	(\$29,390)
Fines, Licenses and Permits	0	0	15,554	15,554
Intergovernmental	108,600	151,788	141,286	(10,502)
Interest	0	0	1,006	1,006
Miscellaneous	0	0	16,302	16,302
<i>Total receipts</i>	<u>233,250</u>	<u>254,388</u>	<u>247,358</u>	<u>(7,030)</u>
Disbursements				
Current:				
General Government	150,070	150,070	133,549	16,521
Security of Persons and Property	20,000	20,000	17,132	2,868
Community Environment	14,600	14,600	7,478	7,122
Transportation	16,000	16,000	30,254	(14,254)
<i>Total Disbursements</i>	<u>200,670</u>	<u>200,670</u>	<u>188,413</u>	<u>12,257</u>
<i>Excess of Receipts Over(Under) Disbursements</i>	<u>32,580</u>	<u>53,718</u>	<u>58,945</u>	<u>5,227</u>
Other Financing Sources(Uses)				
Other Financing Sources	0	22,405	22,405	0
	0	22,405	22,405	0
Total Other Financing Sources(Uses)				
<i>Net Change in Fund Balance</i>	32,580	76,123	81,350	5,227
<i>Fund Balance Beginning of Year</i>	10,715	10,715	10,715	0
<i>Prior Year Encumbrances Appropriated</i>	<u>2,373</u>	<u>2,373</u>	<u>0</u>	<u>2,373</u>
<i>Fund Balance End of Year</i>	<u>\$45,668</u>	<u>\$89,211</u>	<u>\$92,065</u>	<u>\$7,600</u>

See accompanying notes to the basic financial statements

Village of Piketon, Pike County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Street Fund
For the Year Ended December 31, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Receipts				
Intergovernmental	\$58,000	\$63,000	\$63,788	\$788
Miscellaneous	0	0	1,524	1,524
<i>Total Receipts</i>	<u>58,000</u>	<u>63,000</u>	<u>65,312</u>	<u>2,312</u>
Disbursements				
Current:				
Transportation	\$56,500	\$56,500	\$66,563	(\$10,063)
<i>Total Disbursements</i>	<u>56,500</u>	<u>56,500</u>	<u>66,563</u>	<u>(10,063)</u>
<i>Net Change in Fund Balance</i>	1,500	6,500	(1,251)	(7,751)
<i>Fund Balance Beginning of Year</i>	<u>461</u>	<u>461</u>	<u>461</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$1,961</u></u>	<u><u>\$6,961</u></u>	<u><u>(\$790)</u></u>	<u><u>(\$7,751)</u></u>

See accompanying notes to the basic financial statements

Village of Piketon, Pike County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Police Fund
For the Year Ended December 31, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Receipts				
Property and Other Local Taxes	\$45,000	\$45,000	\$51,533	\$6,533
Fines, Licenses and Permits	252,000	74,000	78,425	4,425
Intergovernmental	0	0	6,851	6,851
Miscellaneous	0	0	2,579	2,579
<i>Total Receipts</i>	<u>297,000</u>	<u>119,000</u>	<u>139,388</u>	<u>20,388</u>
Disbursements				
Current:				
General Government	0	0	1,797	(1,797)
Security of Persons and Property	97,904	97,904	147,744	(49,840)
Debt Service:				
Principal Retirement	16,025	16,025	16,025	0
Interest and Fiscal Charges	2,071	2,071	563	1,508
<i>Total Disbursements</i>	<u>116,000</u>	<u>116,000</u>	<u>166,129</u>	<u>(50,129)</u>
<i>Net Change in Fund Balance</i>	181,000	3,000	(26,741)	(29,741)
<i>Fund Balance Beginning of Year</i>	(298,793)	(298,793)	(298,793)	0
Prior Year Encumbrances Appropriated	<u>453</u>	<u>453</u>	<u>0</u>	<u>453</u>
<i>Fund Balance End of Year</i>	<u>(\$117,340)</u>	<u>(\$295,340)</u>	<u>(\$325,534)</u>	<u>(\$29,288)</u>

See accompanying notes to the basic financial statements

Village of Piketon, Pike County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Revolving Loan Fund
For the Year Ended December 31, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Receipts				
Miscellaneous	\$100,000	\$100,000	\$40,224	(\$59,776)
Disbursements				
Current:				
General Government	5,250	5,250	4,347	903
Community Environment	100,000	100,000	0	100,000
<i>Total Disbursements</i>	<u>105,250</u>	<u>105,250</u>	<u>4,347</u>	<u>100,903</u>
<i>Net Change in Fund Balance</i>	(5,250)	(5,250)	35,877	41,127
<i>Fund Balance Beginning of Year</i>	179,018	179,018	179,018	0
Prior Year Encumbrances Appropriated	<u>3,850</u>	<u>3,850</u>	<u>0</u>	<u>3,850</u>
<i>Fund Balance End of Year</i>	<u>\$177,618</u>	<u>\$177,618</u>	<u>\$214,895</u>	<u>\$44,977</u>

See accompanying notes to the basic financial statements

Village of Piketon, Pike County
Statement of Fund Net Assets - Cash Basis
Proprietary Funds
December 31, 2005

	Business-Type Activities			Total Enterprise Funds
	Water Enterprise Fund	Sewer Enterprise Fund	Nonmajor Enterprise Fund	
Assets				
Equity in Pooled Cash and Cash Equivalents	(\$1,361)	\$357,041	\$4,839	\$360,519
Net Assets				
Unrestricted	(\$1,361)	\$357,041	\$4,839	\$360,519

See accompanying notes to the basic financial statements

Village of Piketon, Pike County
Statement of Fund Net Assets - Cash Basis
Proprietary Funds
December 31, 2004

	Business-Type Activities			Total Enterprise Funds
	Water Enterprise Fund	Sewer Enterprise Fund	Nonmajor Enterprise Fund	
Assets				
Equity in Pooled Cash and Cash Equivalents	(\$24,968)	\$312,057	\$4,839	\$291,928
Net Assets				
Unrestricted	(\$24,968)	\$312,057	\$4,839	\$291,928

See accompanying notes to the basic financial statements

Village of Piketon, Pike County
*Statement of Cash Receipts,
Disbursements and Changes in Fund Net Assets - Cash Basis
Proprietary Funds
For the Year Ended December 31, 2005*

	Business-Type Activities			Total Enterprise Funds
	Water Enterprise Fund	Sewer Enterprise Fund	Nonmajor Enterprise Fund	
Operating Cash Receipts				
Charges for Services	\$150,520	\$419,465	\$0	\$569,985
Grants	23,877	0	0	23,877
Miscellaneous	17,583	4,027	0	21,610
<i>Total Operating Receipts</i>	<u>191,980</u>	<u>423,492</u>	<u>0</u>	<u>615,472</u>
Operating Cash Disbursements				
Personal Services	33,108	92,942	0	126,050
Contractual Services	106,359	106,232	0	212,591
Materials and Supplies	28,906	47,211	0	76,117
Debt Service Principal	0	74,394	0	74,394
Interest and Fiscal Charges	0	57,729	0	57,729
Capital Outlay	116,096	0	0	116,096
<i>Total Operating Disbursements</i>	<u>284,469</u>	<u>378,508</u>	<u>0</u>	<u>662,977</u>
<i>Excess of Operating Cash Receipts Over/(Under) Operating Cash Disbursements</i>	(92,489)	44,984	0	(47,505)
Non-Operating Cash Receipts/(Disbursements)				
Proceeds from the sale of Notes	116,096	0	0	116,096
<i>Change in Net Assets</i>	23,607	44,984	0	68,591
<i>Net Assets Beginning of Year</i>	<u>(24,968)</u>	<u>312,057</u>	<u>4,839</u>	<u>291,928</u>
<i>Net Assets End of Year</i>	<u><u>(\$1,361)</u></u>	<u><u>\$357,041</u></u>	<u><u>\$4,839</u></u>	<u><u>\$360,519</u></u>

See accompanying notes to the basic financial statements

Village of Piketon, Pike County
*Statement of Cash Receipts,
Disbursements and Changes in Fund Net Assets - Cash Basis
Proprietary Funds
For the Year Ended December 31, 2004*

	Business-Type Activities			Total Enterprise Funds
	Water Enterprise Fund	Sewer Enterprise Fund	Nonmajor Enterprise Fund	
Operating Receipts				
Charges for Services	\$157,010	\$443,521	\$0	\$600,531
Capital Grant	231,234	0	0	231,234
<i>Total Operating Receipts</i>	<u>388,244</u>	<u>443,521</u>	<u>0</u>	<u>831,765</u>
Operating Disbursements				
Personal Services	18,847	104,122	0	122,969
Contractual Services	72,768	123,710	0	196,478
Materials and Supplies	21,148	31,876	0	53,024
Debt Service Principal	0	70,080	0	70,080
Interest and Fiscal Charges	0	61,406	0	61,406
Capital Outlay	188,861	7,500	0	196,361
<i>Total Operating Disbursements</i>	<u>301,624</u>	<u>398,694</u>	<u>0</u>	<u>700,318</u>
<i>Operating Income (Loss)</i>	86,620	44,827	0	131,447
Non-Operating Receipts				
Donation	15,500	0	0	15,500
<i>Change in Net Assets</i>	102,120	44,827	0	146,947
<i>Net Assets Beginning of Year</i>	<u>(127,088)</u>	<u>267,230</u>	<u>4,839</u>	<u>144,981</u>
<i>Net Assets End of Year</i>	<u>(\$24,968)</u>	<u>\$312,057</u>	<u>\$4,839</u>	<u>\$291,928</u>

See accompanying notes to the basic financial statements

Village of Piketon, Pike County
Statement of Fiduciary Net Assets - Cash Basis
Fiduciary Funds
December 31, 2005

	<u>Agency</u>
Assets	
Cash and Cash Equivalents in Segregated Accounts	<u>\$1,210</u>
Net Assets	
Unrestricted	<u>\$1,210</u>

See accompanying notes to the basic financial statements

Village of Piketon, Pike County
Statement of Fiduciary Net Assets - Cash Basis
Fiduciary Funds
December 31, 2004

	<u>Agency</u>
Assets	
Cash and Cash Equivalents in Segregated Accounts	<u>\$477</u>
Net Assets	
Unrestricted	<u>\$477</u>

See accompanying notes to the basic financial statements

Village of Piketon
Pike County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

Note 1 – Reporting Entity

The Village of Piketon, Pike County, Ohio (the Village), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a six-member Council elected at large for four year terms. The Mayor is elected to a four-year term, serves as the President of Council and votes only to break a tie.

The reporting entity is comprised of the primary government, component units and other organizations that were included to ensure that the financial statements are not misleading.

A. Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Village. The Village provides general government services, water and sewer utilities, maintenance of Village roads and bridges, park operations, and police services.

B. Component Units

Component units are legally separate organizations for which the Village is financially accountable. The Village is financially accountable for an organization if the Village appoints a voting majority of the organization's governing board and (1) the Village is able to significantly influence the programs or services performed or provided by the organization; or (2) the Village is legally entitled to or can otherwise access the organization's resources; the Village is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or the Village is obligated for the debt of the organization. The Village is also financially accountable for any organizations that are fiscally dependent on the Village in that the Village approves their budget, the issuance of their debt or the levying of their taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Village, are accessible to the Village and are significant in amount to the Village. The Village had no component units.

The financial statements exclude the Piketon Activity Committee which performs activities within the Village's boundaries for the benefit of its residents because the Village is not financially accountable for these entities nor are they fiscally dependent on the Village.

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

Note 2 – Summary of Significant Accounting Policies

As discussed further in Note 2.C, these financial statements are presented on the cash basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The Village does not apply FASB statements issued after November 30, 1989, to its business-type activities and to its enterprise funds. Following are the more significant of the Village's accounting policies.

Village of Piketon
Pike County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

Note 2 – Summary of Significant Accounting Policies (continued)

A. Basis of Presentation

The Village's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Village as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the Village that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of net assets presents the cash balance of the governmental and business-type activities of the Village at year end. The statement of activities compares disbursements with program receipts for the Village's governmental and business-type activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Village is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program and receipts of interest earned on grants that is required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a modified cash basis or draws from the Village's general receipts.

Fund Financial Statements

During the year, the Village segregates transactions related to certain Village functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Village at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

Proprietary fund statements distinguish operating transactions from non-operating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the funds' principal services. Operating disbursements include costs of sales and services and administrative costs. The fund statements report all other receipts and disbursements as non-operating.

B. Fund Accounting

The Village uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. The funds of the Village are divided into three categories; governmental, proprietary, and fiduciary.

Village of Piketon
Pike County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

Note 2 – Summary of Significant Accounting Policies (continued)

Governmental Funds

The Village classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The Village's major governmental funds are the General Fund, Street Fund, Police Fund, Permissive MVL Fund, and Revolving Loan Fund.

The General Fund is used to account for all financial resources, except those required to be accounted for 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.

The Street Fund is required by the Ohio Revised Code to account for State gasoline tax and motor vehicle registration fees designated for maintenance of streets within the Village.

The Police Fund is used to account for a property levy to provide police services.

The Permissive MVL Fund is used to account for the Village's share of the motor vehicle license tax levied by the Village.

The Revolving Loan Fund is used to account for loans issued to and loan payments received from community residents and businesses.

The other governmental funds of the Village account for grants and other resources whose use is restricted to a particular purpose.

Proprietary Funds

The Village classifies funds financed primarily from user charges for goods or services as proprietary. The proprietary funds of the Village are enterprise funds.

Enterprise Funds – Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The Village's major enterprise funds are the water and sewer funds.

The Water Fund accounts for the provision of water to the residents and commercial users located within the Village.

The Sewer Fund accounts for the provision of sanitary sewer services to the residents and commercial users located within the Village.

Fiduciary Funds

Fiduciary funds include pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs. Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village's agency fund accounts for the portion of the Mayor's Court activity that does not stay within the Village.

Village of Piketon
Pike County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

Note 2 – Summary of Significant Accounting Policies (continued)

C. Basis of Accounting

The Village's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the Village's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

D. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Village Council may appropriate.

The appropriations ordinance is the Village Council's authorization to spend resources and sets limits on disbursements plus encumbrances at the level of control selected by the Village Council. The legal level of control has been established at the fund, department, and object level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Village Clerk. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by the Village Council.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Village Council during the year.

E. Cash and Investments

To improve cash management, cash received by the Village is pooled and invested. Individual fund integrity is maintained through Village records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents."

Cash and cash equivalents that are held separately in accounts for the Mayor's Court activity is reported as "Cash and Cash Equivalents in Segregated accounts."

Village of Piketon
Pike County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

Note 2 – Summary of Significant Accounting Policies (continued)

Interest earnings are allocated to Village funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2005 was \$1,821. Interest receipts credited to the General Fund during 2004 was \$1,006.

F. Inventory and Prepaid Items

The Village reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

G. Capital Assets

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

H. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's cash basis of accounting.

I. Employer Contributions to Cost-Sharing Pension Plans

The Village recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for postretirement health care benefits.

J. Long-Term Obligations

The Village's cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid.

K. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for maintenance of streets and State highways within the Village and drug enforcement.

The Village's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

The government-wide statement of net assets reports \$45,921 of restricted net assets in 2005 and \$12,165 of restricted net assets in 2004, none of which is restricted by enabling legislation.

Village of Piketon
Pike County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

Note 2 – Summary of Significant Accounting Policies (continued)

L. Fund Balance Reserves

The Village reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances.

M. Interfund Transactions

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general receipts.

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating receipts/disbursements in proprietary funds. Repayment from funds responsible for particular cash disbursements to the funds that initially paid for them are not presented on the financial statements. In the government-wide financial statements, transfers within governmental activities are eliminated.

Note 3 – Change in Basis of Accounting

The Village has elected to present its financial statement in a format consistent with Governmental Accounting Standards Board (GASB) Statements No. 34, 37 and 38, “*Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments.*” These statements create and amend new basic financial statements and note disclosure for reporting on the Village’s financial activities. The financial statements now include government-wide financial statements and fund financial statements which present information for individual major funds rather than by fund type. Non-major funds are presented in total in one column. GASB Statement No. 34 require GAAP reporting, however the Village presented “look alike” statements on the cash basis of accounting.

The Village also implemented Governmental Accounting Standards Board (GASB) Statement No. 40, “Deposit and Investment Risk Disclosures”. GASB Statement No. 40 establishes and modifies disclosure requirements related to investment risks: credit risk (including custodial credit risk and concentrations of credit risk) and interest rate risk. This statement also establishes and modifies disclosure requirements for custodial credit risk on deposits. This statement applies to all state and local governments. The implementation of GASB Statement No. 40 had no effect on the Village’s financial statements.

Note 4 – Accountability and Compliance

A. Accountability

At December 31, 2005, the Police special revenue fund and the Water enterprise fund had deficit fund balances of \$170,275 and \$1,361, respectively. At December 31, 2004, the Police special revenue fund and the Water enterprise fund had deficit fund balances of \$323,551 and \$24,968, respectively. The Village is currently in fiscal Emergency due in part to deficit balances in these funds. The Village has adopted a recovery plan to address these issues and this recovery plan has been approved by the Financial Planning and Supervision Commission.

Village of Piketon
Pike County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

Note 4 – Accountability and Compliance(Continued)

B. Compliance

During 2005, expenditures exceeded appropriations in several funds.

Appropriations exceeded estimated resources in the Police fund during 2005 and 2004.

The Village did not certify available funds for any expenditures in 2004.

Actual receipts were significantly less than estimated receipts during 2004 and 2005 and the Village did not amend its certificate of estimated resources.

Note 5 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General, Street, Police, Permissive MVL, and Revolving Loan Funds for 2005 and the General, Street, Police, and Revolving Loan Funds for 2004 are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as disbursements rather than as a reservation of fund balance.

	Net Change in Fund Balance 2005				
	General	Street	Police	Permissive MVL	Revolving Loan
Cash Basis	\$(15,607)	\$12,473	\$153,276	\$20,816	\$(15,942)
Encumbrances	\$(1,040)	\$(1,000)	\$0	\$(420)	\$0
Budget Basis	\$(16,647)	\$11,473	\$153,276	\$20,396	\$(15,942)

	Net Change in Fund Balance 2004			
	General	Street	Police	Revolving Loan
Cash Basis	\$82,217	\$1,316	\$(24,758)	\$35,877
Encumbrances	\$(867)	\$(2,567)	\$(1,983)	\$0
Budget Basis	\$81,350	\$(1,251)	\$(26,741)	\$35,877

Note 6 – Deposits and Investments

Monies held by the Village are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Village treasury. Active monies must be maintained either as cash in the Village treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that Council has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Village of Piketon
Pike County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

Note 6 - Deposits and Investments (continued)

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Village can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Township, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

Village of Piketon
Pike County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

Note 6 - Deposits and Investments (continued)

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. At 2005 year end, \$425,071 of the Village's bank balance of \$525,071 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Village's name. At 2004 year end, \$189,996 of the Village's bank balance of \$289,996 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Village's name.

The Village has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Village or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Note 7 – Property Taxes

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Village. Real property tax receipts received in 2005 represent the collection of 2004 taxes. Real property taxes received in 2005 were levied after October 1, 2004, on the assessed values as of January 1, 2004, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. 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. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2005 represent the collection of 2004 taxes. Public utility real and tangible personal property taxes received in 2005 became a lien on December 31, 2004, were levied after October 1, 2004, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2005 (other than public utility property) represent the collection of 2004 taxes. Tangible personal property taxes received in 2005 were levied after October 1, 2004, on the true value as of December 31, 2004. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

Village of Piketon
Pike County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

Note 7 – Property Taxes(Continued)

The full tax rate for all Village operations for the year ended December 31, 2005, was \$7.00 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2005 and 2004 property tax receipts were based are as follows:

	2005	2004
Real Estate	\$20,982,010	\$16,719,700
Public Utility	1,003,450	994,190
Tangible Personal Property	969,198	1,113,440
Total Assessed Value	<u>\$22,954,658</u>	<u>\$18,827,330</u>

Note 8 – Risk Management

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 insurance 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. Claims exceeding \$250,000 are reinsured with APEEP up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000 from the General Reinsurance Corporation.

If losses exhaust PEP’s retained earnings, APEEP covers PEP losses up to \$5,000,000 per year, subject to a per-occurrence limit of \$2,000,000.

Property Coverage

PEP retains property risks, including automobile physical damage up to \$100,000 on any specific loss in any one occurrence, with no annual aggregate. The Travelers Indemnity Company reinsures losses exceeding \$100,000. APEEP’s Guarantee Fund pays losses and loss adjustment expenses exceeding operating contributions.

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 government.

Village of Piketon
Pike County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

Note 9 – Defined Benefit Pension Plan

A. Ohio Public Employees Retirement System

The Village participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings.

The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the years ended December 31, 2005 and 2004, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary; members in public safety contributed 9 percent. The Village's contribution rate for pension benefits for 2005 and 2004 was 13.55 percent, except for those plan members in law enforcement or public safety. For those classifications, the Township's pension contributions were 16.7 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Village's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2005, 2004, and 2003 were \$33,053, \$35,437, and \$33,308 respectively. The full amount has been contributed for 2005, 2004 and 2003.

B. Ohio Police and Fire Pension Fund

The Village contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Village of Piketon
Pike County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

Note 9 – Defined Benefit Pension Plan (continued)

Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations while the Village is required to contribute 11.75 percent for police officers. Contributions are authorized by State statute. The Village's required contributions to the Fund for the years ended December 31, 2005, 2004, and 2003 were \$2,161, \$5,172, and \$22,049. The full amount has been contributed for 2005, 2004, and 2003.

Note 10 - Postemployment Benefits

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2005 and 2004 local government employer contribution rate was 13.55 percent of covered payroll (16.7 percent for public safety and law enforcement); 4.00 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2004, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase between 1.00 and 6.00 percent annually for the next eight years and 4.00 percent annually after eight years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 376,109. Actual employer contributions for 2005 and 2004 which were used to fund postemployment benefits were \$9,757 and \$10,461, respectively. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) were \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. In addition to the HCPP, OPERS has taken additional action to improve the solvency of the Health Care Fund in 2005 by creating a separate investment pool for health care assets. As an additional component of the HCPP, member and employer rates increased as of January 1, 2006, which will allow additional funds to be allocated to the health care plan.

Village of Piketon
Pike County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

Note 10 - Postemployment Benefits

B. Ohio Police and Fire Pension Fund

The Ohio Police and Fire Pension fund (OP&F) provides postretirement health care coverage to any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school full-time or on a 2/3 basis.

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in *GASB Statement No. 12*. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the funds of OP&F shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis.

The total police employer contribution rate is 19.5 percent of covered payroll, of which 7.75 percent of covered payroll was applied to the postemployment healthcare program during 2005 and 2004. In addition, since July 1, 1992, most retirees and survivors have been required to contribute a portion of the cost of their healthcare coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The Village's actual contributions for 2005 and 2004 that were used to fund postemployment benefits were \$859 and \$2,055, respectively. The OP&F's total health care expense for the year ended December 31, 2004, (the latest information available) was \$102,173,796, which was net of member contributions of \$55,665,341. The number of OP&F participants eligible to receive health care benefits as of December 31, 2004, was 13,812 for police and 10,528 for firefighters.

Note 11 – Debt

The Village's long-term debt activity for the year ended December 31, 2005, was as follows:

	Interest Rate	Balance December 31, 2003	Additions	Reductions	Balance December 31, 2005
OWDA Loan 1827	8.07%	\$877,210	\$75	\$109,324	\$767,961
Police Cruiser Loan	3.87%	22,087	0	22,087	0
1999 OPWC Loan	0.00%	333,924	0	35,150	298,774
2005 OPWC Loan	0.00%	0	116,096	0	116,096
		<u>\$1,233,221</u>	<u>\$116,171</u>	<u>\$166,561</u>	<u>\$1,182,831</u>

- The Ohio Water Development Authority (OWDA) loan relates to a sewer plant expansion project approved in 1989. The loan was scheduled for semiannual installments over 25 years.
- The police cruiser loan was repaid during 2005.
- The 1999 Ohio Public Works Commission (OPWC) loan relates to a wastewater treatment plant upgrade. The loan was scheduled for semiannual installments over 20 years.
- The 2005 OPWC loan relates to a water treatment plant renovation project. The loan was scheduled for semiannual installments over 20 years.

Village of Piketon
Pike County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

Note 11 – Debt(Continued)

The following is a summary of the Village’s future annual debt service requirements:

Year	Loans	
	Principal	Interest
2006	\$84,702	\$53,758
2007	89,650	49,464
2008	94,998	44,826
2009	100,778	39,812
2010	107,024	34,394
2011-2015	524,608	74,153
2016-2020	116,899	0
2021-2025	64,172	0
Totals	\$1,182,831	\$296,407

The Ohio Revised Code provides that net general obligation debt of the Village, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 5.5 percent of the tax valuation of the Village. The Revised Code further provides that total voted and unvoted net debt of the Village less the same exempt debt shall never exceed amount equal to 10.5 percent of its tax valuation. The effects of the debt limitations at December 31, 2005, were an overall debt margin of \$2,410,239 and an unvoted debt margin of \$1,262,506.

Note 12 – Contingent Liabilities

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

Note 13 – Going concern/Fiscal Emergency

The Village was declared to be in a fiscal emergency by the Auditor of State on July 8, 2004. A performance audit was conducted on the Village by the Auditor of State of Ohio dated July 8, 2004.

A Financial Planning Commission was appointed according to Chapter 118, Ohio Revised Code. The Financial Planning and Supervisor Commission of the Village of Piketon contracted with the Local Government Services Department of the office of the Auditor of State to act as the Financial Supervisor for the Village of Piketon as set forth in Chapter 118, Ohio Revised Code.

Village of Piketon
Pike County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

Note 13 – Going concern/Fiscal Emergency(Continued)

The Financial Supervisor is to provide financial oversight, accounting and reporting and general services in the following areas:

- Assist in preparation of tax budgets, appropriations and amended certificates;
- Assist in preparation of a financial plan including analyzing revenue sources to see if they are adequate to support anticipated expenditures;
- Assist in preparing five year financial forecast;
- Assist in preparing year end financial reports;
- Provide training and assistance in monthly reconciliations and maintaining of accounting ledgers;
- Assist in preparation of cash basis annual financial report for the years under audit;
- Attend monthly Commission meetings; and
- Monitor Village to ensure compliance with established procedures and spending levels.

The Financial Planning Commission will cease to exist when the Auditor of State determines that the conditions that existed to cause the fiscal emergency no longer exist.

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Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

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
Village of Piketon
P. O. Box 547
Piketon, Ohio 45661

We have audited the financial statements of the Village of Piketon, Pike County, Ohio (the Village), as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated August 25, 2006, wherein we noted the Village followed the cash basis of accounting 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 audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings as items 2005-006 and 2005-007.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weakness. However, we believe that the reportable conditions described above are not 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 or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings as items 2005-001 through 2005-005.

Village of Piketon
Pike County
Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed
in Accordance with *Governmental Auditing Standards*
Page 2

We noted certain matters that we reported to the management of the Village in a separate letter dated August 25, 2006.

This report is intended solely for the information and use of the Mayor, management and the Village Council, 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 "Balestra, Harr & Scherer". The signature is written in dark ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.

August 25, 2006

**VILLAGE OF PIKETON
PIKE COUNTY
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 Rev. Code, Section 5705.41(D), requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

This section also provides for two exceptions to the above requirements:

- A. Then and Now Certificates - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Village Council may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.

- B. If the amount involved is less than \$3,000, the fiscal officer may authorize payment through a Then and Now Certificate without affirmation of the Village Council, if such expenditure is otherwise valid.

This section of codes also allows fiscal officers to prepare so-called "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

The Clerk's certification was not obtained for any of the expenditures in 2004. Additionally, Then and Now Certificates were not completed for any disbursements exceeding \$3,000. As a result, in 2004, none of the disbursements tested were properly certified. Not certifying funds prior to a purchase commitment may cause the Village to obligate money it does not have.

No orders involving the expenditure of money should be made unless the Clerk has issued a purchase order or blanket certificate to certify that the amount required has been lawfully appropriated and is in the treasury or in the process of collection. Then and Now Certificates should be used as the exception rather than the rule. Village Council should approve all Then and Now certificates greater than \$3000, by resolution.

**VILLAGE OF PIKETON
PIKE COUNTY
DECEMBER 31, 2005 AND 2004**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2005-002

Noncompliance Citation

Ohio Rev. 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. ORC 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 appropriations.

For the year ended December 31, 2005, actual receipts were significantly less than the estimated receipts, reducing available resources below the level of appropriations in the Police Fund by \$281,243.

For the year ended December 31, 2004, actual receipts were significantly less than the estimated receipts, reducing available resources below the level of appropriations in the Police Fund by \$258,519.

Since the expenditure of Village funds is based on the estimated resources, instances when actual receipts do not meet budgetary estimates could lead to overspending.

The Village Clerk should monitor estimated and actual receipts. When it is apparent that actual receipts will fall short of budgetary estimates, the Village Clerk should obtain a reduced amended certificate from the County Budget Commission. The Village Council should then make corresponding reductions in appropriations.

FINDING NUMBER 2005-003

Noncompliance Citation

Ohio Rev. Code, Section 5705.39 states that appropriations to any fund shall not exceed that fund's estimated resources.

For the year ended December 31, 2005, appropriations exceeded estimated resources in the Police Fund by \$182,889. For the year ended December 31, 2004, appropriations exceeded estimated resources in the Police Fund by \$295,793.

The Village Council should not make appropriations to any fund in excess of the amount of that fund's estimated resources.

**VILLAGE OF PIKETON
PIKE COUNTY
DECEMBER 31, 2005 AND 2004**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2005-004

Noncompliance Citation

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

For the year ended December 31, 2005, expenditures exceeded appropriations in the General Fund, Police Fund, Water Fund and Sewer Fund by \$1,797; \$11,756; \$40,373 and \$15,310, respectively. For the year ended December 31, 2004, expenditures exceeded appropriations in the Street Fund, Police Fund, Water Fund and Sewer Fund by \$7,496; \$48,146; \$207,624 and \$39,694, respectively.

The Village Council should not make any expenditure of money unless it has been appropriated.

FINDING NUMBER 2005-005

Noncompliance Citation

Ohio Rev. Code, Section 5705.10 requires that money paid into any fund shall be used only for the purposes for which the fund is established.

The following funds had negative cash balances as of December 31, 2005: Police Fund (\$170,275) and Water Fund (\$1,361).

The following funds had negative cash balances as of December 31, 2004: Police fund (\$323,551) and Water Fund (\$24,698).

Negative cash balances indicate that monies from one fund were used to pay expenditures for another.

The Village Council should only use money paid into each fund for the purpose for which the fund was established.

**VILLAGE OF PIKETON
PIKE COUNTY
DECEMBER 31, 2005 AND 2004**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2005-006

Reportable Condition

Rule 117-2-02(A) of the Ohio Administrative Code (OAC), directs all public offices to maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, and prepare financial statements required by rule 117-2-03 of the OAC. Rule 117-2-02(C) allows the records to be maintained manually or in a computerized format and requires the following: (1) Cash journal with the amount, date, receipt number, check number, account code, and any other information necessary to properly classify the transaction; (2) Receipts ledger to assemble and classify receipts into separate accounts for each type of receipt of each fund consisting of the amount, date, name of the payor, purpose, receipt number, and any other information necessary to record the transaction on this ledger and; (3) Appropriation ledger to assemble and classify disbursements into separate accounts for each account listed in the appropriation resolution. The amount, fund, date, check number, purchase order number, encumbrance amount, unencumbered balance, amount of disbursement, and any other information necessary to record the transaction on the ledger.

For 2004, the cash journal maintained by the Village Clerk contained the name, amount, date, receipt number and check number for most entries. However, not all receipts and disbursements were recorded on the cash journal and some of those recorded were not recorded in the correct fund. The Receipts ledger did not include the estimated receipts information necessary for regulating budgetary transactions. Of those receipts recorded, most contained the name of the payor, amount, date, and receipt number. There were several receipts that were not posted to the ledger and several that were not posted to the correct fund. The Appropriation ledger contained the name, amount, fund, date, check number, purchase order number for most of the recorded transactions. There were several transactions not recorded in the ledger or not recorded in the correct fund. The ledger did not record encumbrances or unencumbered balances to assist in the monitoring of budgetary activity.

The Village Clerk should review the provisions of OAC Rule 117-2-02 and maintain the necessary financial records in the manner prescribed therein.

FINDING NUMBER 2005-007

Reportable Condition

The small size of the Village's staff did not allow for an adequate segregation of duties. All accounting procedures for the Mayor's Court were performed by its Clerk and all accounting procedures in the Utility department were performed by the Utility Clerk.

It is, therefore, important that Village Council monitor financial activity closely. By Council monitoring financial activity and budget to actual figures on a regular basis, fiscal problems could be prevented and informed decisions could be made.

Segregation of accounting duties should be considered to the extent that it is practical in these departments and Council should be provided monthly financial reports including budget to actual reports and review them with due care.

Village of Piketon
Pike County

Schedule of Prior Audit Findings
For the Years Ended December 31, 2005 and 2004

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2003-001	Ohio Rev. Code Section 5705.10 – Negative Fund Balances	No	We have reissued as finding 2005-005.
2003-002	Ohio Rev. Code Section 5705.41(B) – Expending money unless it has been appropriated	No	We have reissued as finding 2005-004.
2003-003	Ohio Rev. Code Section 5705.41 (D) – Prior certification of available funds	No	We have reissued as finding 2005-001
2003-004	Reportable Condition – Segregation of duties	No	We have reissued as finding 2005-007

Village of Piketon
Pike County

Corrective Action Plan
For the Years Ended December 31, 2005 and 2004

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person(s)
2005-001	The Village went on the UAN system of accounting in 2005. The system requires a purchase order number before a disbursement can be made.	September 1, 2006	Village Clerk
2005-002	The Clerk will monitor actual receipts compared to estimates and secure amended certificates when necessary.	September 1, 2006	Village Clerk
2005-003	The Clerk will monitor appropriations compared to estimated resources to help ensure that Council does not appropriate more funds than are available.	September 1, 2006	Village Clerk
2005-004	The Village went on the UAN system of accounting in 2005. The system will not allow a disbursement unless there are appropriations available.	September 1, 2006	Village Clerk
2005-005	The Village went on the UAN system of accounting in 2005. The system will not allow a disbursement unless there are funds available.	September 1, 2006	Village Clerk
2005-006	The Village went on the UAN system of accounting in 2005. The system maintains accounting records required by the Ohio Administrative Code.	September 1, 2006	Village Clerk
2005-007	The Clerk and the Mayor will independently monitor the financial activity of the Mayor's Court and the Utility Department.	September 1, 2006	Village Clerk



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VILLAGE OF PIKETON

PIKE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 12, 2006**