



**Auditor of State
Betty Montgomery**

**VILLAGE OF SUGAR BUSH KNOLLS
PORTAGE COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management Discussion and Analysis	3
Statement of Net Assets - Cash Basis - 2005.....	11
Statement of Activities - Cash Basis - 2005.....	12
Statement of Cash Basis Assets and Fund Balances - 2005	14
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances - 2005	15
Statement of Receipts, Disbursements and Changes In Fund Balance - Budget and Actual -Budget Basis - General Fund - 2005.....	16
Statement of Receipts, Disbursements and Changes In Fund Balance - Budget and Actual -Budget Basis – Street Construction, Maintenance & Repair Fund - 2005.....	17
Statement of Net Assets - Cash Basis - 2004.....	18
Statement of Activities - Cash Basis - 2004.....	19
Statement of Cash Basis Assets and Fund Balances - 2004	21
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances - 2004	22
Statement of Receipts, Disbursements and Changes In Fund Balance - Budget and Actual -Budget Basis - General Fund - 2004	23
Statement of Receipts, Disbursements and Changes In Fund Balance - Budget and Actual -Budget Basis – Street Construction, Maintenance & Repair Fund - 2004.....	24
Notes to the Financial Statements	25
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	36

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Village of Sugar Bush Knolls
Portage County
P.O. Box 2127
Streetsboro, Ohio 44241

To the Village Council:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Sugar Bush Knolls, Portage County, Ohio (the Village), as of and for the years ended December 31, 2005 and 2004, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Sugar Bush Knolls, Portage County, Ohio, as of December 31, 2005 and 2004, and the respective changes in cash financial position and the respective budgetary comparison for the General and Street Construction, Maintenance and Repair Fund thereof for the years then ended in conformity with the basis of accounting Note 1 describes.

For the years ended December 31, 2005 and 2004, the Village revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 2, 2006, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

Betty Montgomery
Auditor of State

August 2, 2006

Village of Sugar Bush Knolls
Management's Discussion and Analysis
For the Years Ended December 31, 2005 and 2004
Unaudited

This discussion and analysis of the Village of Sugar Bush Knolls', Portage County, Ohio (the Village) financial performance provides an overall review of the Village's financial activities for the years ended December 31, 2005 and 2004, within the limitations of the Village's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Village's financial performance.

Highlights

Key highlights for 2005 and 2004 are as follows:

Net assets of governmental activities decreased \$68,609, or 20.54 percent, a significant change from the prior year. The only fund that was affected by the decrease in cash and cash equivalents was the General Fund, which realized 100 percent of the burden of increased costs, because it was the only fund that appropriations were paid out in 2005.

The Village's general receipts are primarily property taxes and intergovernmental shared funds. In 2005, these receipts represent respectively 34.25 and 57.91 percent of the total cash received for governmental activities during the year. In 2004, these receipts represent respectively 38.48 and 55.55 percent of the total cash received for governmental activities during the year. Total receipts for 2005 changed very little compared to 2004.

In 2005, the Village spent \$73,977 to work on Lake Roger and Lake Martin dams. This was done in order for the Village to regain management control over the lakes and dams. The cost of this one project alone represents 39.53 percent of the total amount spent by the Village and 107.82 percent of the total decrease in assets in 2005. This is only the direct cost of the project. There is another \$6,980 in engineering fees that are solely a direct result of this project. If you add the engineering cost to this total, then this project represents 43.26 percent of the total amount spent by the Village and 118.00 percent of the total decrease in assets in 2005.

In 2004, the Village spent \$69,741 in 2004 to do some major improvements to the outflow sources for the storm water drainage system located within the Village. The cost of this one project alone represents 38.39 percent of the total amount spent by the Village in 2004 and 102.61 percent of the total decrease in assets in 2004.

In November 2004, a renewal property tax levy was passed that will produce an estimated \$15,181 per year. This levy is for 5 years and will commence in 2004 and is first due in 2005. This levy will expire in 2008. Because it is a renewal levy, this money was already being received by the Village and this levy just ensured the continuation of this sum.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Village's cash basis of accounting.

Report Components

The statement of net assets and the statement of activities provide information about the cash activities of the Village as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Village as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

Village of Sugar Bush Knolls
Management's Discussion and Analysis
For the Years Ended December 31, 2005 and 2004
Unaudited

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Basis of Accounting

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

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

Reporting the Village as a Whole

The statement of net assets and the statement of activities reflect how the Village did financially during 2005 and 2004, within the limitations of cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental activities of the Village at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function activity draws from the Village's general receipts.

These statements report the Village's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Village's financial health. Over time, increases or decreases in the Village's cash position is one indicator of whether the Village's financial health is improving or deteriorating. When evaluating the Village's financial condition, you should also consider other non-financial factors as well such as the Village's property tax base and the extent of the Village's debt obligations.

The Village only has Governmental type of activities; thus, the statement of net assets and the statement of activities will show only Governmental type activities:

Governmental activities: All of the Village's basic services are reported here, including police, fire, leaf and garbage collection, and mosquito fogging and lawn maintenance. Property taxes and intergovernmental shared funds finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Reporting the Village's Most Significant Funds

Fund financial statements provide detailed information about the Village's major funds and that represents almost all of the Village's activities for 2005 and 2004. The Village establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted, as to how it may be used, is being spent for the intended purpose. The Village only has the Governmental type of activities; thus, the statement of net assets and the statement of activities will show only Governmental type activities:

Village of Sugar Bush Knolls
Management's Discussion and Analysis
For the Years Ended December 31, 2005 and 2004
Unaudited

Governmental Funds - All of the Village's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Village's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Village's programs. The Village's significant governmental funds are presented on the financial statements in separate columns. These funds for 2005 and 2004 are the General Fund and the restricted Street Construction, Maintenance & Repair Fund. The information for non-major funds, funds whose activity or balances are not large enough to warrant separate reporting, are combined and presented in total in a single column. The Village's only non-major governmental fund is the Other Capital Projects Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

The Village as a Whole

Table 1 provides a summary of the Government's net assets for 2005 compared to 2004 on a cash basis:

(Table 1)
Net Assets

	Governmental Activities	
	2005	2004
Assets		
Cash and Cash Equivalents	\$ 265,452	\$ 334,061
Investments	-	-
Total Assets	265,452	334,061
Net Assets		
Restricted for:		
Capital Outlay	9,678	9,479
Other Purposes	57,376	46,390
Unrestricted	198,398	278,192
Total Net Assets	\$ 265,452	\$ 334,061

As mentioned previously, net assets of governmental activities decreased \$79,795 or 20.54 percent during 2005 and \$76,517 or 16.90 percent during 2004. The primary reason contributing to the decrease in cash balances is as follows:

- In 2005, the Village had a large dam project that needed to be done in order for the Village to regain management control over the lakes and dams located within the Village. This project alone cost \$72,977 in direct cost and another \$6,980 in auxiliary cost which alone exceeds the decrease in the net assets of the Village and is actually 118 percent of the decrease.
- In 2004, the Village had a major drainage project that improved the outflows for the storm water drainage located within the Village. This project alone cost \$69,741, which alone exceeds the decrease in the net assets of the Village activities and is actually 102.61 percent of the decrease.

Table 2 reflects the changes in net assets in 2005. Since the Village did prepare financial statements in this format for 2004, a comparative analysis of government-wide data has been presented.

Village of Sugar Bush Knolls
Management's Discussion and Analysis
For the Years Ended December 31, 2005 and 2004
Unaudited

(Table 2)
Changes in Net Assets

	Governmental Activities 2005	Governmental Activities 2004	Change
Receipts:			
Program Receipts:			
Charges for Services and Sales	\$ 2,504	\$ 2,313	\$ 192
Operating Grants and Contributions	9,209	5,926	1,779
Total Program Receipts	11,713	8,239	1,971
General Receipts:			
Property and Other Local Taxes	40,595	43,755	(1,656)
Grants and Entitlements Not Restricted to Specific Programs	59,434	57,233	2,201
Interest	6,790	4,473	2,317
Total General Receipts	106,819	105,461	2,861
Total Receipts	118,532	113,700	4,832
Disbursements:			
General Government	49,349	56,324	(6,975)
Security of Persons and Property:	9,525	12,177	(2,652)
Public Health Services	4,200	4,200	-
Economic Development	1,990	69,812	(67,822)
Basic Utilities	21,908	21,797	111
Transportation	26,192	17,357	8,835
Capital Outlay	73,977	-	73,977
Total Disbursements	187,141	181,667	5,474
Excess (Deficiency) Before Transfers	(68,609)	(67,967)	642
Transfers	-	-	-
Increase (Decrease) in Net Assets	(68,609)	(67,967)	642
Net Assets, January 1, 2005	334,061	402,028	(67,967)
Net Assets, December 31, 2005	\$ 265,452	\$ 334,061	\$ (68,609)

Program receipts for 2005 represent only 9.88 percent of total receipts and for 2004 they represent 7.25 percent. In both years, the program receipts are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money and building permits.

General receipts for 2005 represent 90.12 percent of the Village's total receipts, and of this amount, 38 percent are local taxes. State and federal grants and entitlements make up the balance of the Village's general receipts or 55.64 percent. General receipts for 2004 represent 92.75 percent of the Village's total receipts, and of this amount, 41.49 percent are local taxes. For both 2005 and 2004, other receipts are very insignificant sources. The difference of the revenue between 2005 and 2004 is only \$4,832 or 4.25 percent.

Disbursements for General Government represent the overhead costs of running the Village and the support services provided for the other Village activities. These include the salary and benefits of the Clerk/Treasurer and the cost of running the Village, as well as other services that don't fit anywhere else such as lawn maintenance, engineering, and general repairs.

Village of Sugar Bush Knolls
Management's Discussion and Analysis
For the Years Ended December 31, 2005 and 2004
Unaudited

Security of Persons and Property are the costs of police and fire protection and street lighting; Public Health Services is the mosquito fogging; Community Environment is the cost of maintaining the lakes and the Village drainage system, Basic Utilities is the cost of the garbage and leaf collection; and Transportation is the cost of maintaining the roads, including snow removal and salting.

The difference of the disbursements between 2005 and 2004 is only \$5,474 or 3.01 percent and this is after two major one time projects that are completely different from each other. If you take away the one time major project from each year, the difference is only \$1,309.50 or 1.20 percent.

The comparison of 2005 to 2004 shows that both years are almost identical in both receipts and disbursements. The consistency of the revenue and the disbursements gives the Village a solid financial base from which it can work from for future financial projections.

Governmental Activities

If you look at the Statement of Activities, you will see that the first column lists the major services provided by the Village. The next column identifies the costs of providing these services. In 2005, the major program disbursements for governmental activities were for General Government and Capital Outlay, which account for 26.37 and 39.53 percent of all governmental disbursements, respectively. In 2004, the major program disbursements for governmental activities were for General Government and Community Environment, which account for 31.00 and 38.43 percent of all governmental disbursements, respectively. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Village that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

	Governmental Activities			
	Total Cost Of Services	Net Cost of Services	Total Cost Of Services	Net Cost of Services
	2005	2005	2004	2004
General Government	\$ 49,349	\$ 46,845	\$ 56,324	\$ 54,011
Security of Persons and Property	9,525	9,525	12,177	12,177
Public Health Services	4,200	4,200	4,200	4,200
Community Environment	1,990	1,990	69,812	69,812
Basic Utilities	21,908	21,908	21,797	21,797
Transportation	26,192	16,983	17,357	11,431
Capital Outlay	73,977	73,977		
Total Expenses	\$ 187,141	\$ 175,428	\$ 181,667	\$ 173,428

In 2005, the dependence upon property tax and intergovernmental shared fund receipts is apparent as 58.37 percent of governmental activities are supported through these general receipts. In 2004, the dependence upon property tax and intergovernmental shared fund receipts is apparent as 58.85 percent of governmental activities are supported through these general receipts.

Village of Sugar Bush Knolls
Management's Discussion and Analysis
For the Years Ended December 31, 2005 and 2004
Unaudited

The Village's Funds

In 2005, total governmental funds had receipts of \$118,532 and disbursements of \$187,141. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund decreased \$79,795 as a result of the completion of the major lake and dam project. In 2004, total governmental funds had receipts of \$113,700 and disbursements of \$181,667. The greatest change in governmental funds occurred within the General Fund. The fund balance in the General Fund decreased \$76,517 as a result of the major drainage project on the storm water outflows of the storm water drainage system that was completed in 2004.

In 2005 and 2004, General Fund receipts were less than disbursements by \$79,795 and \$76,517, respectively, indicating that the General Fund is in a deficit spending situation. This trend obviously cannot continue indefinitely, but the Village is prepared for occasional situations like this that do arise from time to time. As presented earlier in this discussion, this deficit was due to the major lake and dam project. The Village has been working on this project since 1999. The Village has been keeping funds in reserve in order to pay for this project when the time came. The Tax Commission of Portage County has even questioned the Village about their plans for the reserves and why it has been so high for so many years. A review of the current finances shows that the governmental receipts are still enough to pay for the general day to day disbursements.

General Fund Budgeting Highlights

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

During 2005 and 2004, the Village amended its General Fund budget several times to reflect changing circumstances. In 2005, final budgeted receipts remained constant with the original budgeted receipts due to the method the Clerk/Treasurer uses during the budget process. The difference between final budgeted receipts and actual receipts was significant. The Clerk/Treasurer's position is that as long as the actual receipts are higher and the money is not needed, then the Village does not adjust the final budgeted numbers. This adjustment is done when the year end figures are sent to the Portage County Auditor's Office. In 2004, final budgeted receipts were below original budgeted disbursements. This was done by design.

The Village's cash flow is structured that normal day to day operations are covered by the receipts that the Village regularly generates, but any large one time project that come along must be paid for by the cash reserves of the Village. The Village has been holding onto the extra cash reserves because it has been working with the State of Ohio to regain control over the management of the two lakes located within the Village. The Village has completed a major dam project that it has been working on since 1999. The cost of this one time dam project was \$73,977. It ended up that the dam project was completed in 2005, and a major outflow storm water drainage issue arose and some of the money that was reserved during 2004 for the dam project was eventually used during 2004 for the completion of the outflow storm water drainage project instead. In addition, the Village is financially flush with cash due to two large one time estate settlements. This explains the rather large fund balance carryover from year to year over the last 8 to 9 years.

In 2005, final receipts were budgeted at \$96,337, while the actual receipts were \$107,346. Final disbursements were budgeted at \$274,899 while actual disbursements were \$187,141. Although receipts were not enough to cover the disbursements for 2005, the actual receipts were higher than budgeted and the actual disbursements were actually lower than they were budgeted. The end line result is still a decrease in fund balance of \$79,795 for 2005

In 2004, final receipts were budgeted at \$97,928, while the actual receipts were \$105,149. Final disbursements were budgeted at \$256,000, while the actual disbursements were \$181,667. Although

Village of Sugar Bush Knolls
Management's Discussion and Analysis
For the Years Ended December 31, 2005 and 2004
Unaudited

receipts were not enough to cover the disbursements for 2004, the actual receipts were higher than budgeted and the actual disbursements were actually lower than budgeted.

Capital Assets and Debt Administration

Capital Assets

The Village does not currently keep track of its capital assets and infrastructure. The Clerk/Treasurer has attended several training sessions on this subject, but so far a program of recording and tracking these assets has not been put in place.

Debt

As of December 31, 2005 and 2004 the Village did not have any debt.

Current Issues

The challenge for all municipalities is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. The Village relies heavily on property taxes and intergovernmental shared funds to support its revenue base. The Village has no industry to support its tax base. Upon review of its sources of revenue, immediate increases were unlikely. The Village's cash flow is structured that normal day to day operations are covered by the receipts that the Village regularly generates, but any large one time project that comes along must be paid for by the cash reserves the Village has. A financial review has been done and the regular receipts that the Village generates can still cover the day to day expenses that the Village has without a deficit. With the completion of 2005, the reserves are down to about two and a half years of normal day to day appropriations. A review was done on the disbursement history of the Village and it was found that all of the known major projects that could be identified have been completed. At this time, there is only one larger one time project that the Village is working on and that project should be completed for between \$12,000 and \$18,000. The Village has conducted a roadway inspection and \$90,000 worth of repairs has been recommended. None of these repairs are critical in nature and they can be done over the next five to eight years. Also, the Village currently has \$52,087 of unencumbered funds in the restricted Street Construction, Maintenance & Repair Fund to help cover this project. We are aware that the practice of expending more than we receive must slow down and eventually stop, but the recent reductions in fund balance over the last two years have been planned so certain projects could be completed. A review of the next few years indicates that the reductions in fund balance could continue, but on a much smaller scale, and if necessary, not at all.

Contacting the Village's Financial Management

This financial report is designed to provide our citizens, taxpayers, possible investors, and future creditors with a general overview of the Village's finances and to reflect the Village's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to William Elder, Clerk-Treasurer, Village of Sugar Bush Knolls, P O Box 2127, Streetsboro, Ohio 44241.

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Village of Sugar Bush Knolls, Portage County

Statement of Net Assets - Cash Basis

December 31, 2005

	Governmental Activities	Total
	<u> </u>	<u> </u>
Assets		
Equity in Pooled Cash and Cash Equivalents	\$ 265,452	\$ 265,452
Investments		0
	<u> </u>	<u> </u>
<i>Total Assets</i>	<u>\$ 265,452</u>	<u>\$ 265,452</u>
Net Assets		
Restricted for:		
Capital Projects	\$ 9,678	\$ 9,678
Debt Service		0
Other Purposes	57,376	57,376
Unrestricted	198,398	198,398
	<u> </u>	<u> </u>
<i>Total Net Assets</i>	<u>\$ 265,452</u>	<u>\$ 265,452</u>

See accompanying notes to the basic financial statements

Village of Sugar Bush Knolls, Portage 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			
General Government	\$ 49,349	\$ 2,504	
Security of Persons and Property	9,525		
Public Health Services	4,200		
Community Environment	1,990		
Basic Utility Services	21,908		
Transportation	26,192		\$ 9,209
Capital Outlay	73,977		
<i>Total Governmental Activities</i>	<u>187,141</u>	<u>2,504</u>	<u>9,209</u>

General Receipts

Property Taxes Levied for:
 General Purposes
 Other Taxes
 Grants and Entitlements not Restricted to Specific Programs
 Interest

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		Total	
\$	(46,845)	\$	(46,845)
	(9,525)		(9,525)
	(4,200)		(4,200)
	(1,990)		(1,990)
	(21,908)		(21,908)
	(16,983)		(16,983)
	(73,977)		(73,977)
	<u>(175,428)</u>		<u>(175,428)</u>
	39,816		39,816
	779		779
	59,434		59,434
	<u>6,790</u>		<u>6,790</u>
	106,819		106,819
	(68,609)		(68,609)
	<u>334,061</u>		<u>334,061</u>
\$	<u>265,452</u>	\$	<u>265,452</u>

Village of Sugar Bush Knolls, Portage County

Statement of Cash Basis Assets and Fund Balances

Governmental Funds

December 31, 2005

	<u>General</u>	<u>Street Construction, Maintenance, & Repair</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Equity in Pooled Cash and Cash Equivalents	\$ 198,398	\$ 57,376	\$ 9,678	\$ 265,452
Investments				-
<i>Total Assets</i>	<u>\$ 198,398</u>	<u>\$ 57,376</u>	<u>\$ 9,678</u>	<u>\$ 265,452</u>
Fund Balances				
Reserved:				
Reserved for Encumbrances				
Unreserved:				
Undesignated (Deficit), Reported in:				
General Fund	\$ 198,398			\$ 198,398
Special Revenue Funds		\$ 57,376		57,376
Capital Projects Funds			\$ 9,678	9,678
<i>Total Fund Balances</i>	<u>\$ 198,398</u>	<u>\$ 57,376</u>	<u>\$ 9,678</u>	<u>\$ 265,452</u>

See accompanying notes to the basic financial statements

Village of Sugar Bush Knolls, Portage County
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2005

	General	Street Construction, Maintenance, & Repair	Other Governmental Funds	Total Governmental Funds
Receipts				
Municipal Income Taxes				
Property and Other Local Taxes	\$ 39,943	\$ 652		\$ 40,595
Fines, Licenses and Permits	2,504			2,504
Intergovernmental	59,434	9,209		68,643
Interest	5,465	1,126	\$ 199	6,790
<i>Total Receipts</i>	<u>107,346</u>	<u>10,987</u>	<u>199</u>	<u>118,532</u>
Disbursements				
Current:				
General Government	49,349			49,349
Security of Persons and Property	9,525			9,525
Public Health Services	4,200			4,200
Community Environment	1,990			1,990
Basic Utility Services	21,908			21,908
Transportation	26,192			26,192
Capital Outlay	73,977			73,977
<i>Total Disbursements</i>	<u>187,141</u>	<u>-</u>	<u>-</u>	<u>187,141</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(79,795)</u>	<u>10,987</u>	<u>199</u>	<u>(68,609)</u>
<i>Fund Balances Beginning of Year</i>	<u>278,192</u>	<u>46,389</u>	<u>9,480</u>	<u>334,061</u>
<i>Fund Balances End of Year</i>	<u>\$ 198,397</u>	<u>\$ 57,376</u>	<u>\$ 9,679</u>	<u>\$ 265,452</u>

See accompanying notes to the basic financial statements

Village of Sugar Bush Knolls, Portage County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
General Fund
For the Year Ended December 31, 2005

	<u>Budgeted Amounts</u>			(Optional)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Receipts				
Municipal Income Taxes				
Property and Other Local Taxes	\$ 46,837	\$ 46,837	\$ 39,943	\$ (6,894)
Fines, Licenses and Permits	2,000	2,000	2,504	504
Intergovernmental	45,000	45,000	59,434	14,434
Interest	2,500	2,500	5,465	2,965
<i>Total receipts</i>	<u>96,337</u>	<u>96,337</u>	<u>107,346</u>	<u>11,009</u>
Disbursements				
Current:				
General Government	85,000	85,000	73,977	11,023
Security of Persons and Property	16,500	16,500	9,525	6,975
Public Health Services	6,500	6,500	4,200	2,300
Community Environment	5,559	2,249	1,990	259
Basic Utility Services	30,300	30,300	21,908	8,392
Transportation	30,000	50,000	26,192	23,808
Capital Outlay	82,200	84,350	49,349	35,001
<i>Total Disbursements</i>	<u>256,059</u>	<u>274,899</u>	<u>187,141</u>	<u>87,758</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(159,722)</u>	<u>(178,562)</u>	<u>(79,795)</u>	<u>98,767</u>
<i>Net Change in Fund Balance</i>	(159,722)	(178,562)	(79,795)	98,767
<i>Fund Balance Beginning of Year</i>	276,243	276,243	276,243	-
Prior Year Encumbrances Appropriated	<u>1,949</u>	<u>1,949</u>	<u>1,949</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u>\$ 118,470</u>	<u>\$ 99,630</u>	<u>\$ 198,397</u>	<u>\$ 98,767</u>

See accompanying notes to the basic financial statements

Village of Sugar Bush Knolls, Portage County
*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Street Construction Maintenance & Repair Fund
For the Year Ended December 31, 2005*

	<u>Budgeted Amounts</u>		<u>Actual</u>	(Optional)
	<u>Original</u>	<u>Final</u>		Variance with Final Budget Positive (Negative)
Receipts				
Municipal Income Taxes				
Property and Other Local Taxes			\$ 652	\$ 652
Special Assessments				-
Charges for Services				-
Fines, Licenses and Permits				-
Intergovernmental	\$ 5,700	\$ 5,700	9,209	3,509
Interest	300	300	1,126	826
Miscellaneous				-
<i>Total receipts</i>	<u>6,000</u>	<u>6,000</u>	<u>10,987</u>	<u>4,987</u>
Disbursements				
Current:				
General Government				-
Security of Persons and Property				-
Public Health Services				-
Leisure Time Activities				-
Community Environment				-
Basic Utility Services				-
Transportation				-
Capital Outlay				-
Debt Service:				-
Principal Retirement				-
Interest and Fiscal Charges				-
<i>Total Disbursements</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>6,000</u>	<u>6,000</u>	<u>10,987</u>	<u>4,987</u>
<i>Fund Balance Beginning of Year</i>	46,389	46,389	46,389	-
Prior Year Encumbrances Appropriated				-
<i>Fund Balance End of Year</i>	<u>\$ 52,389</u>	<u>\$ 52,389</u>	<u>\$ 57,376</u>	<u>\$ 4,987</u>

See accompanying notes to the basic financial statements

Village of Sugar Bush Knolls, Portage County

Statement of Net Assets - Cash Basis

December 31, 2004

	Governmental Activities	Total
	<u> </u>	<u> </u>
Assets		
Equity in Pooled Cash and Cash Equivalents	\$ 334,061	\$ 334,061
Investments		
	<u> </u>	<u> </u>
<i>Total Assets</i>	<u>334,061</u>	<u>334,061</u>
Net Assets		
Restricted for:		
Capital Projects	9,479	9,479
Other Purposes	46,390	46,390
Unrestricted	<u>278,192</u>	<u>278,192</u>
<i>Total Net Assets</i>	<u>\$ 334,061</u>	<u>\$ 334,061</u>

See accompanying notes to the basic financial statements

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Village of Sugar Bush Knolls, Portage County

Statement of Activities - Cash Basis

For the Year Ended December 31, 2004

	Program Cash Receipts		
Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	
Governmental Activities			
General Government	\$ 56,324	\$ 2,313	
Security of Persons and Property	12,177		
Public Health Services	4,200		
Community Environment	69,812		
Basic Utility Services	21,797		
Transportation	17,357		5,926
<i>Total Governmental Activities</i>	\$ 181,667	\$ 2,313	\$ 5,926

General Receipts

Property Taxes Levied for:

General Purposes

Grants and Entitlements not Restricted to Specific Programs

Interest

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		Total	
\$	(54,011)	\$	(54,011)
	(12,177)		(12,177)
	(4,200)		(4,200)
	(69,812)		(69,812)
	(21,797)		(21,797)
	(11,431)		(11,431)
<u>\$</u>	<u>(173,428)</u>	<u>\$</u>	<u>(173,428)</u>
	43,755		43,755
	57,233		57,233
	4,473		4,473
	105,461		105,461
	(67,967)		(67,967)
	402,028		402,028
<u>\$</u>	<u>334,061</u>	<u>\$</u>	<u>334,061</u>

Village of Sugar Bush Knolls, Portage County
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2004

	<u>General</u>	<u>Street Construction, Maintenance, & Repair</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Equity in Pooled Cash and Cash Equivalents	\$ 278,192	\$ 46,390	\$ 9,479	\$ 334,061
Investments				-
<i>Total Assets</i>	<u>\$ 278,192</u>	<u>\$ 46,390</u>	<u>\$ 9,479</u>	<u>\$ 334,061</u>
Fund Balances				
Reserved:				
Reserved for Encumbrances	\$ 5,259			\$ 5,259
Unreserved:				
Undesignated (Deficit), Reported in:				
General Fund	272,933			272,933
Special Revenue Funds		\$ 46,390		46,390
Capital Projects Funds			\$ 9,479	9,479
<i>Total Fund Balances</i>	<u>\$ 278,192</u>	<u>\$ 46,390</u>	<u>\$ 9,479</u>	<u>\$ 334,061</u>

See accompanying notes to the basic financial statements

Village of Sugar Bush Knolls, Portage County
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2004

	General	Street Construction, Maintenance, & Repair	Other Governmental Funds	Total Governmental Funds
Receipts				
Property and Other Local Taxes	\$ 41,721	\$ 2,034		\$ 43,755
Fines, Licenses and Permits	2,313			2,313
Intergovernmental	57,233	5,926		63,159
Interest	3,883	483	\$ 107	4,473
<i>Total Receipts</i>	<u>105,150</u>	<u>8,443</u>	<u>107</u>	<u>113,700</u>
Disbursements				
Current:				
General Government	56,324			56,324
Security of Persons and Property	12,177			12,177
Public Health Services	4,200			4,200
Community Environment	69,812			69,812
Basic Utility Services	21,797			21,797
Transportation	17,357			17,357
<i>Total Disbursements</i>	<u>181,667</u>	<u>-</u>	<u>-</u>	<u>181,667</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(76,517)</u>	<u>8,443</u>	<u>107</u>	<u>(67,967)</u>
<i>Fund Balances Beginning of Year</i>	<u>354,709</u>	<u>37,946</u>	<u>9,373</u>	<u>402,028</u>
<i>Fund Balances End of Year</i>	<u>\$ 278,192</u>	<u>\$ 46,389</u>	<u>\$ 9,480</u>	<u>\$ 334,061</u>

See accompanying notes to the basic financial statements

Village of Sugar Bush Knolls, Portage County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
General Fund
For the Year Ended December 31, 2004

	<u>Budgeted Amounts</u>			(Optional)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Receipts				
Property and Other Local Taxes	\$ 43,145	\$ 43,145	\$ 41,720	\$ (1,425)
Fines, Licenses and Permits	1,900	1,900	2,313	413
Intergovernmental	49,733	49,733	57,233	7,500
Interest	3,150	3,150	3,883	733
<i>Total receipts</i>	<u>97,928</u>	<u>97,928</u>	<u>105,149</u>	<u>7,221</u>
Disbursements				
Current:				
General Government	82,600	82,600	56,324	26,276
Security of Persons and Property	16,500	16,500	12,177	4,323
Public Health Services	6,500	6,500	4,200	2,300
Community Environment		75,100	69,812	5,288
Basic Utility Services	30,300	30,300	21,797	8,503
Transportation	35,000	35,000	17,357	17,643
Capital Outlay	75,000	10,000		10,000
<i>Total Disbursements</i>	<u>245,900</u>	<u>256,000</u>	<u>181,667</u>	<u>74,333</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(147,972)</u>	<u>(158,072)</u>	<u>(76,518)</u>	<u>81,554</u>
<i>Fund Balance Beginning of Year</i>	354,709	354,709	354,709	-
Prior Year Encumbrances Appropriated				-
<i>Fund Balance End of Year</i>	<u>\$ 206,737</u>	<u>\$ 196,637</u>	<u>\$ 278,191</u>	<u>\$ 81,554</u>

See accompanying notes to the basic financial statements

Village of Sugar Bush Knolls, Portage County
*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Street Construction Maintenance & Repair Fund
For the Year Ended December 31, 2004*

	Budgeted Amounts		Actual	(Optional) Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$ 1,700	\$ 1,700		\$ (1,700)
Intergovernmental	4,000	4,000	\$ 5,926	1,926
Interest	400	400	483	83
<i>Total receipts</i>	<u>6,100</u>	<u>6,100</u>	<u>6,409</u>	<u>309</u>
Disbursements				
Current:				
General Government				
Security of Persons and Property				
Public Health Services				
Leisure Time Activities				
Community Environment				
Basic Utility Services				
Transportation				
Capital Outlay				
Debt Service:				
Principal Retirement				
Interest and Fiscal Charges				
<i>Total Disbursements</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>6,100</u>	<u>6,100</u>	<u>6,409</u>	<u>309</u>
<i>Fund Balance Beginning of Year</i>	37,946	37,946	37,946	-
Prior Year Encumbrances Appropriated				-
<i>Fund Balance End of Year</i>	<u>\$ 44,046</u>	<u>\$ 44,046</u>	<u>\$ 44,355</u>	<u>\$ 309</u>

See accompanying notes to the basic financial statements

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Village of Sugar Bush Knolls
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

Note 1 – Reporting Entity

The Village of Sugar Bush Knolls, Portage County, Ohio (the Village), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a six-member Council elected along with a Mayor and a Clerk/Treasurer. The term of the six Council members is four years and the terms are staggered so only half of the members run every two years. This way, the whole Council is not turning over every four years. All of the Council positions are elected. The Mayor appoints the President of Council and votes only to break a tie. All of the positions on Council, except the Clerk/Treasurer, are volunteer positions with only occasional expenses being reimbursed.

The reporting entity is comprised of the primary government only. There are no component units or other organizations included.

A. Primary Government

The primary government consists of all funds, boards and agencies that are not legally separate from the Village. The Village provides general government services, maintenance of Village roads and lakes, except State Route 43 and Ferguson Road, garbage and leaf pickup, mosquito fogging, street lighting, emergency services, and police services. The Village appropriates general fund money to support all of these activities.

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

Note 2 – Summary of Significant Accounting Policies

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the Village's accounting policies.

A. Basis of Presentation

The Village's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Village as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" receipts and disbursements. The statements distinguish between those activities of the Village that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The Village had no internal service, business-type activities, or fiduciary funds.

Village of Sugar Bush Knolls
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

Note 2 – Summary of Significant Accounting Policies (continued)

The statement of net assets presents the cash balance of the governmental activities of the Village at year end. The statement of activities compares disbursements with program receipts for each of the Village's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Village is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function or business-type activity is self-financing on a cash basis or draws from the Village's general receipts.

Fund Financial Statements

During the year, the Village segregates transactions related to certain Village functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Village at this more detailed level. The focus of governmental financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

B. Fund Accounting

The Village uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. The funds of the Village are all governmental.

Governmental Funds

The Village classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The Village's only major governmental funds are the General Fund and the Street Construction, Maintenance, & Repair Fund. The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio. The other governmental funds of the Village account for grants and other resources whose use is restricted to a particular purpose. As stated earlier in these notes, governmental funds are the only type of funds that the Village has as of December 31, 2005 and 2004.

C. Basis of Accounting

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

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

Village of Sugar Bush Knolls
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

Note 2 – Summary of Significant Accounting Policies (continued)

D. Budgetary Process

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

The appropriations ordinance is the Village Council's authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the Village Council. The legal level of control has been established at the fund, department, and object level for all funds.

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

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

E. Cash and Investments

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

Cash and cash equivalents that are held separately in accounts at a financial institution for retainage and bond reserves and debt service are reported as "Cash and Cash Equivalents with Fiscal Agents." As of December 31, 2005, the Village did not have any cash or cash equivalents with fiscal agents.

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments. As of December 31, 2005, the Village did not have any investments with an initial maturity of more than three months.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively. As of December 31, 2005, the Village did not have any assets listed as investments.

During 2005 and 2004, the Village had its monies in a primary checking account at a local financial institution and the STAR Ohio asset investment pooled account. The Village's primary checking account, which is a demand deposit, is recorded at the amount reported by First Merit Bank as of December 31, 2005. The Village's deposits are either insured by the Federal Depository Insurance Corporation or are collateralized by the financial institution's public entity deposit pool. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for at December 31, 2005.

Village of Sugar Bush Knolls
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

Note 2 – Summary of Significant Accounting Policies (continued)

STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2005.

Interest earnings are allocated to Village funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2005 and 2004 respectively was \$5,465 and \$3,883. There was no interest assigned to the General Fund from any other Village funds.

F. Restricted Assets

Cash, cash equivalents and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets represent the monies contained in the Street construction, Maintenance & Repair Fund and the Other Capital Projects Fund. The restriction of the amounts held in these funds follow the names in the title of the funds; ie. Street projects and other capital projects. As of December 31, 2005, the restricted balance held in the Street Construction, Maintenance & Repair Fund was \$57,376 and the restricted balance held in the Other Capital Project Fund was \$9,679. As of December 31, 2004, the restricted balance held in the Street Construction, Maintenance & Repair Fund was \$46,390 and the restricted balance held in the Other Capital Project Fund was \$9,479.

G. Inventory and Prepaid Items

The Village reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

H. Capital Assets

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

I. Interfund Receivables/Payables

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

J. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's cash basis of accounting.

K. Employer Contributions to Cost-Sharing Pension Plans

The Village recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 12 and 13, the employer contributions include portions for pension benefits and for postretirement health care benefits.

Village of Sugar Bush Knolls
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

Note 2 – Summary of Significant Accounting Policies (continued)

L. Long-Term Obligations

The Village's cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure are reported at inception. Lease payments are reported when paid. As of December 31, 2005 and 2004, the Village does not have any long term debt obligations.

M. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

The Village's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

As discussed above in Note 2.F, the assets of the Village that are restricted are contained in one fund: Other Capital Projects that had a balance as of December 31, 2005 and 2004 of \$9,679 and \$9,479, respectively.

N. Fund Balance Reserves

The Village reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances.

O. Interfund Transactions

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

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

Last year the Village reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. This year the Village has implemented the cash basis of accounting described in note 2. The fund financial statements now present each major fund in a separate column with nonmajor funds aggregated and presented in a single column, rather than a column for each fund type.

There was no restatement of Fund Equity resulting from the change in accounting basis.

Village of Sugar Bush Knolls
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

Note 4 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund and the Street Construction, Maintenance & Repair fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the cash basis are outstanding year end encumbrances that are treated as cash disbursements in the budgetary basis rather than as a reservation of fund balance in the cash basis and outstanding year end advances are treated as an other financing source or use in the budgetary basis rather than as an interfund receivable or payable in the cash basis. The General Fund encumbrances outstanding at December 31, 2005 and 2004 were \$0 and \$5,259, respectively. There were no other encumbrances in any other fund at the end of either year.

Note 5 – Deposits and Investments

Monies held by the Village are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Village treasury. Active monies must be maintained either as cash in the Village treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that Council has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Village can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

Village of Sugar Bush Knolls
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Village, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

At year end, the Village had \$0 in un-deposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents".

Deposits

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

Investments

The Village currently does not have a written investment policy, so Council has restricted the Clerk/Treasurer to investments in FDIC instruments, which are currently represented by the primary bank account only and the Star Ohio State managed pooled investment account for all of the Village's deposits and funds. As of December 31, 2005, the Village does not have any custodial credit risk.

Note 5 - Deposits and Investments (continued)

As of December 31, 2005 and 2004, the Village had the following investments:

Calendar 2005	<u>Fair Value</u>	<u>Maturity</u>
STAR Ohio 2005	\$170,367	39 Days
Total Portfolio 2005	\$170,367	
Calendar 2004	<u>Fair Value</u>	<u>Maturity</u>
STAR Ohio	\$253,757	39 Days
Total Portfolio	<u>\$253,757</u>	

Interest rate risk As a means of limiting its exposure to fair value losses caused by rising interest rates, the Village invests operating funds in primarily short-term investments maturing in a relatively short period of time from the date of purchase.

Village of Sugar Bush Knolls
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

Credit Risk The STAR Ohio carries a rating of AAAm by Standard and Poor's. The Village has no investment policy dealing with investment credit risk beyond the requirements in state statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service.

Concentration Credit Risk The Village places no limit on the amount it may invest in short term investments.

Note 6 – Property Taxes

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

Public utility property tax receipts received in 2005 represent the collection of 2004 taxes. Public utility real and tangible personal property taxes received in 2004 became a lien on December 31, 2003, were levied after October 1, 2004, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

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

Note 6 – Property Taxes (continued)

The full tax rate for all Village operations for the year ended December 31, 2005, was \$8.20 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2005 property tax receipts were based are as follows:

Real Property		
Residential	\$	7,410,110.00
Agriculture		0.00
Commercial/Industrial/Mineral		0.00
Public Utility Property		43,080.00
Real		0.00
Personal		0.00
Tangible Personal Property		12,596.00
Total Assessed Value	\$	7,465,786.00

Village of Sugar Bush Knolls
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

Note 7 – Risk Management

The Village does not belong to the Ohio Municipal Joint Self-Insurance Pool, (the "Pool"), an unincorporated tax exempt non-profit organization, governed by its member municipalities because it does not have buildings, vehicles, or operate a business type activity of any kind. Instead, the Village purchases general insurance and an umbrella policy from Cincinnati Insurance Company. The Village also purchases public officials and employment practices liability insurance from the Professional Governmental Underwriters, Inc. Finally, the Village purchases three year public official bonds in the amount of \$10,000.00 for the Mayor and the Clerk/Treasurer.

As of December 31, 2005, the limits of coverage for the general liability policy are as follows:

Each Occurrence Limit:	\$ 500,000.00
General Aggregate Limit:	\$ 1,000,000.00
Products-Completed Operations Aggregate Limit	\$ 1,000,000.00
Personal & Adv Injury Limit:	\$ 500,000.00
Fire Damage (any one fire):	\$ 100,000.00
Medical Expense Limit:	\$ 5,000.00

The deductible per claim is \$2,500.00.

As of December 31, 2005, the limits of coverage for the umbrella policy are as follows:

Each Occurrence Limit:	\$ 1,000,000.00
General Aggregate Limit:	\$ 1,000,000.00
Total Aggregate Limit:	\$ 1,000,000.00

The deductible per claim is \$2,500.00

As of December 31, 2005, the limits of coverage for the public official policy are as follows:

Each Occurrence Limit:	\$ 1,000,000.00
General Occurrence Limit:	\$ 1,000,000.00
Total Aggregate Limit:	\$ 1,000,000.00

The deductible per claim is \$2,500.00

As of December 31, 2005, the Village does not self insure for any kind of insurance coverage.

Note 8 – Defined Benefit Pension Plans

A. Ohio Public Employees Retirement System

The Village participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings.

The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

Village of Sugar Bush Knolls
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the year ended December 31, 2005, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary; members in public safety contributed 9 percent. The Village's contribution rate for pension benefits for 2005 was 9.55 percent, except for those plan members in law enforcement or public safety. For those classifications, the Village's pension contributions were 12.7 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Village's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2005, 2004, and 2003 were \$1,640.97, \$1,591.68, and \$1,422.67 respectively. The Village only had one part time employee that was a member of this plan. The full amount has been contributed for 2005, 2004 and 2003.

Note 9 – Post-employment Benefits

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2004 local government employer contribution rate was 13.55 percent of covered payroll (16.7 percent for public safety and law enforcement); 4.00 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2003, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase between 1.00 and 6.00 percent annually for the next eight years and 4.00 percent annually after eight years.

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

The number of active contributing participants in the traditional and combined plans was 369,885. Actual employer contributions for 2004 which were used to fund postemployment benefits were \$210,421. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2003, (the latest information available) were \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$26.9 billion and \$16.4 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP)

Village of Sugar Bush Knolls
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

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Auditor of State Betty Montgomery

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

Village of Sugar Bush Knolls
Portage County
P.O. Box 2127
Streetsboro, Ohio 44241

To the Village Council:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Sugar Bush Knolls (the Village) as of and for the years ended December 31, 2005 and 2004, which collectively comprise the Village's basic financial statements and have issued our report thereon dated August 2, 2006, wherein, we noted the Village uses a comprehensive basis of accounting other than generally accepted accounting principles. We also noted that the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standard*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Village's management dated August 2, 2006, we reported an other matter involving internal control over financial reporting we did not deem a reportable condition.

Compliance and Other Matters

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

Village of Sugar Bush Knolls
Portage County
Independent Accountants' Report on Internal Control over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

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

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

Betty Montgomery
Auditor of State

August 2, 2006



**Auditor of State
Betty Montgomery**

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VILLAGE OF SUGAR BUSH KNOLLS

PORTAGE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
OCTOBER 17, 2006**