



**VILLAGE OF WAYNESFIELD
AUGLAIZE COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2005



**Auditor of State
Betty Montgomery**

VILLAGE OF WAYNESFIELD
AUGLAIZE COUNTY

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Village of Waynesfield
Auglaize County
P.O. Box 476
Waynesfield, Ohio 45896

To the Members of Council:

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Village of Waynesfield, Auglaize County, (the "Village"), as of and for the year ended December 31, 2005, 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 audit.

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

As discussed in Note 1, 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 financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Village, as of December 31, 2005, and the respective changes in cash financial position and the respective budgetary comparison for the General fund thereof for the year then ended in conformity with the basis of accounting Note 1 describes.

For the year ended December 31, 2005, the Village revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 18, 2006, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's discussion and analysis 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.

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

Betty Montgomery
Auditor of State

August 18, 2006

**VILLAGE OF WAYNESFIELD
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
(UNAUDITED)**

This discussion and analysis of the Village of Waynesfield's (the Village) financial performance provides an overall review of the Village's financial activities for the year ended December 31, 2005, 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 are as follows:

- Net assets of governmental activities increased \$692, or 0.4 percent, an insignificant change from the prior year. The increase was partly due to receiving FEMA monies reimbursed into the Street fund to offset costs from the January 2005 ice storm. The fund most affected by a decrease in cash and cash equivalents was the General Fund, which decreased \$24,753. Although the General Fund realized the greatest burden of increased costs during 2005, cost increases affected most funds.
- The Village's general receipts are primarily local government and revenue assistance. These receipts represent 38 percent of the total cash received for governmental activities during the year. Property tax receipts for 2005 changed very little compared to 2004 as development within the Village has slowed.
- The Water, Sewer, Electric, and Enterprise Improvement Funds are the Village's major business-type funds. They all had substantial increases in expenses offset by raises in rates, therefore ending up with increases in cash and cash equivalents.
- The Village will be putting in a new water treatment plant due to receiving funding from the Ohio Public Works Commission for a grant and no-interest loan. Property taxes were also reappraised upwards in 2005, so the General Fund should received approximately \$2,000 more per year in property taxes.

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 WAYNESFIELD
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
(UNAUDITED)
(Continued)**

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 Government as a Whole

The statement of net assets and the statement of activities reflect how the Village did financially during 2005, within the limitations of 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 or business-type activity 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 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, streets, and parks. State and federal grants 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 activity - The Village has three business-type activities, the provision of water, sewer and electric. Business-type activities are financed by a fee charged to the customers receiving the service.

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.

**VILLAGE OF WAYNESFIELD
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
(UNAUDITED)
(Continued)**

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 non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Village's only major governmental fund is the General 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 four major enterprise funds: the water, sewer, electric and enterprise improvement funds. When the services are provided to other department of the Village, the service is reported as an internal service fund. The Village has no internal service funds.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the Village. Fiduciary funds are not reflected on 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)
Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Assets						
Cash and Cash Equiva	\$187,247	\$186,555	\$1,082,702	\$963,999	\$1,269,949	\$1,150,554
Total Assets	<u>187,247</u>	<u>186,555</u>	<u>1,082,702</u>	<u>963,999</u>	<u>1,269,949</u>	<u>1,150,554</u>
Net Assets						
Restricted for:						
Other Purposes	89,896	64,451			89,896	64,451
Unrestricted	97,351	122,104	1,082,702	963,999	1,180,053	1,086,103
Total Net Assets	<u>\$187,247</u>	<u>\$186,555</u>	<u>\$1,082,702</u>	<u>\$963,999</u>	<u>\$1,269,949</u>	<u>\$1,150,554</u>

As mentioned previously, net assets of governmental activities increased \$692 or 0.4 percent during 2005. The General Fund on the other hand decreased \$24,753 or 20 percent during 2005. The primary reasons contributing to the small increases are an increase in salaries, increase in cost of health insurance, employing a police chief, and loss of substantial interest on checking account and certificates of deposits due to lower interest rates.

Table 2 reflects the changes in net assets during 2005. Since the Village did not prepare financial statements in this format for 2004, a comparative analysis of government-wide data has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

**VILLAGE OF WAYNESFIELD
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
(UNAUDITED)
(Continued)**

**(Table 2)
Changes in Net Assets**

	Governmental Activities 2005	Business Type Activities 2005	Total 2005
Receipts:			
Program Receipts:			
Charges for Services and Sales	\$280	\$850,834	\$851,114
Operating Grants and Contributions	76,053		76,053
Capital Grants and Contributions	152		152
Total Program Receipts	76,485	850,834	927,319
General Receipts:			
Property and Other Local Taxes	45,797		45,797
Grants and Entitlements Not Restricted to Specific Programs	61,478		61,478
Sale of Notes		43,200	43,200
Interest	6,757		6,757
Miscellaneous	28,471	9,466	37,937
Total General Receipts	142,503	52,666	195,169
Total Receipts	218,988	903,500	1,122,488
Disbursements:			
General Government	95,476		95,476
Security of Persons and Property	59,769		59,769
Public Health Services	28		28
Leisure Time Activities	4,418		4,418
Basic Utility Service	8,385		8,385
Transportation	35,320		35,320
Capital Outlay	14,900		14,900
Water Operating		53,928	53,928
Sewer Operating		60,581	60,581
Electric Operating		556,065	556,065
Enterprise Improvement		53,990	53,990
Enterprise Debt Service		1,080	1,080
Enterprise Deposit Fund		4,716	4,716
Enterprise UV Disinfection Project		43,200	43,200
Other Enterprise - Tank & Well Replacement		11,237	11,237
Total Disbursements	218,296	784,797	1,003,093
 Increase (Decrease) in Net Assets	 692	 118,703	 119,395
 Net Assets, January 1, 2005	 186,555	 963,999	 1,150,554
Net Assets, December 31, 2005	\$187,247	\$1,082,702	\$1,269,949

Program receipts represent 81 percent of total receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money, building permits, and charges for water, sewer and electric.

**VILLAGE OF WAYNESFIELD
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
(UNAUDITED)
(Continued)**

General receipts represent 19 percent of the Village's total receipts, and of this amount, over 23 percent are local taxes. State and federal grants and entitlements make up 31 percent of the balance of the Village's general receipts. Other receipts are very insignificant and somewhat unpredictable revenue sources.

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/treasurer, as well as internal services such as payroll and purchasing. Since these costs do not represent direct services to residents, we try to limit these costs to 10% of General Fund unrestricted receipts.

Security of Persons and Property are the costs of police protection; Public Health Services is the health department; Leisure Time Activities are the costs of maintaining the parks and playing fields; and Transportation is the cost of maintaining the roads.

Governmental Activities

If you look at the Statement of Activities on page 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 general government and security of persons and property, which account for 44 and 27 percent of all governmental disbursements, respectively. Transportation also represents a significant cost, about 16 percent. The next three columns of the Statement entitled Program 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 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	Net Cost of Services 2005
General Government	\$95,476	(\$95,476)
Security of Persons and Property	59,769	(44,869)
Public Health Services	28	(28)
Leisure Time Activities	4,418	(4,268)
Basic Utility Services	8,385	
Community Environment		130
Transportation	35,320	17,600
Capital Outlay	14,900	(14,900)
Total Expenses	\$218,296	(\$141,811)

The dependence upon grants and entitlements not restricted to specific programs is apparent as over 28 percent of governmental activities are supported through these general receipts.

**VILLAGE OF WAYNESFIELD
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
(UNAUDITED)
(Continued)**

Business-type Activities

The water, sewer and electric operations of the Village routinely reports receipts and cash 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. The Village intends to put in a new water treatment plant, and sewer line replacements are being discussed. A UV project at the lagoon was recently put in. As usual for major projects financing is always a problem.

The Village's Funds

Total governmental funds had receipts of \$218,988 and disbursements of \$218,296. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund decreased \$24,753 as the result of increased costs for salaries and benefits and not achieving anticipated growth in property tax receipts.

General Fund receipts were less than disbursements by \$24,753 indicating that the General Fund is in a deficit spending situation. It was the recommendation of the finance committee and the administration that a reduction in disbursements was preferable to requesting additional funds from the taxpayers. Some of these reductions have already been implemented including cuts in repairs and maintenance. A new more efficient furnace was put on the Mayor's office and has helped cut down on fuel costs. These cuts will not eliminate the need for additional funds (or additional cuts) in the future if the growth in property taxes remains stagnant. Discussion is being held on putting a 1 percent income tax on the Village to increase funding for the General Fund.

General Fund Budgeting Highlights

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

During 2005, the Village amended its General Fund budget several times to reflect changing circumstances. Final budgeted receipts were equal to original budgeted receipts. The difference between final budgeted receipts and actual receipts was not significant.

Final disbursements were budgeted at \$246,740 while actual disbursements were \$167,083.

Capital Assets and Debt Administration

Capital Assets

The Village does not currently keep track of its infrastructure.

Debt

At December 31, 2005, the Village's outstanding debt included \$340,805 in no interest loans from the Ohio Public Works Commission and Omega JV5 debt for improvements to buildings and structures, and administration of a joint venture. For further information regarding the Village's debt, refer to Note 12 to the basic financial statements.

**VILLAGE OF WAYNESFIELD
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
(UNAUDITED)
(Continued)**

Current Issues

The challenge for all Villages 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 2007; therefore, the finance committee and the administration implemented a strategy to delay the deficit. This plan became effective for 2006. 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 where we felt it would have the least impact on services. It is recommended that everyone try to keep costs to a minimum, which is difficult when costs for everything keep going up.

Contacting the Government'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 Judith Quinlan, Clerk-Treasurer, Village of Waynesfield, 104 W. Perry St., Waynesfield, Ohio 45896-0476.

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**VILLAGE OF WAYNESFIELD
AUGLAIZE COUNTY**

**STATEMENT OF NET ASSETS - CASH BASIS
DECEMBER 31, 2005**

	<u>Governmental Activities</u>	<u>Business - Type Activities</u>	<u>Total</u>
Assets			
Equity in Pooled Cash and Cash Equivalents	\$187,247	\$1,082,702	\$1,269,949
Total Assets	<u>187,247</u>	<u>1,082,702</u>	<u>1,269,949</u>
Net Assets			
Restricted for:			
Other Purposes	89,896		89,896
Unrestricted	<u>97,351</u>	<u>1,082,702</u>	<u>1,180,053</u>
Total Net Assets	<u>\$187,247</u>	<u>\$1,082,702</u>	<u>\$1,269,949</u>

See accompanying notes to the basic financial statements.

**VILLAGE OF WAYNESFIELD
AUGLAIZE 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				
Security of Persons and Property	\$59,769		\$14,900	
Public Health Services	28			
Leisure Time Activities	4,418	150		
Community Environment		130		
Basic Utility Services	8,385		8,385	
Transportation	35,320		52,768	152
General Government	95,476			
Capital Outlay	14,900			
	218,296	280	76,053	152
Business Type Activities				
Water Operating	53,928	117,792		
Sewer Operating	60,581	117,259		
Electric Operating	556,065	607,333		
Enterprise Improvement	53,990			
Enterprise Debt Service	1,080			
Enterprise Deposit Fund	4,716	8,450		
Enterprise UV Disinfection Project	43,200			
Other Enterprise-Tank & Well Repl Debt	11,237			
	784,797	850,834		
Total Business Type Activities	784,797	850,834		
Total Primary Government	\$1,003,093	\$851,114	\$76,053	\$152
General Receipts				
Property Taxes				
Other Taxes				
Grants and Entitlements not Restricted to Specific Programs				
Sale of Notes				
Earnings on Investments				
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>
(\$44,869)		(\$44,869)
(28)		(28)
(4,268)		(4,268)
130		130
17,600		17,600
(95,476)		(95,476)
(14,900)		(14,900)
<hr/>		<hr/>
(141,811)		(141,811)
	63,864	63,864
	56,678	56,678
	51,268	51,268
	(53,990)	(53,990)
	(1,080)	(1,080)
	3,734	3,734
	(43,200)	(43,200)
	(11,237)	(11,237)
	<hr/>	<hr/>
	66,037	66,037
	<hr/>	<hr/>
(141,811)	66,037	(75,774)
	<hr/>	<hr/>
15,067		15,067
30,730		30,730
61,478		61,478
	43,200	43,200
6,757		6,757
28,471	9,466	37,937
	<hr/>	<hr/>
142,503	52,666	195,169
	<hr/>	<hr/>
692	118,703	119,395
186,555	963,999	1,150,554
	<hr/>	<hr/>
<u>\$187,247</u>	<u>\$1,082,702</u>	<u>\$1,269,949</u>

**VILLAGE OF WAYNESFIELD
AUGLAIZE COUNTY**

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
DECEMBER 31, 2005**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
Equity in Pooled Cash and Cash Equivalents	\$97,351	\$89,896	\$187,247
Total Assets	<u>97,351</u>	<u>89,896</u>	<u>187,247</u>
Fund Balances			
Reserved:			
Reserved for Encumbrances	2,461	413	2,874
Unreserved:			
Undesignated, Reported in:			
General Fund	94,890		94,890
Special Revenue Funds		89,483	89,483
Total Fund Balances	<u>\$97,351</u>	<u>\$89,896</u>	<u>\$187,247</u>

See accompanying notes to the basic financial statements.

**VILLAGE OF WAYNESFIELD
AUGLAIZE COUNTY**

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

	General	Other Governmental Funds	Total
Cash Receipts			
Property and Other Local Taxes	\$43,887		\$43,887
Intergovernmental	76,914	76,053	152,967
Special Assessments	152		152
Charges for Services	150		150
Fines, Licenses and Permits	130		130
Earnings on Investments	5,847	910	6,757
Miscellaneous	12,789	2,156	14,945
Total Cash Receipts	139,869	79,119	218,988
Cash Disbursements			
Current:			
Security of Persons and Property	59,769		59,769
Public Health Services	28		28
Leisure Time Activities	4,418		4,418
Basic Utility Services		8,385	8,385
Transportation	4,931	30,389	35,320
General Government	95,476		95,476
Capital Outlay		14,900	14,900
Total Cash Disbursements	164,622	53,674	218,296
Receipts Over (Under) Disbursements	(24,753)	25,445	692
Net Change in Fund Balances	(24,753)	25,445	692
Fund Balances Beginning of Year	122,104	64,451	186,555
Fund Balances End of Year	\$97,351	\$89,896	\$187,247

See accompanying notes to the basic financial statements.

**VILLAGE OF WAYNESFIELD
AUGLAIZE 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>			(Optional) Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>(Negative)</u>
Receipts				
Property and Other Local Taxes	\$44,736	\$44,736	\$43,887	(849)
Intergovernmental	58,070	58,070	76,914	18,844
Special Assessments	200	200	152	(48)
Charges for Services	200	200	150	(50)
Fines, Licenses and Permits	450	450	130	(320)
Earnings on Investments	4,490	4,490	5,847	1,357
Miscellaneous	16,590	16,590	12,789	(3,801)
Total Receipts	<u>124,736</u>	<u>124,736</u>	<u>139,869</u>	<u>15,133</u>
Disbursements				
Current:				
Security of Persons and Property	78,700	79,099	60,752	18,347
Public Health Services	50	50	28	22
Leisure Time Activities	9,000	9,000	4,429	4,571
Transportation	12,500	12,500	4,948	7,552
General Government	145,313	146,091	96,926	49,165
Total Disbursements	<u>245,563</u>	<u>246,740</u>	<u>167,083</u>	<u>79,657</u>
Excess of Receipts (Under) Disbursements	<u>(120,827)</u>	<u>(122,004)</u>	<u>(27,214)</u>	<u>94,790</u>
Net Change in Fund Balance	(120,827)	(122,004)	(27,214)	94,790
Fund Balance Beginning of Year	120,927	120,927	120,927	
Prior Year Encumbrances Appropriated	<u>1,177</u>	<u>1,177</u>	<u>1,177</u>	
Fund Balance End of Year	<u><u>\$1,277</u></u>	<u><u>\$100</u></u>	<u><u>\$94,890</u></u>	<u><u>\$94,790</u></u>

See accompanying notes to the basic financial statements.

VILLAGE OF WAYNESFIELD
AUGLAIZE COUNTY

STATEMENT OF FUND NET ASSETS - CASH BASIS
PROPRIETARY FUNDS
DECEMBER 31, 2005

	<u>Water Operating</u>	<u>Sewer Operating</u>	<u>Electric Operating</u>	<u>Enterprise Improvement</u>	<u>Non-major Enterprise Funds</u>	<u>Total Enterprise Funds</u>
Assets						
Equity in Pooled Cash and Cash Equivalents	<u>\$126,383</u>	<u>\$245,989</u>	<u>\$468,531</u>	<u>\$135,174</u>	<u>\$106,625</u>	<u>\$1,082,702</u>
Total Assets	<u>126,383</u>	<u>245,989</u>	<u>468,531</u>	<u>135,174</u>	<u>106,625</u>	<u>1,082,702</u>
Net Assets						
Unrestricted	<u>126,383</u>	<u>245,989</u>	<u>468,531</u>	<u>135,174</u>	<u>106,625</u>	<u>1,082,702</u>
Total Net Assets	<u>\$126,383</u>	<u>\$245,989</u>	<u>\$468,531</u>	<u>\$135,174</u>	<u>\$106,625</u>	<u>\$1,082,702</u>

See accompanying notes to the basic financial statements.

**VILLAGE OF WAYNESFIELD
AUGLAIZE COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND NET ASSETS - CASH BASIS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Water Operating Total	Sewer Operating Total	Electric Operating Total	Enterprise Improvement Total	Other Enterprise Funds Total	Total Enterprise Funds
Operating Receipts						
Charges for Services	\$117,792	\$117,259	\$607,333		\$8,450	\$850,834
Other Operating Receipts			9,366			9,366
Total Operating Receipts	<u>117,792</u>	<u>117,259</u>	<u>616,699</u>		<u>8,450</u>	<u>860,200</u>
Operating Disbursements						
Personal Services	26,430	22,564	36,099			85,093
Employee Fringe Benefits	7,159	6,081	13,074			26,314
Contractual Services	5,483	7,825	433,262			446,570
Supplies and Materials	14,856	24,111	31,610			70,577
Other					4,716	4,716
Total Operating Disbursements	<u>53,928</u>	<u>60,581</u>	<u>514,045</u>		<u>4,716</u>	<u>633,270</u>
Operating Income	<u>63,864</u>	<u>56,678</u>	<u>102,654</u>		<u>3,734</u>	<u>226,930</u>
Non-Operating Receipts (Disbursements)						
Miscellaneous Receipts			100			100
Sale of Notes					43,200	43,200
Capital Outlay			(33,242)		(97,190)	(130,432)
Principal Payments			(3,040)		(12,317)	(15,357)
Interest and Fiscal Charges			(5,738)			(5,738)
Total Non-Operating Receipts (Disbursements)			<u>(41,920)</u>		<u>(66,307)</u>	<u>(108,227)</u>
Income (Loss) before Transfers and Advances	<u>63,864</u>	<u>56,678</u>	<u>60,734</u>		<u>(62,573)</u>	<u>118,703</u>
Transfers In				25,794	25,160	50,954
Transfers Out	(40,194)	(10,760)				(50,954)
Change in Net Assets	23,670	45,918	60,734	25,794	(37,413)	118,703
Net Assets Beginning of Year	<u>102,713</u>	<u>200,071</u>	<u>407,797</u>	<u>109,380</u>	<u>144,038</u>	<u>963,999</u>
Net Assets End of Year	<u>\$126,383</u>	<u>\$245,989</u>	<u>\$468,531</u>	<u>\$135,174</u>	<u>\$106,625</u>	<u>\$1,082,702</u>

See accompanying notes to the basic financial statements.

VILLAGE OF WAYNESFIELD
AUGLAIZE COUNTY

STATEMENTS OF FIDUCIARY NET ASSETS - CASH BASIS
FIDUCIARY FUNDS
DECEMBER 31, 2005

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$1</u>
Total Assets	<u><u>1</u></u>
Net Assets	
Restricted for:	
Other Purposes	<u>1</u>
Total Net Assets	<u><u>\$1</u></u>

See accompanying notes to the basic financial statements.

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**VILLAGE OF WAYNESFIELD
AUGLAIZE COUNTY**

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

1. REPORTING ENTITY

The Village of Waynesfield, Auglaize 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 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, 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 has no component units.

C. Joint Ventures

A joint venture is a legal entity or other organization that results from a contractual arrangement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility. Under the modified cash basis of accounting, the Village does not report assets for equity interests in joint ventures.

The financial statements exclude the following entities which perform 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:

Wayne Township Fire Department and EMT squad

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

**VILLAGE OF WAYNESFIELD
AUGLAIZE COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash 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.

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.

1. 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 non-exchange 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 each of 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 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, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function or business-type activity is self-financing on a cash basis or draws from the Village's general receipts.

2. 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 and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

**VILLAGE OF WAYNESFIELD
AUGLAIZE COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

1. Governmental Funds

The Village classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other non-exchange transactions as governmental funds. The Village's only major governmental fund is the General 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 other governmental funds of the Village account for grants and other resources whose use is restricted to a particular purpose.

2. Proprietary Funds

The Village classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds are classified as either enterprise or internal service.

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 operating, sewer operating, electric operating, and the enterprise improvement funds.

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

Sewer Operating Fund - The sewer operating fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

Electric Operating Fund - The electric operating fund accounts for the provision of electric services to the residents and commercial users within the Village.

Enterprise Improvement Fund - The enterprise improvement fund receives a fee from the water utility fund to set aside money for significant water improvements.

Internal Service Fund - Internal service funds account for services provided by one department of the Village to another on a cost-reimbursement basis. The Village has no internal service funds.

**VILLAGE OF WAYNESFIELD
AUGLAIZE COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. 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. The Village has no trust funds. 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 payment to volunteer groups for recycling paid by the county to the village and then from the village to the volunteer group. A fee of \$15.00 is withheld from each payment to go into the General Fund to help offset costs of the recycle building and village personnel that help each month.

C. Basis of Accounting

The Village's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, 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. Any such modifications made by the Village are described in the appropriate section in this note.

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 cash 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.

**VILLAGE OF WAYNESFIELD
AUGLAIZE COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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".

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

Investments are reported as assets. 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 negative receipts (contra revenue), respectively.

During 2005, the Village invested in nonnegotiable certificates of deposit. The nonnegotiable certificates of deposit are reported at cost.

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 \$5,847 which includes \$5,094 assigned from other Village funds.

F. Restricted Assets

Cash, cash equivalents and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. The Village has no restricted assets.

G. 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.

H. 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.

I. 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.

J. 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 10 and 11, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**VILLAGE OF WAYNESFIELD
AUGLAIZE COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. 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.

L. 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 street maintenance and repair.

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.

M. 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.

N. 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 nonoperating receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial

3. CHANGE IN BASIS OF ACCOUNTING AND RESTATEMENT OF FUND EQUITY

Last year the Village reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. This year the Village has implemented the cash basis of accounting described in Note 2. The fund financial statements now present each major fund in a separate column with non-major funds aggregated and presented in a single column, rather than a column for each fund type. This change in the basis of accounting did not require a restatement of fund equity.

4. CHANGE IN ACCOUNTING PRINCIPLE

For 2005, the Village has implemented Governmental Accounting Standards Board (GASB) Statement No. 40, "Deposit and Investment Risk Disclosure". GASB Statement No. 40 establishes and modifies the disclosure requirements related to investment risks. The implementation of this statement did not result in any change to the Village's financial statements.

**VILLAGE OF WAYNESFIELD
AUGLAIZE COUNTY**

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

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 fund is 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 cash disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$2,461 for the general fund.

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.

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;

**VILLAGE OF WAYNESFIELD
AUGLAIZE COUNTY**

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

6. DEPOSITS AND INVESTMENTS (Continued)

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 Village, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions.

A. 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 year end, \$1,185,255 of the Village's bank balance of \$1,285,255 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.

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 during 2005 represent the collection of 2005 taxes. Real property taxes received during 2004 were levied after October 1, 2003, on the assessed values as of January 1, 2003, 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 during 2005 represent the collection of 2004 taxes. Public utility real and tangible personal property taxes received during 2005 became a lien on December 31, 2003, 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 during 2005 (other than public utility property) represent the collection of 2005 taxes. Tangible personal property taxes received during 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 WAYNESFIELD
AUGLAIZE COUNTY**

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

7. PROPERTY TAXES (Continued)

The full tax rate for all Village operations for the year ended December 31, 2005 was \$2.25 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2005 property tax receipts were based are as follows:

Real Property	
Residential/Agriculture	\$5,527,550
Other	631,520
Public Utility Property	
Personal	80,570
Tangible Personal Property	<u>309,690</u>
Total Assessed Value	<u><u>\$6,549,330</u></u>

8. INTERFUND TRANSFERS

During 2005, the Village transferred \$8,600 from the sewer operating fund to the sewer improvement fund and \$2,160 to sewer debt service fund as debt payments were due.

The water operating fund transferred \$25,794 to the water repair and improvement fund in order to accumulate funds for repairs and improvement projects for the water-related infrastructure and \$14,400 to the tank and well replacement debt service fund as debt payments were due.

9. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles;
- Inland Marine; and
- Acts of Terrorism.

The Village also provides health insurance, life insurance, and dental coverage to full-time employees, the Village Clerk-Treasurer and the Mayor through a private carrier.

10. DEFINED BENEFIT PENSION PLANS

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.

**VILLAGE OF WAYNESFIELD
AUGLAIZE COUNTY**

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

10. DEFINED BENEFIT PENSION PLANS (Continued)

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 year ended December 31, 2005, the members of all three plans were required to contribute 8.5 percent of their annual covered salaries. The Village's contribution rate for pension benefits for 2005 was 9.55 percent. 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 \$13,017, \$11,840, and \$13,030 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.

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 \$3,389, \$2,903, and \$0. The full amount has been contributed for 2005 and 2004.

**VILLAGE OF WAYNESFIELD
AUGLAIZE COUNTY**

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

11. POST-EMPLOYMENT 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 Post-employment 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 local government employer contribution rate was 13.55 percent of covered payroll; 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, 2003, 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 which were used to fund post-employment benefits were \$5,452. 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. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

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 Post-employment 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.

**VILLAGE OF WAYNESFIELD
AUGLAIZE COUNTY**

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

11. POST-EMPLOYMENT BENEFITS (Continued)

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 post-employment health care 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 health care 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 2004 that were used to fund post-employment benefits were \$2,250 for police. 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.

12. DEBT

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

	Interest Rate	Balance December 31, 2004	Additions	Reductions	Balance December 31, 2005	Due Within One Year
<u>Business-type Activities</u>						
Omega JV5 debt	5.84%	\$ 105,084	\$ 0	\$ 3,040	\$ 102,044	\$ 3,200
2003 OPWC Tank & Well Replacement Loan (Original Amount \$)	0%	207,878	0	11,237	196,641	11,237
2004 OPWC UV Disinfection Improvement Project Loan (Original Amount \$)	0%	0	43,200	1,080	42,120	2,160
Total Business-type Activities		\$ 312,962	\$ 43,200	\$ 15,357	\$ 340,805	\$ 16,597

The Omega JV5 Project consists of governmental entities that joined together to finance a municipal electric generation facility. Bonded debt was issued in the total amount of \$153,415,000 for the project.

The amount listed above and the amortization schedule below represents the Village's participant share. The debt will be financed through user charges.

During 2003 and 2002, loans were obtained from the Ohio Public Works Commission in the amounts of \$29,981 and \$194,752, respectively, for the construction of a new water tower and well.

**VILLAGE OF WAYNESFIELD
AUGLAIZE COUNTY**

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

12. DEBT (Continued)

During 2004 a loan was obtained from the Ohio Public Works Commission in the amount of \$43,200 for a wastewater UV Disinfection Improvement Project. The Village entered into this debt on August 1, 2004, but the money was not disbursed until January 1, 2005. The final payment to the contractor for the project was not made until July 8, 2005.

During 2005, a loan was obtained from the Ohio Public Works Commission in the amount of \$297,790 for the Water Treatment Plant Improvements. The Village entered into this loan on July 1, 2005, but has not received any money because the project has not been started. Therefore, no money has been sent to the contractors and no official amortization schedule has been prepared.

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

Year	Omega JV5	OPWC Loan – Tank & Well Replacement	OPWC Loan – UV Disinfection Project
	Principal	Principal	Principal
2006	\$ 8,729	\$ 11,237	\$ 2,160
2007	8,729	11,237	2,160
2008	8,731	11,237	2,160
2009	8,731	11,237	2,160
2010	8,729	11,237	2,160
Subsequent	122,217	140,456	31,320
Totals	<u>\$ 165,866</u>	<u>\$ 196,641</u>	<u>\$ 42,120</u>

13. 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 any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

14. JOINT VENTURES

The Village of Waynesfield is a Financing Participant with an ownership percentage of 0.13% and shares participation with forty-one other subdivisions within the State of Ohio in the Ohio Municipal Generation Agency Joint Venture 5 (OMEGA JV5). Financing Participants own undivided interests, as tenants in common, without right of partition in the OMEGA JV5 Project.

Pursuant to the OMEGA Joint Venture JV5 Agreement (Agreement), the participants jointly undertook as Financing Participants, the acquisition, construction, and equipping of OMEGA JV5, including such portions of OMEGA JV5 as have been acquired, constructed, or equipped by AMP-Ohio.

OMEGA JV5 was created to construct a 42 Megawatt (MW) run-of-the-river hydroelectric plant (including 40MW of backup generation) and associated transmission facilities (on the Ohio River near Bellville, West Virginia Locks and Dams) and sells electricity from its operations to OMEGA JV5 Participants.

**VILLAGE OF WAYNESFIELD
AUGLAIZE COUNTY**

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

14. JOINT VENTURES (Continued)

Pursuant to Agreement each participant has an obligation to pay its share of debt service on the Beneficial Interest Certificates (Certificates) from the revenues of its electric system, subject only to the prior payment of Operating & Maintenance Expenses (O&M) of each participant's System, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes or other indebtedness payable from any revenues of the System. On dissolution of OMEGA JV5, the net assets will be shared by the financing participants on a percentage of ownership basis. Under the terms of the Agreement each participant is to fix, charge, and collect rates, fees and charges at least sufficient in order to maintain a debt coverage ratio equal to 110% of the sum of OMEGA JV5 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2005 Waynesfield as met their debt coverage obligation.

The Agreement provides that the failure of any JV5 participant to make any payment due by the due date thereof constitutes a default. In the event of a default, OMEGA JV5 may take certain actions including the termination of a defaulting JV4 Participant's entitlement to Project Power. Each Participant may purchase a pro rata share of the defaulting JV5 Participant's entitlement to Project Power, which together with the share of the other non-defaulting JV5 Participants, is equal to the defaulting JV5 Participant's ownership share of the Project, in kilowatts ("Step Up Power") provided that the sum of any such increases shall not exceed, without consent of the non-defaulting JV5 Participant, an accumulated maximum kilowatts equal to 25% of such non-defaulting JV5 Participant's ownership share of the project prior to any such increases.

OMEGA JV5 is managed by AMP-Ohio, which acts as the joint venture's agent. During 1993 and 2001 AMP-Ohio issued \$153,415,000 and \$13,899,981 respectively of 30 year fixed rate Beneficial Interest Certificates (Certificates) on behalf of the Financing Participants of OMEGA JV5. The 2001 Certificates accrete to a value of \$56,125,000 on February 15, 2030. The net proceeds of the bond issues were used to construct the OMEGA JV5 Project. On February 17, 2004 the 1993 Certificates were refunded by issuing 2004 Beneficial Interest Refunding Certificates in the amount of \$116,910,000, which resulted in a savings to the membership of \$34,951,833 from the periods 2005 to 2024.

The Village's net investment to date in OMEGA JV5 was \$12,067 at December 31, 2005. Complete financial statements for OMEGA JV5 may be obtained from AMP-Ohio or from the State Auditor's website at www.auditor.state.oh.us.

15. UTILITY RECEIVABLE FROM THE MAYOR

As of December 31, 2005, the Mayor of the Village of Waynesfield had delinquent utility accounts in the cumulative total of \$3,415. The Mayor has signed a promissory note with the Village requiring him to make monthly payments of \$100 on the delinquent accounts until the note is paid in full.



Auditor of State Betty Montgomery

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

Village of Waynesfield
Auglaize County
P.O. Box 476
Waynesfield, Ohio 45896

To the Members of Council:

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Village of Waynesfield (the Village) as of and for the year ended December 31, 2005, which collectively comprise the Village's basic financial statements and have issued our report thereon dated August 18, 2006, wherein we noted the Village revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

We also noted that the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the Village's management dated August 18, 2006, we reported a matter related to noncompliance we deemed immaterial.

Village of Waynesfield
Auglaize County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

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

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

Betty Montgomery
Auditor of State

August 18, 2006



**Auditor of State
Betty Montgomery**

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Facsimile 614-466-4490

VILLAGE OF WAYNESFIELD

AUGLAIZE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
OCTOBER 5, 2006**