

Village of Pomeroy

Meigs County, Ohio

Regular Audit

For the Year Ended December 31, 2005

**BALESTRA, HARR & SCHERER, CPAs, INC.**

528 South West Street, P.O. Box 687

Piketon, Ohio 45661

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**Auditor of State  
Betty Montgomery**

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

We have reviewed the *Independent Auditor's Report* of the Village of Pomeroy, Meigs County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2005 through December 31, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Pomeroy is responsible for compliance with these laws and regulations.

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

BETTY MONTGOMERY  
Auditor of State

November 22, 2006

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*For the Year Ended December 31, 2005*  
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# BALESTRA, HARR & SCHERER, CPAs, INC.

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Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

## Independent Auditors' Report

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

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

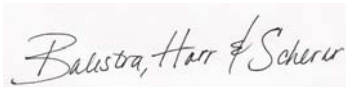
As discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Village of Pomeroy, Meigs County, Ohio as of December 31, 2005, and the respective changes in cash basis financial position and the respective budgetary comparisons for the General, Street Construction, Maintenance and Repair, Cemetery, and Fire funds for the year then ended in conformity with the accounting basis Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 8, 2006, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. It does not opine on the internal control over financial reporting or compliance. 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 considering the results of the audits.

The Management's Discussion and Analysis on pages 3-10 is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in black ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.  
August 8, 2006



Village of Pomeroy  
Management's Discussion and Analysis  
For the Year Ended December 31, 2005  
Unaudited

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This discussion and analysis of the Village's 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 decreased \$84,391 or 26 percent, a significant change from the prior year. The fund most affected by the decrease in cash and cash equivalents was the Fire and State Grants Funds which expended a large portion of their existing fund balance, operating and capital grants on infrastructure improvements.

Net assets of business-type activities increased \$52,459 or 20 percent from the prior year. In 2004 the Village of Pomeroy was awarded grant money for the construction of a water treatment plant. This project was funded with both grants and low interest loans. The treatment plant was in operation by the first part of 2005. Water rates were increased for cost recovery. Employees did not receive pay raises due to the high cost of health insurance.

The Village's general receipts are primarily property and local income taxes and intergovernmental revenues. These receipts represent respectively 33 and 42 percent of the total cash received for governmental activities during the year. Property and income tax receipts for 2005 changed very little compared to 2004 as development within the Village has slowed.

**Using the Basic Financial Statements**

This annual report is presented in a format consistent with the presentation requirements of Government 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 Village-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Village of Pomeroy  
Management's Discussion and Analysis  
For the Year Ended December 31, 2005  
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**Basis of Accounting**

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

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

**Reporting the Village as a Whole**

The statement of net assets and the statement of activities reflect how the Village did financially during 2005, 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**

State and federal grants, local income taxes and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

**Business-type Activities**

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

Village of Pomeroy  
Management's Discussion and Analysis  
For the Year Ended December 31, 2005  
Unaudited

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**Reporting the Village's Most Significant Funds**

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

Governmental Funds - Most of the Village's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Village's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Village's programs. The Village's significant governmental funds are presented on the financial statements in separate columns. The information for 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 major governmental funds are the General Fund, Street Construction, Maintenance and Repair Fund, Fire Fund and the Cemetery Fund.

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 two major enterprise funds, the Water Operating and Sewer Operating 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 Village-wide financial statements because the resources of these funds are not available to support the Village's programs.

Village of Pomeroy  
Management's Discussion and Analysis  
For the Year Ended December 31, 2005  
Unaudited

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**The Village as a Whole**

Table 1 provides a summary of the Village's net assets for 2005. Since the Village did not prepare financial statements in this format for 2004, a comparative analysis of Village-wide data has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

(Table 1)  
**Net Assets**

|                       | Governmental<br>Activities | Business- Type<br>Activities | Total             |
|-----------------------|----------------------------|------------------------------|-------------------|
| <b>Assets</b>         |                            |                              |                   |
| Current Assets        | \$ 244,527                 | \$ 315,662                   | \$ 560,189        |
| Total Assets          | <u>\$ 244,527</u>          | <u>\$ 315,662</u>            | <u>\$ 560,189</u> |
| <b>Net Assets</b>     |                            |                              |                   |
| Restricted for:       |                            |                              |                   |
| Other Purposes        | \$ 103,538                 | \$ -                         | \$ 103,538        |
| Fire Protection       | 48,593                     | -                            | 48,593            |
| Debt Service          | -                          | 57,954                       | 57,954            |
| Permanent Fund        |                            |                              |                   |
| Expendable Portion    | 10,970                     | -                            | 10,970            |
| Nonexpendable Portion | 45,474                     | -                            | 45,474            |
| Unrestricted          | <u>35,952</u>              | <u>257,708</u>               | <u>293,660</u>    |
| Total Net Assets      | <u>\$ 244,527</u>          | <u>\$ 315,662</u>            | <u>\$ 560,189</u> |

As mentioned previously, net assets of governmental activities decreased \$84,391 or 26 percent during 2005. The primary reasons contributing to the decreases in cash balances are as follows:

- The cost of utilities increased \$11,734.23 or .89% compared to 2004. Also the cost of gasoline has risen with an increase of \$5,685.33 or .82% compared to 2004.
- The Village had several streets that were in very poor condition that needed extensive repairs.
- Health benefit costs grew substantially. Last year's premiums were \$91,186.31 while this year premiums totaled \$99,790.68.

Village of Pomeroy  
Management's Discussion and Analysis  
For the Year Ended December 31, 2005  
Unaudited

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

|  |                   |                   |                   |
|--|-------------------|-------------------|-------------------|
| Cash Receipts:   |                   |                   |                   |
| Program Receipts:  |                   |                   |                   |
| Charges for Services and Sales                                 | \$ 225,487        | \$ 455,240        | \$ 680,727        |
| Operating Grants and Contributions                             | 176,904           | 886               | 177,790           |
| Capital Grants and Contributions                               | 365,753           | 403,971           | 769,724           |
| Total Program Receipts   | <u>768,144</u>    | <u>860,097</u>    | <u>1,628,241</u>  |
| General Receipts:  |                   |                   |                   |
| Property and Other Local Taxes                                 | 148,700           | -                 | 148,700           |
| Income Taxes   | 349,213           | -                 | 349,213           |
| Grants and Entitlements Not Restricted<br>to Specific Programs | 89,691            | -                 | 89,691            |
| Notes Issued   | 70,983            | -                 | 70,983            |
| Other Debt Proceeds  | 58,000            | -                 | 58,000            |
| Interest   | 4,905             | 1,461             | 6,366             |
| Miscellaneous  | 33,563            | 2,146             | 35,709            |
| Total General Receipts   | <u>755,055</u>    | <u>3,607</u>      | <u>758,662</u>    |
| Total Receipts   | <u>1,523,199</u>  | <u>863,704</u>    | <u>2,386,903</u>  |
| Cash Disbursements:  |                   |                   |                   |
| General Government   | 85,080            | -                 | 85,080            |
| Security of Persons and Property                               | 524,120           | -                 | 524,120           |
| Public Health Services   | 17,458            | -                 | 17,458            |
| Leisure Time Activities  | 85,115            | -                 | 85,115            |
| Basic Utilities  | 26,407            | -                 | 26,407            |
| Transportation   | 209,138           | -                 | 209,138           |
| Capital Outlay   | 481,983           | -                 | 481,983           |
| Principal Retirement   | 159,747           | -                 | 159,747           |
| Interest and Fiscal Charges                                    | 18,542            | -                 | 18,542            |
| Water Operating  | -                 | 734,355           | 734,355           |
| Sewer Operating  | -                 | 69,465            | 69,465            |
| Customer Deposits  | -                 | 7,425             | 7,425             |
| Total Disbursements  | <u>1,607,590</u>  | <u>811,245</u>    | <u>2,418,835</u>  |
| Increase (Decrease) in Net Assets                              | (84,391)          | 52,459            | (31,932)          |
| Net Assets, January 1, 2005 (Restated)                         | 328,918           | 263,203           | 592,121           |
| Net Assets, December 31, 2005                                  | <u>\$ 244,527</u> | <u>\$ 315,662</u> | <u>\$ 560,189</u> |

Program receipts represent 69 percent of total receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money, building permits and inspection fees, Mayor's court fines and costs, and charges to the neighboring Village for police services provided under contract.

Village of Pomeroy  
Management's Discussion and Analysis  
For the Year Ended December 31, 2005  
Unaudited

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General receipts represent 31 percent of the Village's total receipts, and of this amount, 20 percent is property and local taxes and 46 percent is local income tax. State and federal grants and entitlements make up the balance of the Village's general receipts (34 percent). 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 Village Clerk and income tax departments, 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 15% of General Fund unrestricted receipts.

Security of Persons and Property are the costs of police and fire protection; Public Health Services is the cemetery operations; 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 12 you will see that the first column lists the major services provided by the Village. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for security of persons and property, capital outlay, and transportation which account for 33, 30 and 13 percent of all governmental disbursements, respectively. 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<br>Of Services<br>2005 | Net Cost<br>of Services<br>2005 |
|----------------------------------|-----------------------------------|---------------------------------|
| General Government               | \$ 85,080                         | \$ 70,248                       |
| Security of Persons and Property | 524,120                           | 248,587                         |
| Public Health Services           | 17,458                            | 10,647                          |
| Leisure Time Activities          | 85,115                            | 82,830                          |
| Basic Utilities                  | 26,407                            | 24,107                          |
| Transportation                   | 209,138                           | (8,743)                         |
| Capital Outlay                   | 481,983                           | 242,230                         |
| Principal Retirement             | 159,747                           | 150,998                         |
| Interest and Fiscal Charges      | 18,542                            | 18,542                          |
| <b>Total Expenses</b>            | <b>\$ 1,607,590</b>               | <b>\$ 839,446</b>               |

The dependence upon property and income tax receipts is apparent as 33 percent of governmental activities are supported through these general receipts.

Village of Pomeroy  
Management's Discussion and Analysis  
For the Year Ended December 31, 2005  
Unaudited

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**Business-type Activities**

The water and sewer operations of the Village is relatively small and 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. We have also received notification from the Ohio EPA that improvements may be necessary to satisfy new water quality standards.

**The Village's Funds**

Total governmental funds had receipts of \$1,860,130 and disbursements of \$1,944,521. The greatest change within governmental funds occurred within the Fire and State Grants Funds which expended a large portion of their existing fund balance, operating and capital grants on infrastructure improvements.

General Fund receipts were less than disbursements by \$3,715, 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 for 2006 including cuts in park repairs and maintenance and reductions in office personnel. These cuts will not eliminate the need for additional funds (or additional cuts) in the future if the growth in property and income taxes remains stagnant.

**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 above original budgeted receipts due to conservative estimates for intergovernmental revenue. The difference between final budgeted receipts and actual receipts was not significant.

Final disbursements were budgeted at \$1,081,744 while actual budget basis disbursements were \$1,075,736. The Village kept spending very close to budgeted amounts as demonstrated by the minor reported variances.

**Capital Assets and Debt Administration**

**Capital Assets**

The Village does not currently keep track of its capital assets and infrastructure. The Village has acquired a software package to accomplish this task and is in the process of entering the necessary information. It is anticipated that this program will be fully functional for 2007 but reductions in staff may delay the implementation.

**Debt**

At December 31, 2005, the Village's outstanding debt included \$1,079,069 in general obligation bonds, notes and loans issued for improvements to buildings, equipment and infrastructures, and \$219,306 in capital leases for equipment.

Village of Pomeroy  
Management's Discussion and Analysis  
For the Year Ended December 31, 2005  
Unaudited

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**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 and have also reduced staffing levels in areas where we felt it would have the least impact on services. All departments have been asked to reduce their spending for supplies by 10-20 percent.

**Contacting the Village's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Village's finances and to reflect the Village's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Kathy Hysell, Clerk-Treasurer, Village of Pomeroy, 320 East Main Street, Pomeroy, Ohio 45769.



**Village of Pomeroy**  
*Statement of Net Assets- Cash Basis*  
 December 31, 2005

|  | Governmental<br>Activities | Business-Type<br>Activities | Total             |
|--|----------------------------|-----------------------------|-------------------|
| <b>Assets</b>                              |                            |                             |                   |
| Equity in Pooled Cash and Cash Equivalents | \$ 244,527                 | \$ 229,122                  | \$ 473,649        |
| Restricted Assets:                         |                            |                             |                   |
| Customer Deposits                          | -                          | 28,586                      | 28,586            |
| Held by Custodian                          | -                          | 57,954                      | 57,954            |
| <i>Total Assets</i>                        | <u>\$ 244,527</u>          | <u>\$ 315,662</u>           | <u>\$ 560,189</u> |
| <b>Net Assets</b>                          |                            |                             |                   |
| Restricted for:                            |                            |                             |                   |
| Other Purposes                             | \$ 103,538                 | \$ -                        | \$ 103,538        |
| Fire Protection                            | 48,593                     | -                           | 48,593            |
| Debt Service                               | -                          | 57,954                      | 57,954            |
| Permanent Fund: Cemetery Improvements      |                            |                             |                   |
| Expendable Portion                         | 10,970                     | -                           | 10,970            |
| Nonexpendable Portion                      | 45,474                     | -                           | 45,474            |
| Unrestricted                               | <u>35,952</u>              | <u>257,708</u>              | <u>293,660</u>    |
| <i>Total Net Assets</i>                    | <u>\$ 244,527</u>          | <u>\$ 315,662</u>           | <u>\$ 560,189</u> |

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

**Village of Pomeroy**  
*Statement of Activities - Cash Basis*  
*For the Year Ended December 31, 2005*

|  | Program<br>Cash Receipts |                         |  |  | Net (Disbursements)<br>Receipts and Changes<br>in Net Assets |                             |                   |
|--|--------------------------|-------------------------|--|--|--|-----------------------------|-------------------|
|  | Cash<br>Disbursements    | Charges for<br>Services | Operating Grants<br>and<br>Contributions | Capital Grants<br>and<br>Contributions | Governmental<br>Activities                                   | Business-Type<br>Activities | Total             |
| <b>Governmental Activities</b>                               |                          |                         |  |  |  |                             |                   |
| General Government   | \$ 85,080                | \$ 14,832               | \$ -                                     | \$ -                                   | \$ (70,248)  | \$ -                        | \$ (70,248)       |
| Security of Persons and Property                             | 524,120                  | 203,415                 | 72,118                                   | -                                      | (248,587)  | -                           | (248,587)         |
| Public Health Services                                       | 17,458                   | 4,955                   | 1,856                                    | -                                      | (10,647)   | -                           | (10,647)          |
| Leisure Time Activities                                      | 85,115                   | 2,285                   | -  | -                                      | (82,830)   | -                           | (82,830)          |
| Basic Utility Services                                       | 26,407                   | -                       | 2,300                                    | -                                      | (24,107)   | -                           | (24,107)          |
| Transportation   | 209,138                  | -                       | 91,881                                   | 126,000                                | 8,743  | -                           | 8,743             |
| Capital Outlay   | 481,983                  | -                       | -  | 239,753                                | (242,230)  | -                           | (242,230)         |
| Debt Service:  |                          |                         |  |  |  |                             |                   |
| Principal  | 159,747                  | -                       | 8,749                                    | -                                      | (150,998)  | -                           | (150,998)         |
| Interest   | 18,542                   | -                       | -  | -                                      | (18,542)   | -                           | (18,542)          |
| <i>Total Governmental Activities</i>                         | <u>1,607,590</u>         | <u>225,487</u>          | <u>176,904</u>                           | <u>365,753</u>                         | <u>(839,446)</u>   | <u>-</u>                    | <u>(839,446)</u>  |
| <b>Business Type Activity</b>                                |                          |                         |  |  |  |                             |                   |
| Water Operating  | 734,355                  | 369,571                 | -  | 403,971                                | -  | 39,187                      | 39,187            |
| Sewer Operating  | 69,465                   | 77,859                  | 886                                      | -                                      | -  | 9,280                       | 9,280             |
| Customer Deposits  | 7,425                    | 7,810                   | -  | -                                      | -  | 385                         | 385               |
| <i>Total Business Type Activities</i>                        | <u>811,245</u>           | <u>455,240</u>          | <u>886</u>                               | <u>403,971</u>                         | <u>-</u>   | <u>48,852</u>               | <u>48,852</u>     |
| <b>Total Primary Government</b>                              | <u>2,418,835</u>         | <u>680,727</u>          | <u>177,790</u>                           | <u>769,724</u>                         | <u>(839,446)</u>   | <u>48,852</u>               | <u>(790,594)</u>  |
| <b>General Receipts</b>                                      |                          |                         |  |  |  |                             |                   |
| Property Taxes Levied for:                                   |                          |                         |  |  |  |                             |                   |
| General Purposes   |                          |                         |  |  | \$54,246   | -                           | 54,246            |
| Fire Protection  |                          |                         |  |  | 57,476   | -                           | 57,476            |
| Other Purposes   |                          |                         |  |  | 36,978   | -                           | 36,978            |
| Municipal Income Tax   |                          |                         |  |  | 349,213  | -                           | 349,213           |
| Grants and Entitlements not Restricted to Specific Programs  |                          |                         |  |  | 89,691   | -                           | 89,691            |
| Notes Issued   |                          |                         |  |  | 70,983   | -                           | 70,983            |
| Other Debt Proceeds  |                          |                         |  |  | 58,000   | -                           | 58,000            |
| Interest   |                          |                         |  |  | 4,905  | 1,461                       | 6,366             |
| Miscellaneous  |                          |                         |  |  | 33,563   | 2,146                       | 35,709            |
| <i>Total General Receipts</i>                                |                          |                         |  |  | <u>755,055</u>   | <u>3,607</u>                | <u>758,662</u>    |
| Change in Net Assets   |                          |                         |  |  | (84,391)   | 52,459                      | (31,932)          |
| <i>Net Assets Beginning of Year (Restated - See Note 15)</i> |                          |                         |  |  | <u>328,918</u>   | <u>263,203</u>              | <u>592,121</u>    |
| <i>Net Assets End of Year</i>                                |                          |                         |  |  | <u>\$ 244,527</u>  | <u>\$ 315,662</u>           | <u>\$ 560,189</u> |

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

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

|  | General          | Street Construction,<br>Maintenance,<br>and Repair | Fire             | Cemetery         | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|------------------|--|------------------|------------------|--------------------------------|--------------------------------|
| <b>Assets</b>                              |                  |  |                  |                  |                                |                                |
| Equity in Pooled Cash and Cash Equivalents | \$ 35,952        | \$ 1,741   | \$ 48,593        | \$ 39,375        | \$ 118,866                     | \$ 244,527                     |
| <i>Total Assets</i>                        | <u>\$ 35,952</u> | <u>\$ 1,741</u>                                    | <u>\$ 48,593</u> | <u>\$ 39,375</u> | <u>\$ 118,866</u>              | <u>\$ 244,527</u>              |
| <b>Fund Balances</b>                       |                  |  |                  |                  |                                |                                |
| Reserved:                                  |                  |  |                  |                  |                                |                                |
| Reserved for Encumbrances                  | \$3,290          | \$1,105  | \$0              | \$0              | \$0                            | \$4,395                        |
| Unreserved:                                |                  |  |                  |                  |                                |                                |
| Undesignated (Deficit), Reported in:       |                  |  |                  |                  |                                |                                |
| General Fund                               | 32,662           | -  | -                | -                | -                              | 32,662                         |
| Special Revenue Funds                      | -                | 636  | 48,593           | 39,375           | 62,422                         | 151,026                        |
| Permanent Fund                             | -                | -  | -                | -                | 56,444                         | 56,444                         |
| <i>Total Fund Balances</i>                 | <u>\$ 35,952</u> | <u>\$ 1,741</u>                                    | <u>\$ 48,593</u> | <u>\$ 39,375</u> | <u>\$ 118,866</u>              | <u>\$ 244,527</u>              |

*See accompanying notes to the basic financial statements*

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

|   | General          | Street<br>Construction,<br>Maintenance,<br>and Repair | Fire             | Cemetery         | Other<br>Governmental<br>Funds | Total             |
|---|------------------|---|------------------|------------------|--------------------------------|-------------------|
| <b>Cash Receipts:</b>   |                  |   |                  |                  |                                |                   |
| Property and Other Local Taxes  | \$ 403,459       | \$ -  | \$ 57,476        | \$ 16,308        | \$ 20,670                      | \$ 497,913        |
| Intergovernmental   | 215,691          | 85,612  | 105,619          | 1,856            | 223,570                        | 632,348           |
| Charges for Services  | 14,832           | -   | 2,200            | 4,955            | -                              | 21,987            |
| Fines, Licenses and Permits   | 181,650          | -   | -                | -                | 21,850                         | 203,500           |
| Earnings on Investments   | 3,451            | 26  | -                | -                | 1,428                          | 4,905             |
| Other Revenue   | 25,449           | 5,000   | 3,114            | -                | -                              | 33,563            |
| <b>Total Cash Receipts</b>  | <b>844,532</b>   | <b>90,638</b>   | <b>168,409</b>   | <b>23,119</b>    | <b>267,518</b>                 | <b>1,394,216</b>  |
| <b>Cash Disbursements:</b>  |                  |   |                  |                  |                                |                   |
| Current:  |                  |   |                  |                  |                                |                   |
| Security of Persons & Property  | 389,574          | -   | 96,557           | -                | 37,989                         | 524,120           |
| Public Health Services  | -                | -   | -                | 17,458           | -                              | 17,458            |
| Leisure Time Activities   | -                | -   | -                | -                | 85,115                         | 85,115            |
| Transportation  | -                | 197,247   | -                | -                | 11,891                         | 209,138           |
| Basic Utility Services  | 9,203            | -   | -                | -                | 17,204                         | 26,407            |
| General Government  | 85,080           | -   | -                | -                | -                              | 85,080            |
| Capital Outlay  | 256,080          | -   | 81,204           | -                | 144,699                        | 481,983           |
| Debt Service:   |                  |   |                  |                  |                                |                   |
| Redemption of Principal   | 89,602           | 7,652   | 27,089           | -                | 35,404                         | 159,747           |
| Interest and Fiscal Charges   | 1,191            | 974   | 9,472            | -                | 6,905                          | 18,542            |
| <b>Total Cash Disbursements</b>   | <b>830,730</b>   | <b>205,873</b>  | <b>214,322</b>   | <b>17,458</b>    | <b>339,207</b>                 | <b>1,607,590</b>  |
| <b>Total Cash Receipts Over/(Under) Cash Disbursements</b>  | <b>13,802</b>    | <b>(115,235)</b>                                      | <b>(45,913)</b>  | <b>5,661</b>     | <b>(71,689)</b>                | <b>(213,374)</b>  |
| <b>Other Financing Receipts and (Disbursements):</b>  |                  |   |                  |                  |                                |                   |
| Proceeds from Sale of Public Debt:  |                  |   |                  |                  |                                |                   |
| Sale of Notes   | 70,983           | -   | -                | -                | -                              | 70,983            |
| Other Debt Proceeds   | 58,000           | -   | -                | -                | -                              | 58,000            |
| Transfers-In  | -                | 116,100   | -                | -                | 30,400                         | 146,500           |
| Advances-In   | 95,216           | -   | -                | -                | 95,215                         | 190,431           |
| Transfers-Out   | (146,500)        | -   | -                | -                | -                              | (146,500)         |
| Advances-Out  | (95,216)         | -   | -                | -                | (95,215)                       | (190,431)         |
| <b>Total Other Financing Receipts/(Disbursements)</b>   | <b>(17,517)</b>  | <b>116,100</b>  | <b>-</b>         | <b>-</b>         | <b>30,400</b>                  | <b>128,983</b>    |
| <b>Excess of Cash Receipts and Other Financing<br/>Receipts Over/(Under) Cash Disbursements<br/>and Other Financing Disbursements</b> | <b>(3,715)</b>   | <b>865</b>  | <b>(45,913)</b>  | <b>5,661</b>     | <b>(41,289)</b>                | <b>(84,391)</b>   |
| <b>Fund Cash Balances, January 1</b>  | <b>39,667</b>    | <b>876</b>  | <b>94,506</b>    | <b>33,714</b>    | <b>160,155</b>                 | <b>328,918</b>    |
| <b>Fund Cash Balances, December 31</b>  | <b>\$ 35,952</b> | <b>\$ 1,741</b>                                       | <b>\$ 48,593</b> | <b>\$ 39,375</b> | <b>\$ 118,866</b>              | <b>\$ 244,527</b> |

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

**Village of Pomeroy**  
*Statement of Fund Net Assets - Cash Basis*  
*Proprietary Funds*  
*December 31, 2005*

|  | Business-Type Activities |                    |                          | Total<br>Enterprise Funds |
|--|--------------------------|--------------------|--------------------------|---------------------------|
|  | Water<br>Operating       | Sewer<br>Operating | Other Enterprise<br>Fund |                           |
| Assets                                     |                          |                    |                          |                           |
| Equity in Pooled Cash and Cash Equivalents | \$ 183,730               | \$ 45,392          | \$ -                     | \$ 229,122                |
| Restricted Cash:                           |                          |                    |                          |                           |
| Customer Deposits                          | -                        | -                  | 28,586                   | 28,586                    |
| Held by Custodian                          | 57,954                   | -                  | -                        | -                         |
| Total Assets                               | <u>\$ 241,684</u>        | <u>\$ 45,392</u>   | <u>\$ 28,586</u>         | <u>\$ 257,708</u>         |
| Net Assets                                 |                          |                    |                          |                           |
| Restricted For Debt Service                | \$ 57,954                | \$ -               | \$ -                     | \$ 57,954                 |
| Unrestricted                               | 183,730                  | 45,392             | 28,586                   | 257,708                   |
| Total Net Assets                           | <u>\$ 241,684</u>        | <u>\$ 45,392</u>   | <u>\$ 28,586</u>         | <u>\$ 315,662</u>         |

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

**Village of Pomeroy**  
*Statement of Receipts, Disbursements, and  
Changes in Cash Basis Fund Balances  
Proprietary Funds  
For the Year Ended December 31, 2005*

|  | Water<br>Operating | Sewer<br>Operating | Other<br>Enterprise<br>Fund | Total             |
|--|--------------------|--------------------|-----------------------------|-------------------|
| <b>Operating Cash Receipts:</b>                        |                    |                    |                             |                   |
| Charges for Services                                   | \$ 369,571         | \$ 77,859          | \$ 7,810                    | \$ 455,240        |
| Total Operating Cash Receipts                          | <u>369,571</u>     | <u>77,859</u>      | <u>7,810</u>                | <u>455,240</u>    |
| <b>Operating Cash Disbursements:</b>                   |                    |                    |                             |                   |
| Personal Services                                      | 106,308            | -                  | -                           | 106,308           |
| Employee Fringe Benefits                               | 37,625             | -                  | -                           | 37,625            |
| Contractual Services                                   | 11,108             | -                  | -                           | 11,108            |
| Supplies and Materials                                 | 104,966            | 53,009             | -                           | 157,975           |
| Capital Outlay   | 403,971            | -                  | 7,425                       | 411,396           |
| Total Operating Cash Disbursements                     | <u>663,978</u>     | <u>53,009</u>      | <u>7,425</u>                | <u>724,412</u>    |
| Operating Income/(Loss)                                | <u>(294,407)</u>   | <u>24,850</u>      | <u>385</u>                  | <u>(269,172)</u>  |
| <b>Non-Operating Receipts/Disbursements:</b>           |                    |                    |                             |                   |
| Intergovernmental                                      | 403,971            | 886                | -                           | 404,857           |
| Interest   | 1,461              | -                  | -                           | 1,461             |
| Miscellaneous Receipts                                 | 2,146              | -                  | -                           | 2,146             |
| Redemption of Principal                                | (59,282)           | (12,599)           | -                           | (71,881)          |
| Interest and Other Fiscal Charges                      | (11,095)           | (3,857)            | -                           | (14,952)          |
| Total Non-Operating Receipts/(Disbursements)           | <u>337,201</u>     | <u>(15,570)</u>    | <u>-</u>                    | <u>321,631</u>    |
| <b>Net Income</b>                                      | 42,794             | 9,280              | 385                         | 52,459            |
| Fund Cash Balances, January 1 (Restated - See Note 15) | <u>198,890</u>     | <u>36,112</u>      | <u>28,201</u>               | <u>263,203</u>    |
| Fund Cash Balances, December 31                        | <u>\$ 241,684</u>  | <u>\$ 45,392</u>   | <u>\$ 28,586</u>            | <u>\$ 315,662</u> |

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

**Village of Pomeroy**  
*Statement of Net Assets - Cash Basis*  
*Fiduciary Funds*  
*December 31, 2005*

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|  | <u>Agency</u>         |
|--|-----------------------|
| <b>Assets</b>                              |                       |
| Equity in Pooled Cash and Cash Equivalents | <u>\$9,625</u>        |
| <i>Total Assets</i>                        | <u><u>\$9,625</u></u> |
| <br>                                       |                       |
| <b>Net Assets</b>                          |                       |
| Unrestricted                               | <u><u>\$9,625</u></u> |
| <i>Total Net Assets</i>                    | <u><u>\$9,625</u></u> |

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

**Village of Pomeroy**  
*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> |                 |                  | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--|-------------------------|-----------------|------------------|---|
|  | <u>Original</u>         | <u>Final</u>    | <u>Actual</u>    |   |
| <b>Receipts</b>                                      |                         |                 |                  |   |
| Property & Other Local Taxes                         | \$ 377,263              | \$ 394,246      | \$ 403,459       | \$ 9,213  |
| Intergovernmental                                    | 75,400                  | 216,867         | 215,691          | (1,176)   |
| Charges for Services                                 | 15,000                  | 15,000          | 14,832           | (168)   |
| Fines, Licenses & Permits                            | 138,875                 | 174,098         | 181,650          | 7,552   |
| Earnings on Investments                              | 1,000                   | 2,000           | 3,451            | 1,451   |
| Miscellaneous  | 17,522                  | 19,730          | 25,449           | 5,719   |
| <i>Total receipts</i>                                | <u>625,060</u>          | <u>821,941</u>  | <u>844,532</u>   | <u>22,591</u>   |
| <b>Disbursements</b>                                 |                         |                 |                  |   |
| Current:   |                         |                 |                  |   |
| Security of Persons & Property                       | 379,110                 | 393,985         | 392,864          | 1,121   |
| Basic Utility Services                               | 9,350                   | 9,350           | 9,203            | 147   |
| General Government                                   | 175,602                 | 88,112          | 85,080           | 3,032   |
| Capital Outlay                                       | 7,000                   | 256,080         | 256,080          | -   |
| Debt Service:  |                         |                 |                  |   |
| Principal Retirement                                 | -                       | -               | 89,602           | (89,602)  |
| Interest and Fiscal Charges                          | 24,024                  | 91,001          | 1,191            | 89,810  |
| <i>Total Disbursements</i>                           | <u>595,086</u>          | <u>838,528</u>  | <u>834,020</u>   | <u>4,508</u>  |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>29,974</u>           | <u>(16,587)</u> | <u>10,512</u>    | <u>27,099</u>   |
| <b>Other Financing Sources (Uses)</b>                |                         |                 |                  |   |
| Sale of Notes  | -                       | 70,983          | 70,983           | -   |
| Other Debt Proceeds                                  | -                       | 58,000          | 58,000           | -   |
| Advances In  | -                       | 95,216          | 95,216           | -   |
| Transfers Out  | (60,000)                | (148,000)       | (146,500)        | 1,500   |
| Advances Out   | -                       | (95,216)        | (95,216)         | -   |
| <i>Total Other Financing Sources (Uses)</i>          | <u>(60,000)</u>         | <u>(19,017)</u> | <u>(17,517)</u>  | <u>1,500</u>  |
| <i>Net Change in Fund Balance</i>                    | (30,026)                | (35,604)        | (7,005)          | 28,599  |
| <i>Fund Balance Beginning of Year</i>                | 36,441                  | 36,441          | 36,441           | -   |
| Prior Year Encumbrances Appropriated                 | 3,226                   | 3,226           | 3,226            | -   |
| <i>Fund Balance End of Year</i>                      | <u>\$ 9,641</u>         | <u>\$ 4,063</u> | <u>\$ 32,662</u> | <u>\$ 28,599</u>  |

See accompanying notes to the basic financial statements



**Village of Pomeroy**  
*Statement of Receipts, Disbursements and Changes  
In Fund Balance - Budget and Actual -Budget Basis  
Street Construction, Maintenance and Repair Fund  
For the Year Ended December 31, 2005*

|  | <u>Budgeted Amounts</u> |                  |                  | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--|-------------------------|------------------|------------------|---|
|  | <u>Original</u>         | <u>Final</u>     | <u>Actual</u>    |   |
| <b>Receipts</b>                                      |                         |                  |                  |   |
| Intergovernmental                                    | \$ 63,000               | \$ 84,796        | \$ 85,612        | \$ 816  |
| Earnings on Investments                              | 100                     | 100              | 26               | (74)  |
| Miscellaneous  | -                       | 5,000            | 5,000            | -   |
| <i>Total receipts</i>                                | <u>63,100</u>           | <u>89,896</u>    | <u>90,638</u>    | <u>742</u>  |
| <b>Disbursements</b>                                 |                         |                  |                  |   |
| Current:   |                         |                  |                  |   |
| Transportation                                       | 190,350                 | 199,064          | 198,352          | 712   |
| Debt Service:  |                         |                  |                  |   |
| Principal Retirement                                 | -                       | -                | 7,652            | (7,652)   |
| Interest and Fiscal Charges                          | 8,626                   | 8,626            | 974              | 7,652   |
| <i>Total Disbursements</i>                           | <u>198,976</u>          | <u>207,690</u>   | <u>206,978</u>   | <u>712</u>  |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>(135,876)</u>        | <u>(117,794)</u> | <u>(116,340)</u> | <u>1,454</u>  |
| <b>Other Financing Sources (Uses)</b>                |                         |                  |                  |   |
| Transfers In   | 135,000                 | 120,800          | 116,100          | (4,700)   |
| <i>Total Other Financing Sources (Uses)</i>          | <u>135,000</u>          | <u>120,800</u>   | <u>116,100</u>   | <u>(4,700)</u>  |
| <i>Net Change in Fund Balance</i>                    | (876)                   | 3,006            | (240)            | (3,246)   |
| <i>Fund Balance Beginning of Year</i>                | (364)                   | (364)            | (364)            | -   |
| Prior Year Encumbrances Appropriated                 | 1,240                   | 1,240            | 1,240            | -   |
| <i>Fund Balance End of Year</i>                      | <u>\$ -</u>             | <u>\$ 3,882</u>  | <u>\$ 636</u>    | <u>\$ (3,246)</u>                                       |

See accompanying notes to the basic financial statements

**Village of Pomeroy**  
*Statement of Receipts, Disbursements and Changes  
 In Fund Balance - Budget and Actual -Budget Basis  
 Cemetery Fund  
 For the Year Ended December 31, 2005*

|                                       | <u>Budgeted Amounts</u> |                 | <u>Actual</u>    | <u>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</u> |
|---------------------------------------|-------------------------|-----------------|------------------|---|
|                                       | <u>Original</u>         | <u>Final</u>    |                  |   |
| <b>Receipts</b>                       |                         |                 |                  |   |
| Property & Other Local Taxes          | \$ 13,186               | \$ 13,186       | \$ 16,308        | \$ 3,122  |
| Intergovernmental                     | 2,166                   | 2,166           | 1,856            | (310)   |
| Charges for Services                  | 8,400                   | 8,400           | 4,955            | (3,445)   |
| <i>Total receipts</i>                 | <u>23,752</u>           | <u>23,752</u>   | <u>23,119</u>    | <u>(633)</u>  |
| <b>Disbursements</b>                  |                         |                 |                  |   |
| Current:                              |                         |                 |                  |   |
| Public Health Services                | 59,216                  | 48,000          | 17,458           | 30,542  |
| <i>Total Disbursements</i>            | <u>59,216</u>           | <u>48,000</u>   | <u>17,458</u>    | <u>30,542</u>   |
| <i>Net Change in Fund Balance</i>     | (35,464)                | (24,248)        | 5,661            | 29,909  |
| <i>Fund Balance Beginning of Year</i> | <u>33,714</u>           | <u>33,714</u>   | <u>33,714</u>    | <u>-</u>  |
| <i>Fund Balance End of Year</i>       | <u>\$ (1,750)</u>       | <u>\$ 9,466</u> | <u>\$ 39,375</u> | <u>\$ 29,909</u>  |

See accompanying notes to the basic financial statements

**Village of Pomeroy**  
*Statement of Receipts, Disbursements and Changes  
In Fund Balance - Budget and Actual -Budget Basis  
Fire Fund  
For the Year Ended December 31, 2005*

|                                       | Budgeted Amounts |           | Actual    | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|---------------------------------------|------------------|-----------|-----------|---|
|                                       | Original         | Final     |           |   |
| <b>Receipts</b>                       |                  |           |           |   |
| Property & Other Local Taxes          | \$ 45,700        | \$ 45,700 | \$ 57,476 | \$ 11,776   |
| Intergovernmental                     | 7,548            | 95,832    | 105,619   | 9,787   |
| Charges for Services                  | 5,300            | 5,500     | 2,200     | (3,300)   |
| Miscellaneous                         | 1,000            | 1,935     | 3,114     | 1,179   |
| <i>Total receipts</i>                 | 59,548           | 148,967   | 168,409   | 19,442  |
| <b>Disbursements</b>                  |                  |           |           |   |
| Current:                              |                  |           |           |   |
| Security of Persons & Property        | 123,447          | 113,195   | 96,557    | 16,638  |
| Capital Outlay                        | -                | 81,204    | 81,204    | -   |
| Debt Service:                         |                  |           |           |   |
| Principal Retirement                  | 30,000           | 30,000    | 27,089    | 2,911   |
| Interest and Fiscal Charges           | 10,000           | 10,000    | 9,472     | 528   |
| <i>Total Disbursements</i>            | 163,447          | 234,399   | 214,322   | 20,077  |
| <i>Net Change in Fund Balance</i>     | (103,899)        | (85,432)  | (45,913)  | 39,519  |
| <i>Fund Balance Beginning of Year</i> | 94,506           | 94,506    | 94,506    | -   |
| <i>Fund Balance End of Year</i>       | \$ (9,393)       | \$ 9,074  | \$ 48,593 | \$ 39,519   |

See accompanying notes to the basic financial statements

**Village of Pomeroy**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2005*

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**Note 1 – Reporting Entity**

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

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

**A. Primary Government**

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Village. The Village provides general government services, water and sewer utilities, maintenance of Village roads and bridges, park operations, and police services. The Village appropriates general fund money to support a volunteer fire department.

**Note 2 – Summary of Significant Accounting Policies**

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

**Government-Wide Financial Statements**

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

The statement of net assets presents the cash balance of the governmental and business-type activities of the Village at year end. The statement of activities compares disbursements with program receipts for 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 the cash basis or draws from the Village's general receipts.

**Village of Pomeroy**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2005*

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**Note 2 – Summary of Significant Accounting Policies** (continued)

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

Proprietary fund statements distinguish operating transactions from nonoperating 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 nonoperating.

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.

Governmental Funds

The Village classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The Village's major governmental funds are the General Fund, Street Construction, Maintenance and Repair Fund, Fire Fund, and Cemetery Fund.

General Fund – This 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.

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

Fire Fund – This fund receives tax money for fire protection as well as grant monies and charges for services for fire contracts for providing fire protection services to surrounding areas.

Cemetery Fund – This fund receives tax money for the upkeep of a cemetery.

Proprietary Funds

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

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

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

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

**Village of Pomeroy**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2005*

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**Note 2 – Summary of Significant Accounting Policies** (continued)

Fiduciary Funds

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

C. Basis of Accounting

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

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

D. Budgetary Process

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

The appropriations ordinance is the Village Council's authorization to spend resources and sets limits on 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 level for all funds.

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

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

E. Cash and Investments

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

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.

**Village of Pomeroy**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2005*

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**Note 2 – Summary of Significant Accounting Policies** (continued)

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 and a U.S. Treasury Bond. The nonnegotiable certificates of deposit and the U.S. Treasury Bond 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 \$3,451. \$26 was credited to the Street Construction, Maintenance and Repair Fund. Other governmental funds received \$1,428. The Water Operating Fund received \$1,461.

**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. Restricted assets represent money paid for water deposits to be refunded to customers at a later date and debt service reserve funds held by a custodian bank.

**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. Interfund Receivables/Payables**

The Village reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

**J. 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.

**K. 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.

**L. 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. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure is reported at inception. Lease payments are reported when paid.

**Village of Pomeroy**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2005*

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**Note 2 – Summary of Significant Accounting Policies** (continued)

**M. 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 grants.

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.

**N. 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.

**O. 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 statements.

**Note 3 – Change in Basis of Accounting and Fund Restatement**

The Village has elected to present its financial statements in a format consistent with Governmental Accounting Standards Board (GASB) Statements No. 34, 37 and 38, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*.

These statements create and amend new basic financial statements and note disclosures for reporting on the Village's financial activities. The financial statements now include government-wide financial statements and fund financial statements which present information for individual major funds rather than by fund type. Non-major funds are presented in total in one column. GASB Statement No. 34 require GAAP reporting, however the Village presented "look alike" statements on the cash basis of accounting. The nonexpendable trust fund is now presented as a permanent fund.

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



**Village of Pomeroy**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2005*

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**Note 4 – 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 Statements of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund, the Street Construction Major Special Revenue Fund, Fire Major Special Revenue Fund, and Cemetery Major Special Revenue Fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances, which are treated as cash disbursements rather than as a reservation of fund balance. The encumbrances outstanding at year end amounted to \$3,290 and \$1,105 for the General Fund and Street Construction, Maintenance and Repair Fund, respectively. There are no outstanding encumbrances for any of the Major Special Revenue Funds at December 31, 2005.

**Note 5 – 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;
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; and
7. The State Treasurer's investment pool (STAR Ohio).

**Village of Pomeroy**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2005*

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**Note 5 - Deposits and Investments** (continued)

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.

At year end, the Village had \$325 in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents".

**Deposits**

At December 31, 2005, the Village's carrying balance of deposits was \$560,189.

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 December 31, 2005, \$335,209 of the Village's bank balance of \$591,323 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Village's name.

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

**Note 6 – Income Taxes**

The Village levies a 1 percent income tax whose proceeds are placed into the General Fund. The Village levies and collects the tax on all income earned within the Village as well as on incomes of residents earned outside the Village. In the latter case, the Village allows a credit of the lesser of actual taxes paid to another city at 100 percent of the 1 percent tax rate on taxable income. Employers within the Village are required to withhold income tax on employee earnings and remit the tax to the Village at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually.

**Note 7 – Property Taxes**

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Village. Real property tax receipts received in 2005 represent the collection of 2004 taxes. Real property taxes received in 2005 were levied after October 1, 2004, on the assessed values as of January 1, 2004, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

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

**Village of Pomeroy**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2005*

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**Note 7 – Property Taxes** (continued)

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

The full tax rate for all Village operations for the year ended December 31, 2005, was \$3.00 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:

|                             | Assessed<br>Valuations |
|-----------------------------|------------------------|
| Real Property               |                        |
| Agriculture                 | \$80,620               |
| Residential                 | 9,272,780              |
| Industrial                  | 365,810                |
| Commercial                  | 6,827,710              |
| Total Real Property         | <u>16,546,920</u>      |
| Personal Property           |                        |
| PU Personal                 | 1,888,670              |
| Inter Co & General Personal | 2,334,630              |
| 10,000 Exemption            | 219,010                |
| Total Personal Property     | <u>4,442,310</u>       |
| Total Assessed Value        | <u>\$20,989,230</u>    |

**Note 8 – Risk Management**

**Commercial Insurance**

The Village has obtained commercial insurance for the following risks:

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

Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years. The Village has not incurred significant reductions in insurance coverage from the prior year by category or risk.

The Village of Pomeroy provides life insurance and accidental death and dismemberment insurance to most employees through Standard Insurance Company in the amount of \$15,000 for full time employees.

Dental coverage was provided through Metlife SBS. Premiums for the dental coverage were \$62.74 monthly for family and \$18.47 for single coverage.

The Village of Pomeroy provides health and major medical and prescription drug insurance for all full time employees through Medical Mutual of Ohio. The Village of Pomeroy pays monthly premiums of up to \$978.19 for family coverage and up to \$339.13 for individual coverage. Premiums are paid from the same funds that pay the employees' salaries.

**Village of Pomeroy**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2005*

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**Note 9 – 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.

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, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5 percent of their annual covered salaries. The Village's contribution rate for pension benefits for 2005 was 13.55 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 \$57,040, \$57,057, and \$62,122, 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 19.5 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 \$20,522, \$20,528, and \$22,253. The full amount has been contributed for 2005, 2004 and 2003.

**Village of Pomeroy**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2005*

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**Note 10 - Postemployment Benefits**

**Ohio Public Employees Retirement System**

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

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

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

The number of active contributing participants in the traditional and combined plans was 376,109. Actual employer contributions for 2005, which were used to fund postemployment benefits were \$40,202. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) were \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 billion, respectively.

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

**B. Ohio Police and Fire Pension Fund**

The Ohio Police and Fire Pension Fund (OP&F) provides access to post-retirement 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 eighteen, whether or not the child is attending school, or under the age of twenty-two if attending school full-time or on a two-thirds basis.

The health care coverage provided by the retirement system is considered an Other Post-Employment Benefit as described in GASB Statement No. 12. The Ohio Revised Code provides that health care costs paid from the funds of OP&F shall be included in the employer's contribution rate. The total police employer contribution rate was 19.5 percent of covered payroll. The Ohio Revised Code provides the statutory authority allowing OP&F's Board of Trustees to provide health care coverage to all eligible individuals.

**Village of Pomeroy**  
*Notes to the Financial Statements*  
For the Year Ended December 31, 2005

**Note 10 - Postemployment Benefits** (continued)

Health care funding and accounting is on a pay-as-you-go basis. A percentage of covered payroll, as defined by the Board, is used to pay retiree health care expenses. The Board defined allocation was 7.75% of covered payroll in 2005 and in 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 number of participants eligible to receive health care benefits as of December 31, 2004, the date of the last actuarial valuation available, are 13,812 for police. The Village's actual contributions for 2005 that were used to fund post-employment benefits were \$8,147 for police. The Fund's total health care expenses for the year ended December 31, 2004, (the latest information available) were \$102,173,796, which was net of member contributions of \$55,665,341.

**Note 11 – Long-Term Obligations**

The Village's note and loan transactions for the year ended December 31, 2005 were as follows:

|   | Interest<br>Rate | Balance<br>December 31,<br>2004 | Additions        | Reductions       | Balance<br>December 31,<br>2005 | Amounts<br>Due In<br>One Year |
|---|------------------|---------------------------------|------------------|------------------|---------------------------------|-------------------------------|
| <u>Governmental Activities</u>                  |                  |                                 |                  |                  |                                 |                               |
| 1982 General Obligation Note – Building         | 5.00%            | \$12,000                        | \$0              | \$4,000          | \$8,000                         | \$4,000                       |
| 1993 General Obligation Note – Property         | Variable         | 18,901                          | 0                | 5,474            | 13,427                          | 5,672                         |
| 1999 General Obligation Note – Paving           | 5.75%            | 33,401                          | 0                | 33,401           | 0                               | 0                             |
| 2002 General Obligation Note – Walk Path        | 4.75%            | 76,410                          | 0                | 9,145            | 67,265                          | 9,345                         |
| 2004 General Obligation Note – Dump Truck       | 3.00%            | 35,637                          | 0                | 7,652            | 27,985                          | 8,650                         |
| 2005 90 Day Note – Paving                       | 2.69%            | 0                               | 70,983           | 70,983           | 0                               | 0                             |
| 2005 General Obligation Note – Paving           | 4.70%            | 0                               | 58,000           | 2,003            | 55,997                          | 5,012                         |
| Pumper Truck Lease                              | 3.82%            | 246,395                         | 0                | 27,089           | 219,306                         | 27,089                        |
| Total Governmental Activities                   |                  | <u>\$422,744</u>                | <u>\$128,983</u> | <u>\$159,747</u> | <u>\$391,980</u>                | <u>\$59,768</u>               |
| <u>Business-Type Activities</u>                 |                  |                                 |                  |                  |                                 |                               |
| 2000 General Obligation Note – Capital Projects | 6.00%            | \$53,108                        | \$0              | \$14,569         | \$38,539                        | \$14,734                      |
| General Obligation Bonds- Water                 | 5.25%            | \$76,000                        | 0                | \$24,000         | 52,000                          | 24,000                        |
| 2001 OPWC Loan 1                                | 2.00%            | 145,339                         | 0                | 7,791            | 137,548                         | 7,991                         |
| 2001 OPWC Loan 2                                | 2.00%            | 69,932                          | 0                | 3,492            | 66,440                          | 3,591                         |
| 2004 OWDA Loan                                  | 2.00%            | 633,897                         | 0                | 22,029           | 611,868                         | 17,377                        |
| Total Business Type Activities                  |                  | <u>\$978,276</u>                | <u>\$0</u>       | <u>\$71,881</u>  | <u>\$906,395</u>                | <u>\$67,693</u>               |

**Village of Pomeroy**  
*Notes to the Financial Statements*  
For the Year Ended December 31, 2005

**Note 11 – Long-Term Obligations** (continued)

Principal and interest requirements to retire notes and loans at December 31, 2005 were as follows:

| Year      | Governmental Activities  |          |
|-----------|--------------------------|----------|
|           | General Obligation Notes |          |
|           | Principal                | Interest |
| 2006      | \$32,679                 | \$7,810  |
| 2007      | 33,902                   | 6,387    |
| 2008      | 27,063                   | 4,911    |
| 2009      | 22,341                   | 3,718    |
| 2010      | 18,666                   | 2,693    |
| 2011-2015 | 38,023                   | 1,806    |
| 2016-2020 | 0                        | 0        |
| 2021-2025 | 0                        | 0        |
| 2026-2030 | 0                        | 0        |
| 2031-2035 | 0                        | 0        |
| Totals    | \$172,674                | \$27,325 |

**Business-Type Activities**

| Year       | Capital Project Note |          | Ohio Public Works |           | General Obligation Bonds |          | Ohio Water Development Authority |            |
|------------|----------------------|----------|-------------------|-----------|--------------------------|----------|----------------------------------|------------|
|            | Principal            | Interest | Principal         | Interest  | Principal                | Interest | Principal                        | Interest   |
| 2006       | \$ 14,734            | \$ 2,654 | \$ 11,582         | \$ 4,080  | \$ 24,000                | \$ 2,730 | \$ 17,377                        | \$ 12,232  |
| 2007       | 15,076               | 2,312    | 11,684            | 3,848     | 28,000                   | 1,470    | 16,430                           | 11,828     |
| 2008       | 8,729                | 524      | 11,918            | 3,614     | -                        | -        | 16,760                           | 11,498     |
| 2009       | -                    | -        | 12,156            | 3,376     | -                        | -        | 17,097                           | 11,161     |
| 2010       | -                    | -        | 12,399            | 3,133     | -                        | -        | 17,441                           | 10,817     |
| 2011-2016  | -                    | -        | 65,816            | 11,844    | -                        | -        | 112,257                          | 57,290     |
| 2017-2021  | -                    | -        | 72,665            | 4,995     | -                        | -        | 104,348                          | 36,942     |
| 2022-2026  | -                    | -        | 5,768             | 115       | -                        | -        | 115,264                          | 26,024     |
| 2027-2031  | -                    | -        | -                 | -         | -                        | -        | 127,326                          | 13,964     |
| Thereafter | -                    | -        | -                 | -         | -                        | -        | 67,568                           | 2,071      |
| Total      | \$ 38,539            | \$ 5,490 | \$ 203,988        | \$ 35,005 | \$ 52,000                | \$ 4,200 | \$ 611,868                       | \$ 193,827 |

The building note was for the purchase of property. This loan was for \$100,000.00 and will be repaid in annual installments of \$4,000.00, plus interest, through 2007.

The property note was for the purchase of property. This loan was for \$62,272. Due to the variable interest rate which changes in March of each year, the monthly payments as of March 2004 were \$517.00.

The paving note was for paving of streets within the Village limits. This loan was for \$82,000.00 and will be repaid in monthly installments of \$1,068, including interest through 2007.

The walk path project note was for construction of the walk path along the Ohio River. This loan was for \$100,000 and will be repaid in monthly installments of \$1,052, including interest through 2012.

**Village of Pomeroy**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2005*

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**Note 11 – Long-Term Obligations** (continued)

The dump truck loan was for the purchase of a one ton truck used for plowing small streets. This loan was for \$39,957 and will be repaid in monthly installments of \$719, including interest through 2009.

The 2005 paving note was to finance the paving of various Village streets. The note was for \$58,000 and will be repaid in monthly installments of \$728, including interest through 2013.

The capital projects note was for a sewer line extension, the drilling of a new well and water line replacement. The loan was approved in the amount of \$130,000. The loan will be paid in monthly installments of \$1,449, including interest through 2010.

The general obligation bonds were used to construct water wells. The bonds were for \$240,000 and will be repaid in annual installments of \$15,000-\$25,000, plus interest through 2007.

The Ohio Public Works Commission Loan #1 was for the sewer project. The total amount of the loan awarded was \$175,000. This loan will be repaid in semi-annual installments of \$5,330, including interest through 2021.

The Ohio Public Works Commission Loan #2 was for a water main replacement. The total amount of the loan awarded was \$80,000. The loan will be repaid in semi-annual installments of \$2,436, including interest through 2021.

The Ohio Water Development Authority loan was for the construction of a new water treatment plant. The amount of the loan is \$633,897. The loan will be paid in semi-annual installments of \$14,129, including interest through 2034.

**Note 12 – Capital Lease**

The Village entered into a lease with Leasing 2 Inc, in 2003, for the purchase of a pumper truck to be used by the Village Fire Department. The original lease amount was for \$300,000 for ten years, with an annual payment of \$36,563. The lease is secured solely by the pumper truck. At the end of the lease, the Village assumes ownership of the pumper truck at no additional expense. The lease ends in 2013.

The Village disbursed \$36,561 to pay lease costs for the year ended December 31, 2005. Future lease payments are as follows:

| Year  | Amount           |
|---|------------------|
| 2006  | \$36,563         |
| 2007  | 36,563           |
| 2008  | 36,563           |
| 2009  | 36,563           |
| 2010  | 36,563           |
| Thereafter                                  | <u>71,512</u>    |
| Total                                       | 254,327          |
| Amount Representing Interest                | <u>35,021</u>    |
| Present Value of Net Minimum Lease Payments | <u>\$219,306</u> |



**Village of Pomeroy**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2005*

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**Note 13 – Interfund Transfers**

During 2005 the following transfers were made:

|                                       |                         |
|---------------------------------------|-------------------------|
| Transfers from the General Fund to:   |                         |
| Major Governmental Fund               | \$116,100               |
| Other Governmental Funds              | <u>30,400</u>           |
| Total Transfers from the General Fund | <u><u>\$146,500</u></u> |

Transfers represent the allocation of unrestricted receipts collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**Note 14 – Debt Service Trustee Funds**

The Water Bonds agreement required the Village to establish a debt service fund to be maintained by a custodian bank. The Village has established this fund. At December 31, 2005, the custodian held \$57,954 in Village assets. These assets are reflected in the accompanying financial statements.

**Note 15 – Restatement of Net Assets/Fund Balance**

Restatements were made to prior year balances to make corrections to restricted assets held by a custodian. The restatement had the following effect on net assets and fund balance as previously stated:

|                   | <u>Business-Type</u><br><u>Activities</u> | <u>Water Operating</u><br><u>Fund</u> |
|-------------------|---|---------------------------------------|
| Beginning Balance | \$198,485                                 | \$134,172                             |
| Restatement       | <u>64,718</u>                             | <u>64,718</u>                         |
| Restated Balance  | <u><u>\$263,203</u></u>                   | <u><u>198,890</u></u>                 |

# BALESTRA, HARR & SCHERER, CPAs, INC.

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Ohio Society of Certified Public Accountants

## **Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

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

To the Village 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 Pomeroy, Meigs County, Ohio (the Village), as of and for the year ended December 31, 2005, and have issued our report thereon dated August 8, 2006, wherein we noted the Village prepared its financial statements on a basis of accounting other than accounting principles generally accepted in the United States of America and revised its financial presentation to be comparable to the requirement of Governmental Accounting Standard Board Statements No. 34, 37, and 38 and implemented GASB Statement No. 40. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

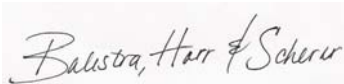
In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting.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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards*, and which is described in the schedule of findings as item number 2005-001.

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

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



Balestra, Harr & Scherer, CPAs, Inc.  
August 8, 2006

**VILLAGE OF POMEROY  
MEIGS COUNTY  
SCHEDULE OF FINDINGS  
DECEMBER 31, 2005**

|  |
|--|
| <b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS<br/>REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b> |
|--|

**FINDING NUMBER 2005-001**

**Noncompliance Citation**

Ohio Rev. Code, Section 5705.39 states that total appropriations from each fund shall not exceed the total estimated resources.

The appropriations exceeded estimated resources in the original budget for the Cemetery Fund and Fire Fund.

The Village Council should closely examine budget balances prior to authorizing to ensure compliance with Revised Code requirements.

**Corrective Action Plan**

| Finding Number | Planned Corrective Action   | Anticipated Completion Date | Responsible Contact Person  |
|----------------|---|-----------------------------|-----------------------------|
| 2005-001       | The Village will monitor budgetary activity more closely in the future. | 12/31/06                    | Kathy Hysell, Village Clerk |

**VILLAGE OF POMEROY  
MEIGS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2005**

| Finding Number | Finding Summary   | Fully Corrected? | Not Corrected; Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain: |
|----------------|---|------------------|---|
| 2004-001       | ORC Section 5705.36-The Village available resources fell below the current level of appropriations. | No               | Reissued in management letter.  |



**Auditor of State  
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**VILLAGE OF POMEROY**

**MEIGS COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
DECEMBER 7, 2006**