

Annual Financial Reports

Presented by:
Local Government Services Division
Auditor of State's Office

Reports Using an OCBOA

Three types:

- Regulatory Basis
- Cash Basis
- Modified Cash Basis

Villages have been reporting using a regulatory basis of accounting prescribed by the State Auditor's Office.

AICPA Interpretation

Entities reporting using a regulatory basis of accounting will receive two opinions.

First opinion will be an adverse opinion saying the statements do not conform to GAAP.

Second opinion will be based on the basis of reporting used for the preparation of the statements.

Village's Choice

Continue to report using the regulatory basis of accounting and receive two opinions.
Will still need to conform to the new fund classifications and definitions.

Report using either cash or modified cash basis and receive one opinion.

- Report must look like statements prepared using GAAP and must have necessary notes to the financial statements.

New Reporting Guidelines

Entity-wide Financial Statements

Governmental and business-type activities (including component units)

Fund Financial Statements - no fund types

Governmental funds

Proprietary funds

Fiduciary funds

Budgetary Comparisons

Notes to the Financial Statements

Required Supplementary Information

Management's Discussion and Analysis

Meeting Reporting Requirements

- If the Village elects to submit look-alike statements, the Village is not required to include md&a and notes to meet their filing requirement
- Audit, however, will need the md&a and notes

New Fund Classifications and Definitions

Fiduciary funds - report assets which cannot be used to support the entity's programs

- Pension
- Investment trust
- Private purpose trust
- Agency

New Fund Classifications and Definitions

Governmental Funds

- General
- Special revenue (expendable trust)
- Capital projects
- Debt service
- Permanent - only earnings may be used to support the government's programs (nonexpendable)

New Fund Classifications and Definitions

Proprietary Funds

- Enterprise
 - Fees and charges are designed to cover costs
 - Debt is secured solely by a pledge of net revenues from fees and charges
 - Laws or regulations require that costs be recovered through fees and charges
- Internal service

Major Funds

Major funds - the general fund and other governmental or enterprise funds meeting both of the following criteria:

1. Total assets, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10% of that corresponding total for all funds of that category or type; and
2. Total assets, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 5% of the corresponding total for all governmental and enterprise funds combined.

Plus other funds chosen by the entity.

GASB Statement No. 14

- Summary – Entities be included when:
 - The Village appoints a majority of the Board that oversees the entity, and
 - The Village has a significant level of control over the entity

GASB Statement No. 39

- Summary – Should entities be included based upon the nature and significance of their relationship with the Village.
- Generally it requires inclusion as a component unit if the organization raises and holds economic resources for the direct benefit of the Village, if certain criteria are met.

Criteria for Discrete Presentation

The potential component unit (pcu) is legally separate, tax exempt, and meets all of the following criteria:

- 1. the resources received or held by the pcu are entirely or almost entirely for the direct benefit of the Village,
- 2. the Village is entitled to, or can otherwise access, a majority of the economic resources received or held by the pcu, AND
- 3. the economic resources received or held by an individual organization that the Village is entitled to, or has the ability to otherwise access, are significant to the Village.

Entity-wide Financial Statements

- Statement of net assets – modified cash basis
- Statement of activities – modified cash basis
 - Needs to be in as much detail as the Statement of Cash Receipts, Disbursements and Changes in Modified-Cash Basis Fund Balances
- Looks at the Village as a whole

Entity-wide Financial Statements

- Distinguish between governmental activities and business-type activities
- Exclude fiduciary funds
- Incorporate internal service funds (usually as part of governmental activities)

Entity-wide Financial Statements

Statement of net assets – modified cash basis

- Presents cash, investments and net assets
- Three classifications of net assets
 - Invested in capital assets, net of related debt
 - Will only be used if the government elects to present capital assets and debt
 - Restricted
 - Unrestricted

Entity-wide Financial Statements

Definition of Restricted

Restraints placed on the use of the net assets are either:

- Externally imposed by creditors, grantors, contributors or laws of other governments;
- Imposed by law through constitutional provisions (gas tax) or enabling legislation.

Entity-wide Financial Statements

Statement of activities – modified cash basis

- Presents village's operations by "program"
- Net cost format: Direct expenses - program revenues = net cost
- Net cost + general revenues, contributions to permanent fund principal, special and extraordinary items and transfers = change in net assets

Entity-wide Financial Statements

Statement of Activities - Program revenues

- Charges for services are allocated to the function that generates the revenue
- Grants and contributions are allocated to the function for which the revenues are restricted

What is a Program Revenue?

- Charges for services - revenues attributable to a specific program because they result from exchange or exchange-like transactions, such as charges to customers.
- Program-specific grants and contributions - grants and other financial assistance that are restricted for use in a particular program.

Program-specific grants

- Grant recipient provides the program or service to help achieve some objective of the grantor.
- Grantor helps pay the costs of the program (reduces the net cost of a program) that the government might otherwise finance from taxes and other general revenues.

Program specific grants

- Operating grants – amount received must be used to operate that program
- Capital grants – amount received must be used to meet the capital needs of that program
- Combination grant – may be used for either operating or capital purposes – should be shown as operating

How best to identify program revenues?

- Begin the process by examining revenue reports
 - Identify where someone pays for the authorization to accomplish a task or engage in activities
 - Identify if customer or applicant directly benefits from the goods or services of the program
 - Identify revenues where the amount received must be used for a specific program

Extraordinary Items

- Unusual in nature
- Infrequent in occurrence

Special Items

- Within control of the Village
- Either:
 - Unusual in nature or
 - Infrequent in occurrence

Governmental Fund Financial Statements

- Balance Sheet
- Statement of revenues, expenditures and changes in fund balance

Governmental Fund Financial Statements

- No longer presented by fund type
 - Single column for each major fund
 - One column for all non-major funds
- No account groups
- Adds special and extraordinary item classification
- Must include reconciliation to entity-wide statements

Budgetary Statements

- Original budget amounts will now be presented as a fourth column
- Original budget - first appropriation for the fund that spanned the entire year. Original budgets may be adopted at different times for different funds
- Original budget amount includes encumbrances carried forward from the prior year

Budgetary Statements

- General and major special revenue funds only
- May be presented as statements in the basic financial statements
- Original budgetary information
- Ability to capture original budget

Proprietary Fund Financial Statements

- Statement of net assets (or balance sheet)
- Statement of revenues, expenses and changes in fund net assets (or fund equity)

Proprietary Fund Financial Statements

- Each major enterprise fund is reported in a separate column
- All internal service funds are reported in a single column (there are no major internal service funds)

Proprietary Fund Financial Statements

- Statement of net assets
- Net assets or balance sheet format
 - Three classifications of net assets
 - Invested in capital assets, net of related debt
 - Restricted
 - Unrestricted

Proprietary Fund Financial Statements

- Statement of revenues, expenses and changes in fund net assets
- Operating and nonoperating revenues are still presented
 - Capital contributions and special and extraordinary items are reported separately

Fiduciary Fund Financial Statements

- Statement of fiduciary net assets
- Statement of changes in fiduciary net assets

Betty Montgomery Auditor of State

Bulletin 2005-002

Date Issued: April 13, 2005

TO: County Auditors
City Finance Directors and Auditors
School District Treasurers
ESC Treasurers
Community School Finance Officers
Township Trustees and Clerks
Township Administrators
Village Clerks, Clerk-Treasurers, and Finance Directors
Village Administrators
Library Clerks, Treasurers, and Directors
Special Districts
Independent Public Accountants

FROM: Betty Montgomery
Auditor of State of Ohio

SUBJECT: Recent AICPA Interpretation

Introduction

By now many of you are aware that the American Institute of Certified Public Accountants (AICPA) has, as of March of this year, issued an interpretation of certain professional auditing standards. It will affect all of you in some way. Regrettably, the Auditor of State's Office (AOS) was given little notice and no implementing time to permit us to notify you and educate you to this new interpretation. Although we sought such time, we were not able to persuade the AICPA.

The Summary

The simple result of this new interpretation is as follows:

1. IF YOU ARE REQUIRED BY LAW/RULE TO FOLLOW GAAP AND YOU DON'T, YOU WILL RECEIVE AN ADVERSE OPINION FROM THE AOS.

NOTE: IF, HOWEVER, YOU PUT YOUR CASH ACCOUNTING IN A GAAP-LIKE FORMAT, THE AOS CAN STILL GIVE YOU, IF YOU QUALIFY, AN UNQUALIFIED OPINION.

2. IF YOU ARE NOT REQUIRED BY LAW/RULE TO DO GAAP AND YOU FILE ON A CASH BASIS, THE AOS MUST GIVE YOU AN ADVERSE OPINION, BUT THE AOS WILL ALSO ISSUE AN ADDITIONAL OPINION – AN UNQUALIFIED OPINION - SHOULD YOU QUALIFY, BASED UPON YOUR CASH ACCOUNTING.

NOTE: IF YOU PREPARE A GAAP-LIKE FORMAT, YOU WILL RECEIVE ONE OPINION - AN UNQUALIFIED OPINION - SHOULD YOU QUALIFY.

The New Interpretation

The AICPA is the national, professional association for all certified public accountants. One of the primary functions of the AICPA is to issue interpretations of certain professional auditing standards that require additional explanation. Since the AOS follows professional auditing standards in its audits of all public offices here in Ohio, the AOS must also comply with AICPA's interpretations of those standards.

On February 2, 2005, the AICPA issued an interpretation of one of its auditing standards (i.e., AU Section 623, *Special Reports*)¹ that affects those governments that prepare their financial statements using the cash or modified cash basis of accounting.² These entities report cash received and cash paid, rather than reporting their financial activity pursuant to generally accepted accounting principles (GAAP).³

In Ohio, many entities prepare their financial statements on a cash basis. According to this AICPA interpretation, these governments must adjust their financial statements to substantially conform with the display and now applicable disclosure requirements of GAAP in order to avoid an adverse audit opinion regarding GAAP. According to the interpretation, the cash basis financial statement presentation must “look like” a GAAP presentation (i.e., GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, once it became effective); otherwise, the AOS or contracted independent public accountant (IPA) firm is required to issue an adverse opinion. An adverse opinion means the auditor is telling readers that they cannot rely on the amounts, footnotes, or presentations in the financial statement as conforming with GAAP requirements.

¹ A copy of the interpretation can be found on the web at <http://www.aicpa.org/members/div/auditstd/announce/index.htm>

² The only common modification to cash of which we are aware is including long-term investments as assets (such as certain governmental securities). Subsequent references to “cash basis” in this bulletin would also apply to this modification to the cash basis.

³ This Bulletin does not apply to governments that prepare GAAP basis financial statements.

Non-GAAP Mandated Governments

For entities that are not legally required to prepare their financial statement in accordance with GAAP and elect not to present “look alike” statements [such entities in Ohio include libraries, townships, villages, and special districts], the AOS will render a second opinion at the same time it issues its adverse opinion. In other words, when the cash statements do not resemble a GAAP presentation, the auditor will also issue a second opinion based on the statements as they were prepared. This second opinion can be an unqualified opinion, if the audit justifies such an opinion. Therefore, local governments would receive two opinions as part of their audit report if their cash statements do not look like GAAP statements (i.e., GASB 34).

For example, if one of these local governments prepares a cash basis financial statement that according to audit testing is presented fairly, the audit report would include 1) an adverse opinion for failing to present statements that resemble GAAP statements and 2) an unqualified opinion. See Example 1 in the **Appendix** for an example of this dual opinion, which is also available on the AOS website at www.auditor.state.oh.us.

To be clear, the AOS is not requiring libraries, townships, villages, or special districts to prepare financial statements using GAAP or cash basis statements that “look like” GAAP. Rather, by following professional auditing standards, the recent interpretation requires auditors (whether the AOS or contracted IPA firm) to issue a dual opinion on any government’s cash-basis financial statement that does not largely resemble a GAAP statement.

The annual reporting forms provided by the AOS and the annual reports currently generated by the Uniform Accounting Network do not meet the requirements of the new interpretation. We did not modify them since we did not wish to mandate the changes necessary to meet the interpretation’s display and disclosure requirements. However, governments that continue to use these forms as their audited statements will receive the dual opinion.

GAAP-Mandated Governments that Prepare Cash Statements

The Ohio Administrative Code requires all counties, cities, school districts, educational service centers, and community schools to file their financial statements pursuant to GAAP (OAC 117-2-03). To reiterate, for governments to file in accordance with GAAP, they must follow the GASB 34 financial reporting model, which imposes significant changes from traditional cash statements.

If a GAAP-mandated government prepares for audit a cash basis financial statement that does not conform substantially to the display and disclosure requirements of GASB 34, it is not acceptable under current professional accounting and auditing standards for general-use financial statements. Consequently, the government would receive an adverse opinion and will not receive the second opinion on its cash-basis statements, since these entities are legally required to present financial statements pursuant to GAAP. Furthermore, professional auditing standards require that if an adverse opinion is rendered on a government’s financial statements, the auditor is required to disclaim an opinion on any accompanying supplementary information, such as the federal awards expenditure schedule. This disclaimer could result in adverse consequences on federal funding.

If a GAAP-mandated government follows the interpretation by preparing statements that *substantially conform with* the display and disclosure requirements of GASB 34, the AOS will issue an **Emphasis of a Matter Paragraph**, indicating the departures from the required GAAP reporting as well as any other opinion modifications required (see Example 2 in the **Appendix** for an example of an unqualified opinion that includes an **Emphasis of a Matter Paragraph**). However, this “emphasis of a matter” will not require an adverse opinion.

Furthermore, due to the recent AICPA interpretation, this Bulletin nullifies the implementation periods outlined in AOS Technical Bulletin 2003-006, which provide additional time for GAAP-mandated entities to substantially comply with GASB 34 requirements. Thus, if a GAAP-mandated entity’s financial statement is not prepared for audit in accordance with GASB 34 or if its cash statements do not conform with GASB 34 display and disclosure requirements, the entity will receive an adverse opinion beginning with financial statements for 2004. See Example 3 in the **Appendix** for the example adverse opinion, which is also available on the AOS website at www.auditor.state.oh.us.

Effective Date

This interpretation, which was published in the March 2005 issue of the AICPA’s *Journal of Accountancy*, is intended to be effective upon publication. However, it was necessary to adequately train AOS staff to conduct audits in accordance with the provisions of the interpretation. Given these facts, the interpretation will be effective for audits whose opinions are dated April 1, 2005, and thereafter. (Opinion dates are determined by when field work has been completed on an audit.)

We are aware that the timing of the interpretation will create two types of audits for 2004: those where the field work was completed prior to April 1, 2005, and which are not affected by the interpretation; and those completed after April 1, 2005, which must conform to the interpretation’s requirements. We discussed this inconsistency with the AICPA and the possibility of extending the implementation date to avoid having to apply the requirements of the interpretation to any of the audits for 2004; however, our proposed approach was ultimately rejected.

As permitted by statute, many audits cover a two-year period. If the audit period includes fiscal years ending in 2003 and 2004, two reports will be issued. The report for 2003 will include the auditors’ reports, financial statements, and disclosures related to 2003. This Bulletin does not apply to 2003 reports. The report for 2004 will be subject to this Bulletin and will include the auditors’ reports, financial statements, and disclosures related to 2004.

Creating Cash Statements that Resemble GAAP

If affected governments wish to prepare cash statements that conform with the display and disclosure requirements of GASB 34, several changes will need to be made from the way such statements were prepared in the past. While it is not possible in a short technical bulletin to describe all of the measures necessary to create these statements, below are some general procedures that should be followed. [Readers of this Bulletin are encouraged to simultaneously review the sample “look alike” statements, available on the AOS website at

www.auditor.state.oh.us.] Governments may also wish to obtain the AICPA’s Practice Aid Series, *Applying OCBOA in State and Local Governmental Financial Statements*, which includes extensive guidance and examples of acceptable statements.⁴

GASB 34 requires presenting two sets of financial statements, one set for the entity as a whole and one set still based on fund reporting. The entity-wide presentation is designed to show the government’s financial activities consolidated into one to three categories, which separately present governmental activities, business-type activities, and discrete component units, as applicable.

Preparing the entity-wide statements requires the following:

- The government should select the basis of accounting to be used for the “look alike” statements. For strictly cash-basis entities, the assets would be cash and cash equivalents and the net assets would be broken down into two categories: restricted and unrestricted. Entities wishing to add other assets, such as investments, would be considered to be using a “modified” cash basis of accounting.
- The government should consolidate its governmental funds into governmental activities - those that are largely funded through taxes, such as police and fire protection. Similarly, the government should consolidate its enterprise funds into business-type activities - those which are funded through user charges, such as sewer services. The government will have to use this information to create two entity-wide statements: a *Statement of Net Assets* and a *Statement of Activities*.
- Compared to non-GAAP statements, the *Statement of Activities* is a new, additional operating [“income”] statement. With the *Statement of Activities*, users of the financial statement can view the government’s level of revenue and expenses during the year by activity, ultimately arriving at a change in net assets (i.e., cash) for the year.
- Governments with component units must include information regarding component units in the entity-wide statements. Refer to GASB Statement No. 14 (codification Section 2100) for the definition of component units.

The second set of financial statements focuses on individual funds and requires the following:

- The government should prepare separate fund statements covering the following fund categories:⁵
 - Governmental funds – These funds account for the government’s “government activities” and include the general fund, the special revenue funds, the debt service funds, the capital projects funds, and the permanent funds.

⁴ To order a copy either visit AICPA’s Online Store at <http://www.aicpa.org/index.htm> or call 1-888-777-7077.

⁵ Funds will have to be reclassified based on new fund type definitions set forth in GASB 34.

- Proprietary funds – These funds account for the government’s activities which are supported, at least in part, by user fees or charges. These funds include enterprise and internal service funds.⁶
 - Fiduciary funds – These funds account for situations where the government holds or manages financial resources in an agent or fiduciary capacity. These funds include the private purpose trust funds, the pension trust funds, the investment trust funds, and the agency funds.⁷
- Internal service funds and fiduciary funds will continue to be consolidated and presented by fund type. Governmental and enterprise fund statements will present separate columns for each “major fund.”
 - Major funds are those funds that exceed certain percentage requirements of total revenues, expenditures (i.e., expenses or disbursements), or assets.⁸ In all instances, the general operating fund – usually the government’s general fund – is treated as a major fund. Additionally, the government may choose to designate funds that do not meet the minimum percentage requirement as major funds. Non-major funds will be added together and presented in one column.
 - For the general fund and each major special revenue fund, the government must include *Budgetary Comparison Statements*. Each of these statements must include original as well as final budgeted amounts to illustrate compliance with budgetary regulations.
 - The notes to the statements should include disclosures necessary for the basis of accounting used.
 - The government will need to write a *Management’s Discussion and Analysis*, which is an unaudited document that describes management’s analysis of the period’s financial operations, using narratives and tables. *Management’s Discussion and Analysis* samples are available on the AOS website at www.auditor.state.oh.us.

To reiterate, the procedures listed above are only intended to summarize the major procedures governments must follow to create cash statements that conform to GAAP display requirements.

⁶ These funds account for the financing of services provided by one department to other departments with the same government on a cost-reimbursement basis.

⁷ Information on agency funds’ receipts and disbursements should be presented as supplementary information.

⁸ The major fund threshold is generally 10% of the total governmental or enterprise funds’ revenues, expenditure/expenses, or assets. However, a complete description of these requirements exceeds the overview nature of this Bulletin. Financial statement preparers should refer to the Codification of GASB Standards.

Available Assistance

Due to the highly technical nature of the AICPA interpretation and since many affected governments have already prepared and submitted their financial statements covering 2004, the AOS is prepared to offer its assistance. More specifically, the AOS will assist those governments preparing cash basis statements whose audit opinion dates fall after April 1, 2005 (provided the AOS performs their audit), if they choose to adjust their statements to conform to the GAAP display and disclosure requirements and avoid the adverse opinion. Therefore, these governments can request AOS assistance in adjusting their financial statements for an additional charge.⁹ Alternatively, affected governments may choose to have their financial statements audited as they were submitted and receive the dual opinion described above.

If an IPA firm performs the audit, these governments may engage the IPA firm for assistance, or engage any other qualified firm or individual, if they choose to adjust their statements to conform with the GAAP display requirements and avoid the adverse opinion. The AOS does not need to approve these engagements or be included as a party to related contracts.

To further assist you in preparing statements that conform to the GAAP display and disclosure requirements, we have prepared financial statement templates for villages, townships, schools, counties, and cities. Other entity types can modify these statements to meet their needs. The financial statement templates are available on our website at www.auditor.state.oh.us.

We sincerely regret not being able to give you more notice. If you have any questions or wish to discuss this issue further, please contact David Varda, Chief Deputy Auditor, at (800) 282-0370.



Betty Montgomery
Ohio Auditor of State

⁹ Our assistance is subject to the 2003 *Government Auditing Standards* independence standards amendment. In summary, these guidelines require the government to accept ultimate responsibility for the statements and disclosures, and to assign a knowledgeable management-level individual to review any work we prepare on a government's behalf and make decisions involving management functions.

Appendix

Cash (AOS Regulatory Basis) & Other Comprehensive Basis of Accounting (OCBOA) Opinion examples

- Example 1: Dual opinion applicable to governments **not** required to follow GAAP that do not amend their reporting to conform to OCBOA (i.e., GAAP “look alike”) requirements.
- Example 2: Unqualified opinion applicable to governments that amend their reporting to conform to OCBOA requirements. Opinion includes an **Emphasis of a Matter Paragraph**.
- Example 3: Adverse opinion applicable to governments **required** to follow GAAP that do not amend their reporting to conform to OCBOA requirements.

Example 1: Dual (“Adverse” / Unqualified) Opinion on Financial Statements Prepared in Accordance with the Auditor of State’s (i.e., non OCBOA) Accounting Basis ¹⁰

INDEPENDENT ACCOUNTANTS’ REPORT

XYZ Township
To the Trustees of XYZ Township:

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

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

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

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 Government as of December 31, 2004, or its changes in financial position for the year then ended.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated April 15, 2005, on our consideration of the Government’s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts

¹⁰ As the Bulletin states, we cannot use this opinion for governments required to follow GAAP. Example 3 will apply to these governments.

and grant agreements and other matters. That report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. It does not opine on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards. You should read it in conjunction with this report in assessing the results of our audit.

Betty Montgomery
Auditor of State

April 15, 2005

**Example 2: Unqualified Opinion on Cash Basis (OCBOA) Statements
(i.e., GASB 34 Display Format)**

INDEPENDENT ACCOUNTANTS' REPORT

XYZ Township

To the Trustees of XYZ Township:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of XYZ Township, ABC County, Ohio (the Government), as of and for the year ended December 31, 2004, which collectively comprise the Government's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Government's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

(The following paragraph applies only to governments required to follow GAAP.)

Ohio Administrative Code § 117-2-03 (B) requires the Government to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 1, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive basis of accounting other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

(The following paragraph replaces the preceding paragraph for governments not required to follow GAAP.)

As discussed in Note 1, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of XYZ Township, ABC County, Ohio, as of December 31, 2004, and the respective changes in cash basis financial position and the respective budgetary

comparison for the General and XXX Fund thereof for the year then ended in conformity with the accounting basis Note 1 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 15, 2005, on our consideration of the Government's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. It does not opine on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

Betty Montgomery
Auditor of State

April 15, 2005

**Example 3: Adverse Opinion for Governments Required to Follow GAAP,
But that Instead Use the Auditor of State's (i.e. non OCBOA) Accounting Basis**

INDEPENDENT ACCOUNTANTS' REPORT

ZZZ City
ABC County
To the Council Members of ZZZ City:

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

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

Ohio Administrative Code Section 117-2-03 (B) requires the Government to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 1, the accompanying financial statements and notes have been prepared on a basis of accounting not in accordance with these generally accepted accounting principles. The accompanying financial statements and notes omit entity-wide statements, and assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the accompanying financial statements do not present fairly the financial position, results of operations, and cash flows, where applicable, of XX City as of and for the year ended December 31, 2004 in accordance with accounting principles generally accepted in the United States of America.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated April 15, 2005, on our consideration of the Government's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. It does not opine on the internal control over financial reporting or on compliance. That report is an integral part

of an audit performed in accordance with Government Auditing Standards. You should read it in conjunction with this report in assessing the results of our audit.

We conducted our audit to opine on the Government's basic financial statements. The Federal Awards Expenditure Schedule presents additional information and is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. It is not a required part of the financial statements. We subjected this schedule to the auditing procedures applied in our audit of the Government's financial statements. For reasons stated in the third paragraph, the basic financial statements do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Government, as of December 31, 2004, or the changes in financial position or its cash flows for the year then ended. Therefore we are unable to express, and we do not express, an opinion on the Federal Awards Expenditure Schedule.

Betty Montgomery
Auditor of State

April 15, 2005

Betty Montgomery Auditor of State

Bulletin 2005-005

Date Issued: October 13, 2005

TO: County Auditors
City Finance Directors and Auditors
School District Treasurers
ESC Treasurers
Community School Finance Officers
Township Trustees and Clerks
Township Administrators
Village Clerks, Clerk-Treasurers, and Finance Directors
Village Administrators
Library Clerks, Treasurers, and Directors
Special Districts
County Family and Children First Councils
Law Libraries
Metropolitan Housing Authorities
Airport Authorities
Park Districts
Soil Water Conservation Districts
Water/Sewer Districts
Council of Governments
Hospitals
Governmental Insurance Pools
Community Development Corporations
Community Improvement Corporations
Convention & Visitor Bureaus
Transit Authorities
Port Authorities
Fire and Ambulance Districts
Ohio Watershed Conservancy Districts
Community Based Correctional Facilities
Agricultural Societies
Independent Public Accountants

FROM: Betty Montgomery
Ohio Auditor of State

SUBJECT: Required Fund Classifications for Non-GAAP Filers

Overview

As you are aware, Ohio law (Ohio Rev. Code § 117.38) requires that local public offices file their annual financial reports with the Auditor of State's Office (AOS). Ohio Rev. Code § 117.38 further states that the AOS may prescribe forms by rule or may issue guidelines, or both, for such reports.

While the AOS requires counties, cities, school districts, educational service centers, and community schools to file financial statements that conform to generally accepted accounting principles (GAAP), the AOS **does not require** other local governments to file their financial statements pursuant to GAAP. As authorized under Ohio Rev. Code § 117.38, however, the AOS has traditionally required all other local governments to prepare their annual reports using the same fund categories (governmental, proprietary, and fiduciary) and the same fund types (general, special revenue, etc.) as provided for in GAAP. These fund classifications have recently been changed. Therefore, those local governments that prepare non-GAAP, cash-basis financial statements will be required to reclassify their funds using these new classifications beginning January 1, 2006.¹ The first filing requirement for these entities will be 60 days after year-end.

Purpose of Reclassification

The AOS wants the underlying financial information that is used to prepare the financial statements to be classified the same way (i.e., comparable) for all governments, regardless of whether they prepare cash-basis statements, GASB 34 "look-alike" statements, or statements that conform to GAAP. In other words, all local governments will follow the same fund classification system under this requirement, which will prevent two similar governments with similar funds from reporting them differently on their financial statements. Thus, this requirement will provide a level of comparability in terms of fund types among similar governments, regardless of the basis used to prepare their annual financial statements.

Fund Changes

To assist local governments in understanding the changes caused by this fund reclassification, the following table compares fund types under the old classifications to the classifications provided for in the new guidelines.

¹ Those local governments that prepare GAAP or GASB 34 "look-alike" statements (pursuant to AOS Technical Bulletin 2005-002) already follow the fund classifications provided for in GAAP.

Funds Classifications

Old Classifications	New Classifications
Governmental Funds	
General Fund	General Fund
Special Revenue Funds	Special Revenue Funds
Debt Service Funds	Debt Service Funds
Capital Projects Funds	Capital Projects Funds
<i>No Corresponding Fund Type</i>	Permanent Funds
Proprietary Funds	
Enterprise Funds	Enterprise Funds
Internal Service Funds	Internal Service Funds
Fiduciary Funds	
Nonexpendable Trust Funds	<i>Fund Type Eliminated</i>
Expendable Trust Funds	<i>Fund Type Eliminated</i>
<i>No Corresponding Fund Type</i>	Private Purpose Trust Funds
Investment Trust Funds	Investment Trust Funds
Pension Trust Funds	Pension Trust Funds ²
Agency Funds	Agency Funds

As evidenced in the table, most of the changes take place in the fiduciary fund category. Under the new classification system, fiduciary funds only report assets held in a trustee or agency capacity for others and therefore cannot be used to support the government's own programs. In other words, these funds should report resources held and administered by the reporting government when it is acting in a fiduciary capacity for individuals, private organizations, or other governments. Under the old classification system, fiduciary funds could include financial activity that benefits or supports the reporting government's own programs. However, the new guidelines restrict the use of fiduciary funds to reporting financial activity that relates to individuals, private organizations, or other governments.

Nonexpendable and Expendable Trust Funds³

Because activities of the reporting government's own programs may no longer be reported in a fiduciary fund, they must be reclassified as part of the governmental fund category. Thus, the following fiduciary fund types have been eliminated and their activities must now be accounted for in the following manner (**Note:** Definitions are provided to assist the government with the reclassification):

² Ohio governments whose employees are covered by a state-wide pension system (OPERS, Ohio Police and Fire Pension Fund etc.) do not have pension trust funds.

³ Governments must maintain copies of trust agreements to document their obligation as trustee. However, we are aware that some trust agreements may be very old (e.g. cemetery endowments) and the government may no longer have a copy of the trust agreement. In these instances, the government may be able to obtain a copy from the probate court. If a government cannot obtain a trust document, it should consult with its legal counsel regarding the steps required to remediate the situation.

- *Nonexpendable Trust Fund:* Accounted for trusts that stipulated that only earnings, and not principal, could be spent by the government. In other words, nonexpendable trust funds functioned essentially as endowments.

Under the new classification system, the nonexpendable trust fund must be reclassified as either a permanent fund or a private purpose trust fund. A government would report a permanent fund if it can spend the earnings on its own programs. This new fund type was created to account just for these types of contributions. Conversely, a government would report a private purpose trust fund, also a new fund type, if it can only spend the earnings on other individuals, organizations, or other governments.

- *Expendable Trust Fund:* Accounted for trusts where both principal and earnings on principal could have been spent for the trust's intended purpose.

Under the new classification system, the expendable trust fund must be reclassified as either a special revenue fund or a private purpose trust fund. A government would report a special revenue fund if the government may spend the principal and earnings for its own programs. A government would report a private purpose trust fund if it can only spend the principal and earnings on other individuals, organizations, or other governments.

For example, it is common for local governments to receive contributions or bequests for the upkeep and maintenance of a cemetery. Assuming cemetery upkeep and maintenance is a function of the government, the contribution would be accounted for within a special revenue fund if both the principal and the interest could be spent and a permanent fund if the terms of the bequest specified that only the interest could be spent. The fund classification becomes less clear if the bequest is intended to benefit one specific lot rather than the cemetery as a whole. In this situation the AOS recommends the use of a private purpose trust fund, since the use of the money is for the benefit of a specific individual, rather than a broader program of the government. If the local government maintains a fund that accounts for a combination of dollars, some of which are for the operation and maintenance of the cemetery as a whole and some of which are restricted to benefiting individual lots, the AOS recommends the use of a permanent fund.

Similarly, libraries routinely have trust funds that account for contributions given for the benefit of the library and to support library programs. These contributions would also need to be reclassified as either special revenue or permanent funds. Again, the contribution would be accounted for within a special revenue fund if both the principal and the interest could be spent and a permanent fund if the terms of the bequest specify that only the interest could be spent.

Private Purpose Trust Funds

The new fund classification system creates a new type of fund within the fiduciary fund category. To reiterate, fiduciary funds report assets held in a trustee or agency

capacity for individuals, private organizations, or other governments. Trust funds differ from agency funds generally by the existence of a legally enforceable trust agreement affecting the degree of management involvement and the length of time the government holds the assets. The specific purpose of this new fund type within the fiduciary fund category is as follows:

- *Private Purpose Trust Fund:* Accounts for trust arrangements under which principal and income from the trust may only be used for the benefit of those individuals, private organizations, or other governments.

Investment Trust Funds

An investment trust fund is established when a government's fiscal officer also serves as fiscal officer for other separate governments, pools and invests the governments' resources, and allocates the interest earnings back to the governments. The investment trust fund accounts for the external portion of the investment pool. For example, a county auditor may also serve as the fiscal officer for a metropolitan park district. The fiscal officer pools county and park district money for investing and allocates part of the interest to the park district. The portion of the pool that belongs to the park district is the external portion of the pool that would be reported in the county's investment trust fund, provided the park district is entitled to receive investment earnings on its deposits.

AOS Assistance

To facilitate the reclassification, the AOS will provide training to those local governments affected by this requirement prior to January 1, 2006. Furthermore, UAN users will be automatically prompted by the system to reclassify the funds as they make the transition from 2005 to 2006. The UAN system will automatically carryover budgetary information and year-end closing information to the appropriate fund as it has been reclassified by the user. Further, the annual report forms provided by the AOS will be modified for 2006 to reflect the new fund classifications. Notice of the training will be sent out and posted to the AOS website as soon as the dates and locations have been finalized.

If you have any questions regarding the information presented in this Bulletin, please contact the AOS Local Government Services Section at (800) 345-2519 or the AOS Accounting & Auditing Support Group at (800) 282-0370.



Betty Montgomery
Ohio Auditor of State

Betty Montgomery Auditor of State

Bulletin 2004-001

Date Issued: February 19, 2004

TO: School District and ESC Treasurers
Library Clerks\Treasurers
College and University Fiscal Officers
Independent Public Accountants

FROM: Betty Montgomery
Ohio Auditor of State

SUBJECT: Auditor of State's Position on GASB 39 – Determining
“Significance” and “Safe Harbor”

Many Ohio governments, but especially colleges and universities, libraries, and public school districts, have affiliated fund-raising organizations, such as college and university foundations, band booster organizations, friends of the library etc., that typically are separate tax exempt entities. GASB Statement No. 39 requires governments to evaluate whether these affiliated fund-raising organizations should be reported as “component units” of their related governments¹. GASB 39 requires such inclusion if the affiliated organization meets all 3 of the following criteria:

- ❖ The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the...government, its component units, or its constituents.
- ❖ The...government...is entitled to, or has the ability to...access a majority of the economic resources received or held by the separate organization.
- ❖ The economic resources received or held by an individual organization that the specific...government...is entitled to, or has the ability to otherwise access, are **significant** to that...government.

Since GASB 39 does not define “significant” for purposes of this last criterion, this Bulletin is being issued to describe the Auditor of State’s position

¹ This bulletin does not apply to public libraries that issue their financial statements using the cash basis of accounting.

on significance and to create a “safe harbor” for Ohio Entities subject to this statement. In other words, if the affiliated organization’s resources are not considered “significant,” then they need not report the organization as a “component unit” of the related government and therefore, not subject to audit under GASB 39. The Auditor of State’s position on “significance” of resources in audits of governments that have affiliated fund-raising organizations described in GASB Statement No. 39 is as follows:

- The Auditor of State will consider the affiliated organization as significant for purposes of GASB 39 if its revenues\ net assets per its Form 990 as filed with the Internal Revenue Service exceed 5% of the primary government’s total all funds’ or activities’ revenues, or net assets.

Entities whose audits are performed by an Independent Public Accountant (IPA) would be expected to adopt this Bulletin’s safe harbor provisions or may develop their own professional criteria for determining “significance.” Entities that choose to develop their own criteria should document their methodology and follow appropriate accounting principles. Furthermore, if such entities use guidance deviating from this Bulletin, the entities and their IPAs should be prepared to justify such departures².

For entities audited by the Auditor of State, our office will consider approving “significance” waivers for entities. Requests to consider such waivers should be directed to your Auditor of State audit team who will consult with the Auditor of State’s Accounting & Auditing Support group.

In determining the fund-raising organization’s total revenues for purposes of this “safe harbor” calculation, the Auditor of State will allow the government to use one of two methods:

- Use the affiliated organization’s revenues\ net assets from its IRS Form 990 that corresponds with the government’s fiscal year, or
- Use a 5-year running average of revenues\ net assets of the government’s affiliated organization, which will help alleviate fund-raising spikes from affecting the calculation.

In order to use this “safe harbor” when determining significance, the government must not have been in fiscal watch or emergency pursuant to Chapters 118 or 3316, Ohio Rev. Code or a state of fiscal watch pursuant to Ohio Rev. Code §§ 3345.72 - .77 during any of the 5 annual periods ending with the current fiscal year under audit.

² The determination to include or not include the affiliated organization(s) for external financial reporting purposes under GASB 39 does not affect requirements, if any, established by the Auditor of State to audit the affiliated organizations.

GASB 39 is effective for financial statements for periods beginning after June 15, 2003. For public school districts, and colleges and universities with a June 30 fiscal year end, the effective date is for their fiscal year beginning July 1, 2003; for libraries, the effective date is the fiscal year beginning January 1, 2004.

Questions about this Bulletin may be directed to Accounting & Auditing Support, 1-800- 282-0370.

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

Ohio Auditor of State

VILLAGE OF _____
_____ COUNTY

Statement of Net Assets - Cash Basis
December 31, 2005

	Governmental Activities	Business - Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$402,740	\$124,791	\$527,531
Cash in Segregated Accounts	0	0	0
Investments	0	0	0
Total Assets	<u>\$402,740</u>	<u>\$124,791</u>	<u>\$527,531</u>
Net Assets			
Restricted for:			
Water Improvements	0	8,748	8,748
Other Purposes	143,617	0	143,617
Unrestricted	<u>259,123</u>	<u>116,043</u>	<u>375,166</u>
Total Net Assets	<u>\$402,740</u>	<u>\$116,043</u>	<u>\$527,531</u>

See accompanying notes to the basic financial statements

VILLAGE OF _____
 _____ COUNTY

**STATEMENT OF ACTIVITIES - CASH BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2005**

	Program Cash Receipts		
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions
Governmental Activities			
Security of Persons and Property	\$59,502	\$13,058	\$0
Public Health Services	39,542	23,135	0
Leisure Time Activities	5,451	0	0
Transportation	44,375	0	62,180
General Government	115,648	0	0
Capital Outlay	18,243	0	0
	<u>282,761</u>	<u>36,193</u>	<u>62,180</u>
Business Type Activities			
Water Operating	110,846	115,005	1,999
Sewer Operating	85,389	77,850	0
Refuse	73,998	79,031	0
	<u>270,233</u>	<u>271,886</u>	<u>1,999</u>
Total Business Type Activities	<u>270,233</u>	<u>271,886</u>	<u>1,999</u>
Total Primary Government	<u>\$552,994</u>	<u>\$308,079</u>	<u>\$64,179</u>

General Receipts

Property Taxes
 Municipal Income Taxes
 Grants and Entitlements not Restricted to Specific Programs
 Earnings on Investments
 Miscellaneous

Total General Receipts

Change in Net Assets

Net Assets Beginning of Year

Net Assets End of Year

See accompanying notes to the basic financial statements.

Net (Disbursements) Receipts and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
(\$46,444)	\$0	(\$46,444)
(16,407)	0	(16,407)
(5,451)	0	(5,451)
17,805	0	17,805
(115,648)	0	(115,648)
(18,243)	0	(18,243)
(184,388)		(184,388)
0	\$6,158	6,158
0	(7,539)	(7,539)
0	5,033	5,033
	3,652	3,652
(\$184,388)	\$3,652	(\$180,736)
\$19,758	\$0	\$19,758
139,558	0	139,558
60,039	0	60,039
15,002	0	15,002
27,519	117	27,636
261,876	117	261,993
77,488	3,769	81,257
325,252	121,022	446,274
\$402,740	\$124,791	\$527,531

VILLAGE OF _____
 _____ COUNTY

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

	<u>General</u>	<u>Street Const. Maint. Rep.</u>	<u>Cemetery</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Equity in Pooled Cash and Cash Equivalents	\$259,123	\$104,780	\$20,136	\$18,701	\$402,740
Cash in Segregated Accounts	0	0	0	0	0
Investments	0	0	0	0	0
Total Assets	<u>\$259,123</u>	<u>\$104,780</u>	<u>\$20,136</u>	<u>\$18,701</u>	<u>\$402,740</u>
Fund Balances					
Unreserved:					
Undesignated, Reported in:					
General Fund	259,123	0	0	0	259,123
Special Revenue Funds	0	104,780	20,136	18,701	143,617
Total Fund Balances	<u>\$259,123</u>	<u>\$104,780</u>	<u>\$20,136</u>	<u>\$18,701</u>	<u>\$402,740</u>

See accompanying notes to the basic financial statements.

VILLAGE OF _____
 _____ COUNTY

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

	<u>General</u>	<u>Street Const. Maint. Rep.</u>	<u>Cemetery</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Receipts					
Property and Other Local Taxes	\$19,758	\$0	\$0	\$6,426	\$26,184
Municipal Income Taxes	139,558	0	0	0	139,558
Intergovernmental	60,039	46,641	0	9,113	115,793
Special Assessments	0	1,952	0	13,058	15,010
Charges for Services	339	0	23,238	0	23,577
Fines, Licenses and Permits	340	0	0	0	340
Earnings on Investments	11,772	2,722	0	508	15,002
Miscellaneous	21,416	1,522	0	1,847	24,785
Total Receipts	<u>253,222</u>	<u>52,837</u>	<u>23,238</u>	<u>30,952</u>	<u>360,249</u>
Disbursements					
Current:					
Security of Persons and Property	46,668	0	0	12,834	59,502
Public Health Services	0	0	39,542	0	39,542
Leisure Time Activities	5,451	0	0	0	5,451
Transportation	776	23,712	0	19,887	44,375
General Government	115,648	0	0	0	115,648
Capital Outlay	18,243	0	0	0	18,243
Total Disbursements	<u>186,786</u>	<u>23,712</u>	<u>39,542</u>	<u>32,721</u>	<u>282,761</u>
Net Change in Fund Balances	66,436	29,125	(16,304)	(1,769)	77,488
Fund Balances Beginning of Year	<u>192,687</u>	<u>75,655</u>	<u>36,440</u>	<u>20,470</u>	<u>325,252</u>
Fund Balances End of Year	<u>\$259,123</u>	<u>\$104,780</u>	<u>\$20,136</u>	<u>\$18,701</u>	<u>\$402,740</u>

See accompanying notes to the basic financial statements.

VILLAGE OF _____
 _____ COUNTY

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL-BUDGET BASIS
 GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Property and Other Local Taxes	\$19,000	\$19,758	\$19,758	\$0
Municipal Income Taxes	129,000	139,558	139,558	0
Intergovernmental	61,190	60,039	60,039	0
Charges for Services	1,500	339	339	0
Fines, Licenses and Permits	200	340	340	0
Earnings on Investments	4,000	11,772	11,772	0
Miscellaneous	5,050	21,416	21,416	0
Total receipts	<u>219,940</u>	<u>253,222</u>	<u>253,222</u>	<u>0</u>
Disbursements				
Current:				
Security of Persons and Property	98,800	98,700	46,668	52,032
Leisure Time Activities	10,500	10,500	5,451	5,049
Community Environment	100	100		100
Transportation	6,300	6,300	776	5,524
General Government	134,040	134,140	115,648	18,492
Capital Outlay	160,260	160,260	18,243	142,017
Total Disbursements	<u>410,000</u>	<u>410,000</u>	<u>186,786</u>	<u>223,214</u>
Net Change in Fund Balance	(190,060)	(156,778)	66,436	223,214
Fund Balance Beginning of Year	<u>192,687</u>	<u>192,687</u>	<u>192,687</u>	<u>0</u>
Fund Balance End of Year	<u><u>\$2,627</u></u>	<u><u>\$35,909</u></u>	<u><u>\$259,123</u></u>	<u><u>\$223,214</u></u>

See accompanying notes to the basic financial statements.

VILLAGE OF _____
 _____ COUNTY

**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>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Intergovernmental	\$41,400	\$46,641	\$46,641	\$0
Special Assessments	1,900	1,952	1,952	0
Earnings on Investments	700	4,244	4,244	0
Total receipts	<u>44,000</u>	<u>52,837</u>	<u>52,837</u>	<u>0</u>
Disbursements				
Current:				
Transportation	43,600	43,600	23,712	19,888
Capital Outlay	75,000	75,000	0	75,000
Total Disbursements	<u>118,600</u>	<u>118,600</u>	<u>23,712</u>	<u>94,888</u>
Net Change in Fund Balance	(74,600)	(65,763)	29,125	94,888
Fund Balance Beginning of Year	<u>75,655</u>	<u>75,655</u>	<u>75,655</u>	<u>0</u>
Fund Balance End of Year	<u>\$1,055</u>	<u>\$9,892</u>	<u>\$104,780</u>	<u>\$94,888</u>

See accompanying notes to the basic financial statements.

VILLAGE OF _____
 _____ COUNTY

**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 Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Charges for Services	\$19,900	\$23,238	\$23,238	\$0
Total receipts	<u>19,900</u>	<u>23,238</u>	<u>23,238</u>	
Disbursements				
Current:				
Public Health Services	56,000	56,000	39,542	16,458
Total Disbursements	<u>56,000</u>	<u>56,000</u>	<u>39,542</u>	<u>16,458</u>
Excess of Receipts Over (Under) Disbursements	<u>(36,100)</u>	<u>(32,762)</u>	<u>(16,304)</u>	<u>16,458</u>
Net Change in Fund Balance	(36,100)	(32,762)	(16,304)	16,458
Fund Balance Beginning of Year	<u>36,440</u>	<u>36,440</u>	<u>36,440</u>	<u>0</u>
Fund Balance End of Year	<u><u>\$340</u></u>	<u><u>\$3,678</u></u>	<u><u>\$20,136</u></u>	<u><u>\$16,458</u></u>

See accompanying notes to the basic financial statements.

VILLAGE OF _____
 _____ COUNTY

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

	<u>Water Operating</u>	<u>Sewer Operating</u>	<u>Refuse</u>	<u>Total Enterprise Funds</u>
Assets				
Equity in Pooled Cash and Cash Equivalents	<u>\$91,348</u>	<u>\$25,129</u>	<u>\$8,314</u>	<u>\$124,791</u>
Total Assets	<u><u>\$91,348</u></u>	<u><u>\$25,129</u></u>	<u><u>\$8,314</u></u>	<u><u>\$124,791</u></u>
Net Assets				
Restricted for Water Improvement	8,748	0	0	8,748
Unrestricted	<u>82,600</u>	<u>25,129</u>	<u>8,314</u>	<u>116,043</u>
Total Net Assets	<u><u>\$82,600</u></u>	<u><u>\$25,129</u></u>	<u><u>\$8,314</u></u>	<u><u>\$124,791</u></u>

See accompanying notes to the basic financial statements.

VILLAGE OF _____
 _____ COUNTY

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

	Water Operating	Sewer Operating	Refuse	Total Enterprise Funds
Operating Receipts				
Charges for Services	\$90,041	\$77,850	\$79,031	\$246,922
Total Operating Receipts	90,041	77,850	79,031	246,922
Operating Disbursements				
Personal Services	24,874	25,004	2,690	52,568
Employee Fringe Benefits	8,588	8,538	1,041	18,167
Contractual Services	19,319	25,209	70,267	114,795
Supplies and Materials	7,719	14,657	0	22,376
Other	3,819	1,533	0	5,352
Total Operating Disbursements	64,319	74,941	73,998	213,258
Operating Income	25,722	2,909	5,033	33,664
Non-Operating Receipts (Disbursements)				
Intergovernmental	1,999	0	0	1,999
Special Assessments	24,964	0	0	24,964
Miscellaneous Receipts	104	13	0	117
Capital Outlay	(25,462)	(10,448)	0	(35,910)
Principal Payments	(21,065)	0	0	(21,065)
Total Non-Operating Receipts (Disbursements)	(19,460)	(10,435)	0	(29,895)
Change in Net Assets	6,262	(7,526)	5,033	3,769
Net Assets Beginning of Year	85,086	32,655	3,281	121,022
Net Assets End of Year	\$91,348	\$25,129	\$8,314	\$124,791

See accompanying notes to the basic financial statements.

VILLAGE OF _____
_____ COUNTY

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

	<u>Private Purpose Trust</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$18,105</u>
Net Assets	
Held in Trust for Scholarships	<u>\$18,105</u>
Total Net Assets	<u>\$18,105</u>

See accompanying notes to the basic financial statements.

VILLAGE OF _____
_____ COUNTY

Statement of Changes in Fiduciary Net Assets - Cash Basis
Fiduciary Funds
For the Year Ended December 31, 2005

	<u>Private Purpose Trust</u>
Additions	
Interest	\$579
Deductions	
Payments in Accordance with Trust Agreements	<u>577</u>
Change in Net Assets	2
Net Assets - Beginning of Year	<u>18,103</u>
Net Assets - End of Year	<u><u>\$18,105</u></u>

See accompanying notes to the basic financial statements