

Village of Pomeroy  
Meigs County  
Regular Audit  
For the Year Ended December 31, 2004  
Fiscal Year Audited Under GAGAS: 2004

BALESTRA, HARR & SCHERER, CPAs, INC.  
528 South West Street, P.O. Box 687  
Piketon, Ohio 45661

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**Auditor of State  
Betty Montgomery**

Village Council  
Village of Pomeroy  
320 East Main Street  
P.O. Box 666  
Pomeroy, Ohio 45769

We have reviewed the *Independent Auditor's Report* of the Village of Pomeroy, Meigs County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2004 through December 31, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Pomeroy 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 22, 2006

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Village of Pomeroy  
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Ohio Society of Certified Public Accountants

## Independent Auditor's Report

Village Council  
Village of Pomeroy  
Meigs County  
320 East Main Street  
Pomeroy, Ohio 45769

We have audited the accompanying financial statements of the Village of Pomeroy, Meigs County, (the Village) as of and for the year ended December 31, 2004. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated August 8, 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 on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Balestra, Harr & Scherer, CPAs, Inc.

August 8, 2006

**Village of Pomeroy  
Meigs County, Ohio  
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Governmental Fund Types</u>		<b>Totals</b>
	<u>General</u>	<u>Special Revenue</u>	<u>(Memorandum Only)</u>
<b>Cash Receipts:</b>			
Property and Local Taxes	\$ 375,534	\$ 95,440	\$ 470,974
Intergovernmental	87,442	222,959	310,401
Charges for Services	14,509	12,900	27,409
Fines, Licenses, and Permits	161,073	18,135	179,208
Earnings on Investments	2,344	100	2,444
Miscellaneous	27,519	21,297	48,816
Total Cash Receipts	<u>668,421</u>	<u>370,831</u>	<u>1,039,252</u>
<b>Cash Disbursements:</b>			
Current:			
Security of Persons & Property	383,039	46,073	429,112
Public Health Service	-	15,958	15,958
Leisure Time Activities	-	1,544	1,544
Basic Utility Services	9,286	18,995	28,281
Transportation	-	196,103	196,103
General Government	247,020	3,004	250,024
Capital Outlay	70,200	111,797	181,997
Debt Service:			
Redemption of Principal	18,004	40,896	58,900
Interest and Fiscal Charges	5,630	13,509	19,139
Total Cash Disbursements	<u>733,179</u>	<u>447,879</u>	<u>1,181,058</u>
Total Cash Receipts Over/(Under) Cash Disbursements	(64,758)	(77,048)	(141,806)
<b>Other Financing Receipts and (Disbursements):</b>			
Proceeds from Sale of Public Debt:			
Other Debt Proceeds	-	39,957	39,957
Transfers-In	-	111,000	111,000
Advances-In	5,000	-	5,000
Transfers-Out	(111,000)	-	(111,000)
Advances-Out	-	(5,000)	(5,000)
Total Other Financing Receipts/(Disbursements)	<u>(106,000)</u>	<u>145,957</u>	<u>39,957</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(170,758)	68,909	(101,849)
Fund Cash Balances, January 1	<u>210,425</u>	<u>165,307</u>	<u>375,732</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$ 39,667</b></u>	<u><b>\$ 234,216</b></u>	<u><b>\$ 273,883</b></u>
Reserve for Encumbrances, December 31	<u>\$ 3,226</u>	<u>\$ 1,240</u>	<u>\$ 4,466</u>

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

**Village of Pomeroy  
Meigs County, Ohio  
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	<u>Agency</u>	
<b>Operating Cash Receipts:</b>				
Charges for Services	\$ 459,204	\$ -	\$ -	\$ 459,204
Earnings on Investments	-	1,594	-	1,594
Miscellaneous	-	-	111	111
	<u>459,204</u>	<u>1,594</u>	<u>111</u>	<u>460,909</u>
<b>Operating Cash Disbursements:</b>				
Personal Services	112,376	-	-	112,376
Fringe Benefits	35,301	-	-	35,301
Contractual Services	15,412	-	-	15,412
Supplies & Materials	140,596	-	-	140,596
Capital Outlay	1,451,889	-	-	1,451,889
Miscellaneous	8,449	-	-	8,449
	<u>1,764,023</u>	<u>-</u>	<u>-</u>	<u>1,764,023</u>
Operating Income/(Loss)	<u>(1,304,819)</u>	<u>1,594</u>	<u>111</u>	<u>(1,303,114)</u>
<b>Non-Operating Cash Receipts/(Disbursements):</b>				
Proceeds from Sale of Public Debt:				
Other Debt Proceeds	633,897	-	-	633,897
Intergovernmental Receipts	817,992	-	-	817,992
Other Non-Operating Receipts	-	-	146,688	146,688
Debt Service:				
Redemption of Principal	(50,617)	-	-	(50,617)
Interest & Fiscal Charges	(8,201)	-	-	(8,201)
Other Non-Operating Disbursements	-	-	(151,021)	(151,021)
	<u>1,393,071</u>	<u>-</u>	<u>(4,333)</u>	<u>1,388,738</u>
<b>Net Receipts Over/(Under) Disbursements</b>	<u>88,252</u>	<u>1,594</u>	<u>(4,222)</u>	<u>85,624</u>
Fund Cash Balances, January 1	<u>110,233</u>	<u>53,440</u>	<u>13,796</u>	<u>177,469</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$ 198,485</b></u>	<u><b>\$ 55,034</b></u>	<u><b>\$ 9,574</b></u>	<u><b>\$ 263,093</b></u>
Reserve for Encumbrances, December 31	<u>\$ 1,233</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,233</u>

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

**VILLAGE OF POMEROY  
MEIGS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Village of Pomeroy, Meigs County, Ohio, (the Village) is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides water utilities, pool and park operations. The Village contracts with the Fairfield County Sheriff's department to provide security of persons and property.

The Village management believes these financial statements represent all activities for which the Village is financially accountable except debt service funds maintained by outside custodians are not included in these financial statements. Assets held by custodians are described in Note 10 to the financial statements.

**B. Basis of Accounting**

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

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

**C. Cash and Investments**

Investments are included in fund cash balances. Accordingly, purchases of investments are not recorded as disbursements and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

Certificates of deposit are valued at cost. U.S. Savings Bonds are carried at face value when donated.

**D. Fund Accounting**

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

**1. General Fund:**

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

**2. Special Revenue Funds:**

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

**VILLAGE OF POMEROY  
MEIGS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Fund Accounting (Continued)**

*Street Construction, Maintenance and Repair Fund* – This fund receipts gasoline tax and motor vehicle license tax money to construct, maintain and repair Village streets.

*Fire Fund* – This fund receives tax money for fire protection.

**3. Enterprise Funds:**

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

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

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

**4. Fiduciary Funds (Trust and Agency Funds)**

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. Other trust funds are classified as expendable. Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant Fiduciary Funds:

*Cemetery Bequest Fund* – This Nonexpendable Trust Fund maintains the trust corpus and receives the interest income earned. The income is used for perpetual care of certain graves and cemeteries.

*Mayor's Court Fund* – This Agency Fund received fines from police department citations. These monies are divided between the Village and the State, as prescribed by law.

**E. Budgetary Process**

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

**1. Appropriations**

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

**VILLAGE OF POMEROY  
MEIGS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**2. Estimated Resources**

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

**3. Encumbrances**

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

A summary of 2004 budgetary activity appears in Note 3.

**F. Property, Plant and Equipment**

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

**G. Accumulated Leave**

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

**2. EQUITY IN POOLED CASH**

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

	2004
Demand deposits	\$457,368
Certificates of Deposit	78,783
Petty Cash	325
Total Deposits	536,476
Treasury Bonds	500
Total Deposits and Investments	\$536,976

**Deposits:** Deposits are either insured by the Federal Deposit Insurance Corporation, or collateralized by securities specifically pledged by the financial institution to the Village, or collateralized by the financial institution's public entity deposit pool.

**Investments:** The Federal Reserve holds the Village's U.S. Treasury Notes in book-entry form, in the name of the Village's financial institution. The financial institution maintains records identifying the Village as owner of these securities.

**VILLAGE OF POMEROY  
MEIGS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004**

**3. BUDGETARY ACTIVITY**

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

**Budgeted vs. Actual Receipts**

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$657,855	\$673,421	\$15,566
Special Revenue	510,041	521,788	11,747
Enterprise	2,211,133	1,911,913	(299,220)
Fiduciary	2,180	1,594	(586)
Total	\$3,381,209	\$3,108,716	(\$272,493)

Contrary to Ohio law, a reduced amended certificate was not obtained when actual receipts were significantly less than estimated receipts resulting in available resources being less than appropriations.

**Budgeted vs. Actual Budgetary Basis Expenditures**

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Disbursements</u>	<u>Variance</u>
General	\$856,329	\$847,405	\$8,924
Special Revenue	592,082	454,119	137,963
Enterprise	2,310,037	1,824,074	485,963
Fiduciary	572	0	572
Total	\$3,759,020	\$3,125,598	\$633,422

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, the first half is due December 31. The second half payment is due the following June 20.

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

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

**VILLAGE OF POMEROY  
MEIGS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004**

**5. DEBT**

Debt outstanding at December 31, 2004 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Bonds-Water	\$76,000	5.25%
General Obligation Notes-Building	12,000	5.00%
General Obligation Notes-Property	18,901	variable
General Obligation Notes-Paving	33,401	5.75%
Ohio Public Works Commission Loan 1	145,339	2.00%
Ohio Public Works Commission Loan 2	69,932	2.00%
General Obligation Notes-Capital Improv	53,108	6.00%
General Obligation Notes-Dump truck	35,637	3.00%
General Obligation Notes-Walkpath	76,410	4.75%
Ohio Water Development Authority	633,897	2.00%
Lease - Pumper Truck	246,395	3.82%
Total	<u>\$1,401,020</u>	

The general obligation bonds were used to construct water wells. The bonds were for \$240,000 and will be repaid in annual installments of \$15,000-\$25,000, plus interest through 2007. The building note was for the purchase of property. This loan was for \$100,000.00 and will be repaid in annual installments of \$4,000.00, plus interest, through 2007. The property note was for the purchase of property. This loan was for \$62,272. Due to the variable interest rate which changes in March of each year, the monthly payments as of March 2004 were \$517.00. The paving note was for paving of Pomeroy streets. This loan was for \$82,000.00 and will be repaid in monthly installments of \$1,068, including interest through 2007. The Ohio Public Works Commission loan 1 was for the sewer project. The total amount of the loan awarded was \$175,000. This loan will be repaid in semi-annual installments of \$5,330, including interest through 2021. The Ohio Public Works Commission loan 2 was for a water main replacement. The total amount of the loan awarded was \$80,000. The loan will be repaid in semi-annual installments of \$2,436, including interest through 2021. The capital projects note was for a sewer line extension, the drilling of a new well and water line replacement. The loan was approved in the amount of \$130,000. As of December 31, 2001, \$110,000 has been drawn down on this loan. The loan will be paid in monthly installments of \$1,449, including interest through 2010. The scheduled payment below assumes the \$130,000 will be borrowed. The walk path project note was for construction of the walk path along the Ohio River. This loan was for \$100,000 and will be repaid in monthly installments of \$1,052, including interest through 2012. The dump truck loan was for the purchase of a one ton truck used for plowing small streets. This loan was for \$39,957 and will be repaid in monthly installments of \$719, including interest through 2009. The Ohio Water Development Authority loan was for the construction of a new water treatment plant. The amount of the loan is \$651,270. The loan will be paid in semi-annual installments of \$14,129, including interest. This loan will begin in 2005 through 2034. The Village has drawn down \$633,897 as of December 31, 2004. The amortization schedule assumes the entire \$651,270 will be drawn.

The Village entered into a lease with Leasing 2 Inc, in 2003, for the purchase of a pumper truck to be used by the Village Fire Department. The original lease amount was for \$300,000 for ten years, with an annual payment of \$36,561. The lease is secured solely by the pumper truck. At the end of the lease, the Village assumes ownership of the pumper truck at no additional expense. The lease ends in 2013.

**VILLAGE OF POMEROY  
MEIGS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004**

**5. DEBT (Continued)**

Amortization of the above debt, including interest, follows:

Year ending December 31:	Water Bonds	Building Note	Paving Note	Capital Project Note	Property Note	OPWC 1
2005	\$28,938	\$4,600	\$12,812	\$17,319	\$6,203	\$10,659
2006	27,625	4,400	12,812	17,319	6,203	10,659
2007	26,313	4,200	10,614	17,319	6,203	10,659
2008	0	0	0	17,319	1,551	10,659
2009	0	0	0	10,102	0	10,659
2010-2015	0	0	0	0	0	53,295
2016-2020	0	0	0	0	0	53,295
Thereafter	0	0	0	0	0	5,277
<b>Total</b>	<b>\$82,876</b>	<b>\$13,200</b>	<b>\$36,238</b>	<b>\$79,378</b>	<b>\$20,160</b>	<b>\$165,162</b>

Year ending December 31:	OPWC 2	Pumper Lease	Dump Truck	Walkpath Note	OWDA Loan
2005	\$4,873	\$36,561	\$8,625	\$12,582	\$28,974
2006	4,873	36,561	8,625	12,582	28,974
2007	4,873	36,561	8,625	12,582	28,974
2008	4,873	36,561	8,625	12,582	28,974
2009	4,873	36,561	3,594	12,582	28,974
2010-2015	24,365	109,682	0	30,406	289,740
2016-2020	24,365	0	0	0	289,740
Thereafter	7,309	0	0	0	391,149
<b>Total</b>	<b>\$80,404</b>	<b>\$292,487</b>	<b>\$38,094</b>	<b>\$93,316</b>	<b>\$1,115,499</b>

**6. RETIREMENT SYSTEMS**

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Ohio Public Employees Retirement System (OPERS) of Ohio. OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes the plans' retirement benefits, including postretirement healthcare and survivor and disability benefits.

Contribution rates are also prescribed by the Ohio Revised Code. For 2005, members of OP&F contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant wages. OPERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross wages. The Village has paid all contributions required through December 31, 2004.

**VILLAGE OF POMEROY  
MEIGS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004**

**7. RISK MANAGEMENT**

The Village has obtained commercial insurance coverage for the following risks:

- Comprehensive property and general liability
- Vehicles; and
- Errors and omissions.

Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant change in coverage from last year.

**8. LOCAL INCOME TAX**

The Village levies a municipal income tax of 1 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

**9. CONTINGENT LIABILITIES**

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the federal government. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.

**10. DEBT SERVICE TRUSTEED FUNDS**

The Water Bonds agreement required the Village to establish a debt service fund to be maintained by a custodian bank. The Village has established this fund. At December 31, 2004, the custodian held \$100,000 in Village assets. These assets, and the related receipts and disbursements, are not reflected in the accompanying financial statements.

# BALESTRA, HARR & SCHERER, CPAS, INC.

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## **Report On Internal Control Over Financial Reporting and On Compliance and Other Matters Based On An Audit Of Financial Statements Performed in Accordance With *Government Auditing Standards***

Village Council  
Village of Pomeroy  
Meigs County  
320 East Main Street  
Pomeroy, Ohio 45769

We have audited the financial statements of the Village of Pomeroy, Meigs County, (the Village) as of and for the year ended December 31, 2004, and have issued our report thereon dated August 8, 2006 wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards*, and which is described in the schedule of findings as item number 2004-001.

Village of Pomeroy

Meigs County

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We noted certain matters which we reported to management of the Village in a separate letter dated August 8, 2006.

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



Balestra, Harr & Scherer, CPAs, Inc.

August 8, 2006

**VILLAGE OF POMEROY  
MEIGS COUNTY  
SCHEDULE OF FINDINGS  
DECEMBER 31, 2004**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2004-001**

**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.

Actual receipts were significantly less than the estimated receipts, reducing available resources below the level of appropriations in the Water Fund by \$290,601.

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.

Corrective Action Plan

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2004-001	The Village will monitor budgetary activity more closely in the future.	12/31/06	Kathy Hysell, Village Clerk

**VILLAGE OF POMEROY  
MEIGS COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected; Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2003-001	ORC Section 5705.41(B) - The Village expended monies in excess of appropriations.	Yes	



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**VILLAGE OF POMEROY**

**MEIGS 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 7, 2006**