

**VILLAGE OF MILLBURY
WOOD COUNTY**

AUDITED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2005 AND 2004



Mary Taylor, CPA

Auditor of State

Village Council
Village of Millbury
28430 Main Street
P.O. Box 155
Millbury, Ohio 43447

We have reviewed the *Independent Auditor's Report* of the Village of Millbury, Wood County, prepared by Lublin Sussman Group, LLP, for the audit period January 1, 2004 through December 31, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

April 4, 2007

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3166 N. Republic Blvd.,
Toledo, Ohio 43615-1572
419-841-2848 Fax 419-841-8178

INDEPENDENT AUDITOR'S REPORT

To the Village Council
Village of Millbury
Wood County
23430 Main Street, P.O. Box 155
Millbury, OH 43447-0155

We have audited the accompanying combined statements of cash receipts, cash disbursements, and changes in fund balances - all governmental fund types of the Village of Millbury, Wood County, (the Village) as of December 31, 2005 and 2004. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

As described more fully in Note 1, the Village prepares its financial statements using accounting practices prescribed or permitted by the Auditor of State. These practices differ from accounting principles generally accepted in the United States of America (GAAP). The effects on the financial statements of these variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2005 and 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately beginning in 2004. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since the Village does not use GAAP to measure financial statement amounts, the following paragraphs do not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the third following paragraph.

The aforementioned revisions to generally accepted accounting principles also require the Village to include Management's Discussion and Analysis for the year ended December 31, 2005 and 2004. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America had determined is necessary to supplement, although not required to be part of the financial statements.

www.lublinSussman.com
Douglas J. Welch, CPA, CVA
Lee D. Wunschel, CPA
Thomas J. Jaffee, JD, CPA
Terri S. Lee, CPA

Members:
American Institute of Certified Public Accountants
AICPA-Private Companies Practice Section
Ohio Society of Certified Public Accountants

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2005 and 2004, or its changes in financial position for the years then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Millbury, Wood County, as of December 31, 2005 and 2004, and their respective combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated December 20, 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 other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considering in assessing the results of our audit.

LubleyJussman Group LLP

December 20, 2006
Toledo, Ohio

**VILLAGE OF MILLBURY
WOOD COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Governmental Fund Types			Totals (Memo. Only)
	General	Special Revenue	Capital Projects	
Cash Receipts:				
Property Tax and Other Local Taxes	\$ 14,180	\$ 1,895	\$ 0	\$ 16,075
Municipal Income Tax	0	218,614	0	218,614
Special Assessments	882	24,884	0	25,766
Intergovernmental Receipts	43,010	60,868	0	103,878
Charges for Services	260	526	0	786
Fines, Licenses, and Permits	12,622	9,513	0	22,135
Earnings on Investments	16,279	1,271	0	17,550
Miscellaneous	<u>732</u>	<u>0</u>	<u>0</u>	<u>732</u>
Total Cash Receipts	<u>87,965</u>	<u>317,571</u>	<u>0</u>	<u>405,536</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	\$ 26,650	\$ 40,065	\$ 0	\$ 66,715
Leisure Time Activities	32,530	0	0	32,530
Community Environment	3,276	0	0	3,276
Basic Utility Services	53,457	0	0	53,457
Transportation	12,956	61,344	4,181	78,481
General Government	62,627	21,140	0	83,767
Debt Service:				
Principal Payments	13,883	0	0	13,883
Capital Outlay	<u>0</u>	<u>0</u>	<u>64,505</u>	<u>64,505</u>
Total Cash Disbursements	<u>205,379</u>	<u>122,549</u>	<u>68,686</u>	<u>396,614</u>
Total Receipts Over/(Under) Disbursements	<u>(117,414)</u>	<u>195,022</u>	<u>(68,686)</u>	<u>8,922</u>
Other Financing Receipts and (Disbursements):				
Sale of Note	\$ 0	\$ 0	\$ 9,269	\$ 9,269
Transfers-In	136,500	0	108,500	245,000
Transfers-Out	<u>(50,000)</u>	<u>(195,000)</u>	<u>0</u>	<u>(245,000)</u>
Total Other Financing Receipts (Disbursements)	<u>86,500</u>	<u>(195,000)</u>	<u>117,769</u>	<u>9,269</u>
Excess of Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements and Other Financing Disbursements	(30,914)	22	49,083	18,191
Fund Cash Balance, January 1	<u>602,835</u>	<u>110,417</u>	<u>59,170</u>	<u>772,422</u>
Fund Cash Balances, December 31	<u>571,921</u>	<u>110,439</u>	<u>108,253</u>	<u>790,613</u>
Reserves for Encumbrances, December 31	<u>0</u>	<u>0</u>	<u>101,781</u>	<u>101,781</u>

See Notes to Financial Statements

**VILLAGE OF MILLBURY
WOOD COUNTY**
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004

	Governmental Fund Types			Totals (Memo. Only)
	General	Special Revenue	Capital Projects	
Cash Receipts:				
Property Tax and Other Local Taxes	\$ 14,353	\$ 659	\$ 0	\$ 15,012
Municipal Income Tax	0	204,594	0	204,594
Special Assessments	955	32,036	0	32,991
Intergovernmental Receipts	42,427	54,825	0	97,252
Charges for Services	578	263	0	841
Fines, Licenses, and Permits	10,171	9,274	0	19,445
Earnings on Investments	10,198	408	0	10,606
Miscellaneous	589	0	0	589
Total Cash Receipts	<u>79,271</u>	<u>302,059</u>	<u>0</u>	<u>381,330</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	\$ 36,500	\$ 28,575	\$ 0	\$ 65,075
Leisure Time Activities	22,174	0	0	22,174
Community Environment	6,213	0	0	6,213
Basic Utility Services	37,470	0	0	37,470
Transportation	15,328	51,895	110	67,333
General Government	66,449	21,863	0	88,312
Debt Service:				
Principal Payments	13,882	0	0	13,882
Capital Outlay	1,954	0	28,621	30,575
Total Cash Disbursements	<u>199,970</u>	<u>102,333</u>	<u>28,731</u>	<u>331,034</u>
Total Receipts Over/(Under) Disbursements	<u>(120,699)</u>	<u>199,726</u>	<u>(28,731)</u>	<u>50,296</u>
Other Financing Receipts and (Disbursements):				
Transfers-In	\$ 128,100	\$ 0	\$ 54,900	\$ 183,000
Transfers-Out	0	(183,000)	0	(183,000)
Total Other Financing Receipts (Disbursements)	<u>128,100</u>	<u>(183,000)</u>	<u>54,900</u>	<u>0</u>
Excess of Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements and Other Financing Disbursements				
	7,401	16,726	26,169	50,296
Fund Cash Balance, January 1	595,434	93,691	33,001	722,126
Fund Cash Balances, December 31	<u>602,835</u>	<u>110,417</u>	<u>59,170</u>	<u>772,422</u>
Reserves for Encumbrances, December 31	<u>0</u>	<u>9,500</u>	<u>0</u>	<u>0</u>

See Notes to Financial Statements

VILLAGE OF MILLBURY
WOOD COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

ORGANIZATION

The Village of Millbury, Wood County, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides park operations. The Village contracts with Lake Township to provide security of persons and property. The Village is also provided fire protection services from the Lake Township Volunteer Fire Department which is paid for by the levies that are passed by the residents.

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

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

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

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

CASH AND INVESTMENTS

Certificates of deposit and investments are reported in the fund cash balances at cost. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Certificates of deposit that have a maturity date greater than one year from issuance are reported as an investment.

FUND ACCOUNTING

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

- a. **General Fund**
The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.
- b. **Special Revenue Funds**
These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

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

VILLAGE OF MILLBURY
WOOD COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Village Income Tax Fund - This fund receives income tax revenues to be used for general government services and capital improvements.

c. **Capital Project Funds**

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project funds:

Capital Project Fund - This fund receives transfers from the Village Income Tax Fund to be used for various projects.

Issue II Fund - This fund is used to show the expenditures for the Main Street Project that was funded with an OPWC Loan.

BUDGETARY PROCESS

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

a. **Appropriations**

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

b. **Estimated Resources**

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

c. **Encumbrances**

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

A summary of 2005 and 2004 budgetary activity appears in Note 3.

PROPERTY, PLANT, AND EQUIPMENT

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

VILLAGE OF MILLBURY
WOOD COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

(2) EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>2005</u>	<u>2004</u>
Demand Deposits	\$ 92,076	\$ 91,053
Certificates of Deposit	<u>226,625</u>	<u>222,095</u>
Total Deposits	318,701	313,148
Certificates of Deposit	259,445	253,217
STAR Ohio	<u>212,468</u>	<u>206,056</u>
Total Investments	<u>471,913</u>	<u>459,273</u>
Total Deposits and Investments	<u>\$ 790,614</u>	<u>\$ 772,421</u>

DEPOSITS

Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by securities specifically pledged by the financial institution to the Village.

INVESTMENTS

Investments in STAR Ohio and certificates of deposit are not evidenced by securities that exist in physical or book-entry form.

VILLAGE OF MILLBURY
WOOD COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

(3) BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2005 and 2004 follows:

2005 BUDGETED VS. ACTUAL RECEIPTS

<u>Fund Type</u>	<u>Budgeted</u> <u>Receipts</u>	<u>Actual</u> <u>Receipts</u>	<u>Variance</u>
General	\$ 200,711	\$ 224,465	\$ 23,754
Special Revenue	282,545	317,571	35,026
Capital Projects	<u>209,523</u>	<u>117,769</u>	<u>(91,754)</u>
Total	<u>\$ 692,779</u>	<u>\$ 659,805</u>	<u>\$ (32,974)</u>

2005 BUDGETED VS. ACTUAL BUDGETARY BASIS EXPENDITURES

<u>Fund Type</u>	<u>Appropriation</u> <u>Authority</u>	<u>Budgetary</u> <u>Expenditures</u>	<u>Variance</u>
General	\$ 357,575	\$ 255,379	\$ 102,196
Special Revenue	333,355	317,549	15,806
Capital Projects	<u>195,523</u>	<u>170,467</u>	<u>25,056</u>
Total	<u>\$ 886,453</u>	<u>\$ 743,395</u>	<u>\$ 143,058</u>

2004 BUDGETED VS. ACTUAL RECEIPTS

<u>Fund Type</u>	<u>Budgeted</u> <u>Receipts</u>	<u>Actual</u> <u>Receipts</u>	<u>Variance</u>
General	\$ 190,881	\$ 207,371	\$ 16,490
Special Revenue	289,758	302,059	12,301
Capital Projects	<u>52,000</u>	<u>54,900</u>	<u>2,900</u>
Total	<u>\$ 532,639</u>	<u>\$ 564,330</u>	<u>\$ 31,691</u>

2004 BUDGETED VS. ACTUAL BUDGETARY BASIS EXPENDITURES

<u>Fund Type</u>	<u>Appropriation</u> <u>Authority</u>	<u>Budgetary</u> <u>Expenditures</u>	<u>Variance</u>
General	\$ 267,625	\$ 199,970	\$ 67,655
Special Revenue	300,530	294,833	5,697
Capital Projects	<u>32,000</u>	<u>28,731</u>	<u>3,269</u>
Total	<u>\$ 600,155</u>	<u>\$ 523,534</u>	<u>\$ 76,621</u>

VILLAGE OF MILLBURY
WOOD COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

(4) PROPERTY TAX

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

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

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

(5) LOCAL INCOME TAX

The Village levies a municipal income tax of 1.5 % on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

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

(6) DEBT

Debt outstanding at December 31, 2005 and 2004 was as follows:

	Beginning Balance <u>12/31/04</u>	<u>Additions</u>	<u>Reductions</u>	Ending Balance <u>12/31/05</u>	Amounts Due Within <u>One Year</u>
Ohio Public Works Commission Loan #1	\$ 124,942	\$ 0	\$ 13,883	\$ 111,059	\$ 13,883
Ohio Public Works Commission Loan #2	<u>0</u>	<u>9,269</u>	<u>0</u>	<u>9,269</u>	<u>0</u>
Total	<u>\$ 124,942</u>	<u>\$ 9,269</u>	<u>\$ 13,883</u>	<u>\$ 120,328</u>	<u>\$ 13,883</u>
	Beginning Balance <u>12/31/03</u>	<u>Additions</u>	<u>Reductions</u>	Ending Balance <u>12/31/04</u>	Amounts Due Within <u>One Year</u>
Ohio Public Works Commission Loan #1	\$ 138,825	\$ 0	\$ 13,883	\$ 124,942	\$ 13,883

The Ohio Public Works Commission (OPWC) Loan #1 relates to Main Street improvements made by the Village. The OPWC approved a \$138,825, zero percent loan to the Village for this project. The loan will be repaid in semiannual installments of \$6,941, over 10 years, beginning July 1, 2004 and due January 1, 2014. The Loan will be repaid by the General Fund. No assets are pledged to secure this loan.

VILLAGE OF MILLBURY
WOOD COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

(6) DEBT (CONTINUED)

The Ohio Public Works Commission (OPWC) Loan #2 relates to a Center Street storm sewer project made by the Village. The OPWC approved a \$105,175, zero percent loan to the Village for the project. After the Initial payment date (yet to be determined), principal shall be due and payable in equal consecutive semiannual installments, over 20 years, on each January 1 and July 1 thereafter until maturity. As of the date of this report, the project was not finalized and no installment amount or amortization period has been established with the OPWC. No assets are pledged to secure this loan.

The principal and interest requirements to retire the debt outstanding at December 31, 2005 are as follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 13,883	\$ 0
2007	13,883	0
2008	13,883	0
2009	13,883	0
2010	13,883	0
2011-2015	<u>41,644</u>	<u>0</u>
Totals	<u>\$ 111,059</u>	<u>\$ 0</u>

(7) RETIREMENT SYSTEMS

The Village's full time employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

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

Pension expense amounted to \$10,988 and \$12,424 for 2005 and 2004, respectively.

VILLAGE OF MILLBURY
WOOD COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

(8) RISK MANAGEMENT

RISK POOL MEMBERSHIP

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

PEP retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$12,000,000 with the General Reinsurance Corporation, through contracts with PEP.

If losses exhaust PEP's retained earnings, APEEP provides excess of funds available coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

Through 2004, PEP retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence. APEEP's Guarantee Fund was responsible for losses and loss adjustment expenses exceeding operating contributions.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable value. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2005 was \$1,682,589.

The aforementioned casualty and property reinsurance agreements do not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective entities.

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

VILLAGE OF MILLBURY
WOOD COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

(8) RISK MANAGEMENT (CONTINUED)

Members may withdraw on each anniversary of the date they joined PEP. They must provide written notice to PEP 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contribution, minus the subsequent year's premium. Also upon withdrawal, payments for all property and casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the withdrawal.

Financial Position

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

Casualty Coverage		<u>2005</u>	<u>2004</u>
Assets		\$ 29,719,675	\$ 27,437,169
Liabilities		<u>(15,994,168)</u>	<u>(13,880,038)</u>
Retained Earnings		<u>\$ 13,725,507</u>	<u>\$ 13,557,131</u>
Property Coverage		<u>2005</u>	<u>2004</u>
Assets		\$ 4,443,332	\$ 3,648,272
Liabilities		<u>(1,068,245)</u>	<u>(540,073)</u>
Retained Earnings		<u>\$ 3,375,087</u>	<u>\$ 3,108,199</u>

The Casualty Coverage assets and retained earnings above include approximately \$14.3 million and \$12 million of unpaid claims to be billed to approximately 430 member governments in the future, as of December 31, 2005 and 2004, respectively. PEP will collect these amounts in future annual premium billings when PEP's related liabilities are due for payment.

(9) SUBSEQUENT EVENTS

In June 2006, street resurfacing contracts were entered into totaling \$28,500, and in August 2006, mowing equipment was purchased for \$31,000.

3166 N. Republic Blvd.,
Toledo, Ohio 43615-1572
419-841-2848 Fax 419-841-8178

**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 Millbury
Wood County
28430 Main Street, P.O. Box 155
Millbury, OH 43447-0155

To the Village Council:

We have audited the accompanying financial statements of the Village of Millbury, Wood County, (the Village) as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated December 20, 2006 wherein we noted that the Village prepared its financial statements using accounting practices the Auditor of State prescribes, rather than accounting principles generally accepted in the United States of America. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the Village's internal control over financial reporting 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 operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our test disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

We noted certain matters that we reported to the Council of the Village of Millbury, Wood County, in a separate letter dated December 20, 2006.

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

Lublin Jussman Group LLP

December 20, 2006
Toledo, Ohio



Mary Taylor, CPA
Auditor of State

VILLAGE OF MILLBURY

WOOD 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
APRIL 17, 2007