



**Mary Taylor, CPA**  
Auditor of State



VILLAGE OF MILLERSBURG  
HOLMES COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter .....	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2006.....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Proprietary Fund Types - For the Year Ended December 31, 2006.....	6
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2005.....	7
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Proprietary Fund Types - For the Year Ended December 31, 2005.....	8
Notes to the Financial Statements .....	9
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	19

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# Mary Taylor, CPA

Auditor of State

Village of Millersburg  
Holmes County  
6 N. Washington St.  
Millersburg, Ohio 44654

To the Village Council:

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

A handwritten signature in black ink that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

December 13, 2007

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# Mary Taylor, CPA

## Auditor of State

### INDEPENDENT ACCOUNTANTS' REPORT

Village of Millersburg  
Holmes County  
6 N. Washington St.  
Millersburg, Ohio 44654

To the Village Council:

We have audited the accompanying financial statements of the Village of Millersburg, Holmes County, Ohio, (the Village) as of and for the years ended December 31, 2006 and 2005. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. During 2006, the Village processed its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

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

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. 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.

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In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2006 and 2005 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, 2006 and 2005, or its changes in financial position or cash flows, where applicable for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Millersburg, Holmes County, as of December 31, 2006 and 2005, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As discussed in Note 4, the Village restated fund balances effective January 1, 2006 as a result of implementing Auditor of State Bulletin 2005-005, and reclassification of certain funds.

The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2007, 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.



**Mary Taylor, CPA**  
Auditor of State

December 13, 2007



VILLAGE OF MILLERSBURG  
HOLMES COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
<b>Cash Receipts:</b>					
Property and Local Taxes	\$200,192	\$73,062	\$2,842		\$276,096
Municipal Income Tax	1,053,708				1,053,708
Intergovernmental	211,783	186,725	567	\$390,572	789,647
Charges for Services	14,771	18,375			33,146
Fines, Licenses and Permits	41,607	4,965			46,572
Earnings on Investments	59,423	6,518			65,941
Miscellaneous	8,969	1,435			10,404
<b>Total Cash Receipts</b>	<b>1,590,453</b>	<b>291,080</b>	<b>3,409</b>	<b>390,572</b>	<b>2,275,514</b>
<b>Cash Disbursements:</b>					
Current:					
Security of Persons and Property	670,233	57,815			728,048
Public Health Services	15,189	49,300			64,489
Leisure Time Activities	106,823	2,000			108,823
Community Environment	5,655				5,655
Transportation	68,082	342,434			410,516
General Government	352,834	16,520			369,354
Debt Service:					
Redemption of Principal			6,319		6,319
Capital Outlay		15,015		444,293	459,308
<b>Total Cash Disbursements</b>	<b>1,218,816</b>	<b>483,084</b>	<b>6,319</b>	<b>444,293</b>	<b>2,152,512</b>
<b>Total Receipts Over/(Under) Disbursements</b>	<b>371,637</b>	<b>(192,004)</b>	<b>(2,910)</b>	<b>(53,721)</b>	<b>123,002</b>
<b>Other Financing Receipts/(Disbursements):</b>					
Transfers-In		230,000			230,000
Transfers-Out	(230,000)				(230,000)
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>(230,000)</b>	<b>230,000</b>	<b>0</b>	<b>0</b>	<b>0</b>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	141,637	37,996	(2,910)	(53,721)	123,002
Fund Cash Balances, January 1 (Restated - See Note 4)	289,479	224,355	6,142	62,654	582,630
<b>Fund Cash Balances, December 31</b>	<b>\$431,116</b>	<b>\$262,351</b>	<b>\$3,232</b>	<b>\$8,933</b>	<b>\$705,632</b>
Reserve for Encumbrances, December 31	\$22,874	\$4,180	\$0	\$378,096	\$405,150

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

VILLAGE OF MILLERSBURG  
HOLMES COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<b>Proprietary Fund Types</b>
	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$1,036,477
Total Operating Cash Receipts	1,036,477
<b>Operating Cash Disbursements:</b>	
Personal Services	219,904
Employee Fringe Benefits	88,409
Contractual Services	176,117
Supplies and Materials	81,050
Other	226
Total Operating Cash Disbursements	565,706
Operating Income/(Loss)	470,771
<b>Non-Operating Cash Receipts:</b>	
Earnings on Investments	4,977
Sale of Fixed Assets	25,000
Total Non-Operating Cash Receipts	29,977
<b>Non-Operating Cash Disbursements:</b>	
Capital Outlay	99,603
Redemption of Principal	309,994
Interest and Other Fiscal Charges	11,839
Total Non-Operating Cash Disbursements	421,436
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	79,312
Transfers-In	17,500
Transfers-Out	(17,500)
Net Receipts Over/(Under) Disbursements	79,312
Fund Cash Balances, January 1 (Restated - See Note 4)	1,101,461
<b>Fund Cash Balances, December 31</b>	<b>\$1,180,773</b>
Reserve for Encumbrances, December 31	\$36,346

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

VILLAGE OF MILLERSBURG  
HOLMES COUNTY

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

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
<b>Cash Receipts:</b>						
Property and Local Taxes	\$199,025	\$17,720	\$6,443		\$50,840	\$274,028
Municipal Income Tax	984,542					984,542
Intergovernmental	96,425	178,979		\$ 3,420,370	5,190	3,700,964
Charges for Services	20,800	17,458	303,884			342,142
Fines, Licenses and Permits	31,844	3,767				35,611
Earnings on Investments	11,326	3,047		102		14,475
Miscellaneous	11,392					11,392
<b>Total Cash Receipts</b>	<u>1,355,354</u>	<u>220,971</u>	<u>310,327</u>	<u>3,420,472</u>	<u>56,030</u>	<u>5,363,154</u>
<b>Cash Disbursements:</b>						
Current:						
Security of Persons and Property	641,855	145			56,683	698,683
Public Health Services	15,189	40,307				55,496
Leisure Time Activities	98,659					98,659
Community Environment	2,434	9,967				12,401
Transportation	27,167	327,486				354,653
General Government	349,662	1,565			1,173	352,400
Debt Service:						
Redemption of Principal	19,394		315,694			335,088
Interest and Fiscal Charges			12,458			12,458
Capital Outlay	185,760	14,102		3,339,376		3,539,238
<b>Total Cash Disbursements</b>	<u>1,340,120</u>	<u>393,572</u>	<u>328,152</u>	<u>3,339,376</u>	<u>57,856</u>	<u>5,459,076</u>
Total Receipts Over/(Under) Disbursements	<u>15,234</u>	<u>(172,601)</u>	<u>(17,825)</u>	<u>81,096</u>	<u>(1,826)</u>	<u>(95,922)</u>
<b>Other Financing Receipts/(Disbursements):</b>						
Transfers-In	42,022	185,422				227,444
Transfers-Out	(180,000)			(62,942)		(242,942)
Other Financing Sources (Uses)	(21,211)	5,719				(15,492)
<b>Total Other Financing Receipts/(Disbursements)</b>	<u>(159,189)</u>	<u>191,141</u>	<u>0</u>	<u>(62,942)</u>	<u>0</u>	<u>(30,990)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(143,955)	18,540	(17,825)	18,154	(1,826)	(126,912)
<b>Fund Cash Balances, January 1</b>	<u>400,772</u>	<u>86,243</u>	<u>158,917</u>	<u>79,210</u>	<u>5,298</u>	<u>730,440</u>
<b>Fund Cash Balances, December 31</b>	<u><u>\$256,817</u></u>	<u><u>\$104,783</u></u>	<u><u>\$141,092</u></u>	<u><u>\$97,364</u></u>	<u><u>\$3,472</u></u>	<u><u>\$603,528</u></u>
Reserve for Encumbrances, December 31	<u>\$52,322</u>	<u>\$1,715</u>	<u>\$0</u>	<u>\$378,097</u>	<u>\$0</u>	<u>\$432,134</u>

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

VILLAGE OF MILLERSBURG  
HOLMES COUNTY

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

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$696,002	\$1,650	\$697,652
Miscellaneous	6,883	150	7,033
Total Operating Cash Receipts	<u>702,885</u>	<u>1,800</u>	<u>704,685</u>
<b>Operating Cash Disbursements:</b>			
Personal Services	284,638		284,638
Employee Fringe Benefits	430		430
Contractual Services	137,841		137,841
Supplies and Materials	79,874		79,874
Capital Outlay		5,000	5,000
Total Operating Cash Disbursements	<u>502,783</u>	<u>5,000</u>	<u>507,783</u>
Operating Income/(Loss)	<u>200,102</u>	<u>(3,200)</u>	<u>196,902</u>
<b>Non-Operating Cash Receipts:</b>			
Earnings on Investments	6,369		6,369
Miscellaneous Receipts	1,567		1,567
Other Non-Operating Cash Receipts	2,484		2,484
Total Non-Operating Cash Receipts	<u>10,420</u>	<u>0</u>	<u>10,420</u>
<b>Non-Operating Cash Disbursements:</b>			
Capital Outlay	165,316	0	165,316
Redemption of Principal	35,928		35,928
Interest and Other Fiscal Charges	2,860		2,860
Total Non-Operating Cash Disbursements	<u>204,104</u>	<u>0</u>	<u>204,104</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers	6,418	(3,200)	3,218
Transfers-In	32,998		32,998
Transfers-Out	<u>(17,500)</u>		<u>(17,500)</u>
Net Receipts Over/(Under) Disbursements	21,916	(3,200)	18,716
Fund Cash Balances, January 1	<u>944,595</u>	<u>117,252</u>	<u>1,061,847</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$966,511</u></b>	<b><u>\$114,052</u></b>	<b><u>\$1,080,563</u></b>
Reserve for Encumbrances, December 31	<u>\$73,396</u>	<u>\$0</u>	<u>\$73,396</u>

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

**VILLAGE OF MILLERSBURG  
HOLMES COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005**

**1. Summary of Significant Accounting Policies**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Millersburg, Holmes County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides general government services including water and sewer utilities, road and bridge maintenance, park operations, cemetery operations and police services.

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

**B. Accounting Basis**

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

**C. Cash and Investments**

The Village's accounting basis includes investments as assets. The Village values certificates of deposit and repurchase agreements at cost.

**D. Fund Accounting**

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

**1. General Fund**

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

**2. Special Revenue Funds**

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

**VILLAGE OF MILLERSBURG  
HOLMES COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**D. Fund Accounting (Continued)**

**2. Special Revenue Funds (Continued)**

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

Police Disability Pension Fund - This fund collects property tax receipts which are used to pay the village portion of retirement for police and firemen.

Cemetery Fund – This fund receives revenue from charges for services which are expended for the maintenance of the cemetery

**3. Debt Service Funds**

These funds account for resources the Village accumulates to pay bond and note debt. The Village had the following significant debt service funds:

Clay-Monroe Fund – This fund receives proceeds used to repay the Ohio Public Works Commission for a loan for a street improvement project.

Monroe Street Fund – This fund receives proceeds used to pay the Ohio Public Works Commission for a loan for a street improvement project.

**4. Capital Project Funds**

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant Capital Project Funds:

Wastewater PCLF OWDA Fund – This fund receives loan proceeds from the Ohio Water Development Authority (OWDA) used to pay contractors for improvements made to the Wastewater Treatment Plant.

Water Storage Fund – This fund receive funds to cover the construction of a water storage tank.

Wastewater OPWC – This fund receives grant funds from the Ohio Public Water Commission for the payment of debt related to the construction of the Waste Water Treatment Facility.

**VILLAGE OF MILLERSBURG  
HOLMES COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**D. Fund Accounting (Continued)**

**5. Enterprise Funds**

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

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

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

**E. Budgetary Process**

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

**1. Appropriations**

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

**2. Estimated Resources**

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

**3. Encumbrances**

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

A summary of 2006 and 2005 budgetary activity appears in Note 3.

**F. Property, Plant, and Equipment**

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

**VILLAGE OF MILLERSBURG  
HOLMES COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**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 and Investments**

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

	2006	2005
Demand deposits	(\$31,609)	\$1,024,091
Certificates of deposit	360,000	660,000
Total deposits	328,391	1,684,091
Repurchase agreement	1,558,014	
Total deposits and investments	\$1,886,405	\$1,684,091

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

**Investments:** The Village's financial institution transfers securities to the Village's agent to collateralize repurchase agreements. The securities are not in the Village's name.

**3. Budgetary Activity**

Budgetary activity for the years ended December 31, 2006 and 2005 follows:

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,332,550	\$1,590,453	\$257,903
Special Revenue	524,450	521,080	(3,370)
Debt Service	3,000	3,409	409
Capital Projects	1,636,157	390,572	(1,245,585)
Enterprise	1,077,850	1,083,954	6,104
Total	\$4,574,007	\$3,589,468	(\$984,539)



**VILLAGE OF MILLERSBURG  
HOLMES COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**3. Budgetary Activity (Continued)**

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,581,296	\$1,471,690	\$109,606
Special Revenue	521,033	487,264	33,769
Debt Service	6,319	6,319	0
Capital Projects	1,821,966	822,389	999,577
Enterprise	1,247,096	1,040,988	206,108
Total	<u>\$5,177,710</u>	<u>\$3,828,650</u>	<u>\$1,349,060</u>

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,391,000	\$1,397,376	\$6,376
Special Revenue	400,100	412,112	12,012
Debt Service	308,470	310,327	1,857
Capital Projects	4,803,356	3,420,472	(1,382,884)
Enterprise	699,700	746,303	46,603
Fiduciary	64,500	57,830	(6,670)
Total	<u>\$7,667,126</u>	<u>\$6,344,420</u>	<u>(\$1,322,706)</u>

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,713,660	\$1,593,653	\$120,007
Special Revenue	407,900	395,287	12,613
Debt Service	336,319	328,152	8,167
Capital Projects	4,816,680	3,780,415	1,036,265
Enterprise	879,908	797,783	82,125
Fiduciary	63,668	62,856	812
Total	<u>\$8,218,135</u>	<u>\$6,958,146</u>	<u>\$1,259,989</u>

The Village's OWDA agreement requires the Village to encumber the entire project amount, even if the project resources won't be available until future years. As a result, the Villages 2006 and 2005 Capital Projects encumbrances exceeded their December 31, 2006 and 2005 fund cash balances.

**VILLAGE OF MILLERSBURG  
HOLMES COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**4. FUND BALANCE RESTATEMENT**

During fiscal year 2006, the Village implemented Auditor of State Bulletin 2005-005 which is the required fund classifications for Non-GAAP filers. Implementation of this bulletin required the movement of the Expendable Trust Police Disability Pension Fund, and the Nonexpendable Trust Cemetery Fund balances to the Special Revenue Fund. Also, the Agency Economic Development Grant Fund was moved to the Special Revenue Fund. The Capital Project Dehass Fund was moved to the General Fund and the Debt Service fund Waste Water Treatment Plant was moved to the Enterprise Fund. In addition, the Village corrected an error in the General Fund and Special Revenue Street Fund that changed the January 1, 2006 beginning balances which required an adjustment to both funds. The General, Special Revenue, Debt Service, Capital Projects, Enterprise, Expendable Trust, and Nonexpendable Trust Fund balances have been restated from amounts previously reported. As a result of the restatement, the beginning balances on January 1, 2006, changed as follows:

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Enterprise Fund	Expendable Trust	Non Expendable Trust
Ending Fund Balance As Previously Reported, December 31, 2005	\$256,817	\$104,783	\$141,092	\$97,364	\$966,511	\$3,472	\$114,052
Balance Reclassifications/ Adjustments	<u>32,662</u>	<u>119,572</u>	<u>(134,950)</u>	<u>(34,710)</u>	<u>134,950</u>	<u>(3,472)</u>	<u>(114,052)</u>
Restated Fund Balance, January 1, 2006	<u>\$289,479</u>	<u>\$224,355</u>	<u>\$6,142</u>	<u>\$62,654</u>	<u>\$1,101,461</u>	<u>\$0</u>	<u>\$0</u>

**5. Property Tax**

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

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

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

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

**VILLAGE OF MILLERSBURG  
HOLMES COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**6. Local Income Tax**

The Village levies a municipal income tax of one 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.

**7. Debt**

Debt outstanding at December 31, 2006 was as follows:

	Principal	Interest Rate
Ohio Public Works Commission Loan	\$26,551	0.00%
Ohio Water Development Authority Loan	5,009,124	0.20%
Total	\$5,035,675	

The Village borrowed funds from the Ohio Public Works Commission for improvement of Clay and Monroe Streets. The loan is being repaid in an annual installment of \$3,319.

The Ohio Water Development Authority (OWDA) loan relates to a water and sewer plant expansion project the Ohio Environmental Protection Agency mandated. The OWDA approved up to \$6,306,541 in loans to the Village for this project. As this project is still under construction there has been no set repayment amount at this time. It is assumed the Village will borrow the full loan amount of \$6,306,541. However, as of to date \$5,009,124 has been spent on this project. The OWDA will adjust scheduled payments to reflect any revisions in amounts the Village actually borrows. Water and sewer receipts collateralize the loan.

Amortization of the above debt is scheduled as follows:

	OPWC Loan Clay-Monroe
Year ending December 31:	
2007	\$3,319
2008	3,319
2009	3,319
2010	3,319
2011	3,319
2012 – 2014	9,956
Total	\$26,551

**VILLAGE OF MILLERSBURG  
HOLMES COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**8. Retirement Systems**

<u>Retirement Rates</u>	<u>Years</u>	<u>Member Rate</u>	<u>Employer Rate</u>
OP&F – full time police	2005-2006	10%	19.5%
OPERS – Local	2005	8.5%	13.55%
OPERS – Local	2006	9%	13.7%

The Village's full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2006 and 2005, OP&F participants contributed 10% of their wages. For 2006 and 2005, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2006 and 2005, OPERS members contributed 9 and 8.5%, respectively, of their gross salaries and the Village contributed an amount equaling 13.7 and 13.55%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2006.

**9. Risk Pool Membership**

The Village belongs to the Ohio Municipal Joint Self-Insurance Pool, (the "Pool"), an unincorporated non-profit association available to municipal corporations and their instrumentalities. The Plan is a separate legal entity per Section 2744 of the Ohio Revised Code. The Pool provides property and casualty insurance for its members. The Plan pays judgments, settlements and other expenses resulting for covered claims that exceed the members' deductibles.

The Pool cedes certain premiums to reinsurers or excess reinsurers. The Pool is contingently liable should any reinsurer be unable to meet its reinsurance obligations.

Members may withdraw at the end of any coverage period upon 60 days' prior notice to the Pool. A withdrawing member not providing the required notification remains responsible for its unpaid claims, and also remains liable for additional assessments (if any) for years during which they were members.

The Pool's financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained deficit at December 31, 2006 and 2005.

	<u>2006</u>	<u>2005</u>
Assets	\$2,331,284	\$ 2,241,661
Liabilities	<u>(3,130,475)</u>	<u>(3,457,720)</u>
Accumulated Deficit	<u>(\$799,191)</u>	<u>(\$1,216,059)</u>

**VILLAGE OF MILLERSBURG  
HOLMES COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**10. Contingent Liabilities**

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor, principally the federal government. The grantor 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.

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# Mary Taylor, CPA

Auditor of State

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

Village of Millersburg  
Holmes County  
6 N. Washington St.  
Millersburg, Ohio 44654

To the Village Council:

We have audited the financial statements of the Village of Millersburg, Holmes County, Ohio, (the Village) as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated December 13, 2007 wherein we noted the Village followed accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We also noted 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. In addition, we noted the Village restated fund balances effective January 1, 2006. 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 as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

We noted certain matters that we reported to the Village's management in a separate letter dated December 13, 2007.

#### **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*.

We did note a certain noncompliance or other matter that we reported to the Village's management in a separate letter dated December 13, 2007.

We intend this report solely for the information and use of the audit committee, management, and the Village Council. We intend it for no one other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

December 13, 2007





**Mary Taylor, CPA**  
Auditor of State

**VILLAGE OF MLLERSBURG**

**HOLMES 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  
JANUARY 10, 2008**