

VILLAGE OF WILMOT

STARK, OHIO

AUDIT REPORT

For the Year Ended December 31, 2005

Charles E. Harris and Associates, Inc.
Certified Public Accountants and Governmental Consultants



**Auditor of State
Betty Montgomery**

Village Council
Village of Wilmot
P.O. Box 192
Wilmot, Ohio 44689

We have reviewed the *Report of Independent Accountants* of the Village of Wilmot, Stark County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2005 through December 31, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

BETTY MONTGOMERY
Auditor of State

November 28, 2006

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VILLAGE OF WILMOT
STARK COUNTY
AUDIT REPORT
For the years ended December 31, 2005

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Charles E. Harris & Associates, Inc.
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REPORT OF INDEPENDENT ACCOUNTANTS

Village of Wilmot
Stark County
300 Massillon St.
Wilmot, Ohio 44689

To Village Council:

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Village of Wilmot as of and for the year ended December 31, 2005, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express 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 obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Village, as of December 31, 2005, and the respective changes in cash basis financial position and the budgetary comparison for the General Fund for the year then ended in conformity with the basis of accounting Note 2 describes.

For the year ended December 31, 2005, the Village revised its financial statement presentation comparable to the requirements of Governmental Accounting Standards Board Statement 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 a report dated September 25, 2006 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. It does not opine on the internal control over financial reporting or 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, which consisted principally on inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Charles E. Harris & Associates, Inc.
September 25, 2006

VILLAGE OF WILMOT
STARK COUNTY
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

This discussion and analysis of the Village of Wilmot's financial performance provides an overall review of the Village's financial activities for the year ended December 31, 2005, within the limitations of the Village's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Village's financial performance.

Highlights

Key highlights for 2005 are as follows:

Net assets of governmental activities increased \$782, or 7.3 percent. Cost increases affected most funds.

The Village's general receipts are primarily property and income taxes. These receipts represent respectively 7.8 and 79.8 percent of the total cash received for governmental activities during the year. Property and income tax receipts for 2005 decreased compared to 2004.

The water operation, the Village's main business-type activity, realized operating income of \$73,846.

Council placed on the ballot a ½% levy on income for operations, maintenance, new equipment, extension, enlargement of village services and facilities and capital improvements. The issue failed both in May and November.

Because of the lack of funds at the due date of the Town Hall Renovation Bond payment, the Village had to execute a change in terms agreement with the lender requiring monthly payments on the bond rather than annual payments and an extension of the maturity date to June 15, 2008 instead of the initial maturity date of July 1, 2007.

The cost of insurance has increased dramatically since 2002. The funds that have been affected by this increase are General, Street Construction, Maintenance and Repair and Water Operating.

The General fund has been impacted by a change in the RED Center dispatching system. Until 2003, the Village received dispatching services for the police department at no charge. In 2003, there were changes that resulted in a charge of \$1,700, which increased to \$2,400 in 2004 and \$2,520 in 2005.

A local school received approval of property tax exemption from the State of Ohio in 2005. Property taxes were refunded for four years resulting in a significant decrease in property tax revenues for the Village.

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.

VILLAGE OF WILMOT
STARK COUNTY
Management's Discussion and Analysis
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Report Components

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

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

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

VILLAGE OF WILMOT
STARK COUNTY
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

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 nonfinancial factors as well such as the Village's property tax base, the condition of the Village's capital assets and infrastructure, the extent of the Village's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property and income taxes.

In the statement of net assets and the statement of activities, we divide the Village into two types of activities:

Governmental activities. Most of the Village's basic services are reported here, including police, fire (contracted), streets and parks. Income and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Business-type activity. The Village's main business-type activity, the provision of water. Business-type activities are financed by a fee charged to the customers receiving the service.

Reporting the Village's Most Significant Funds

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

Governmental Funds - Most of the Village's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Village's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Village's programs. The Village's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Village's only major governmental fund is the General Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

Proprietary Funds – When the Village charges customers for the services it provides, these services are generally reported in proprietary funds. When the services are provided to the general public, the activity is reported as an enterprise fund. The Village's major enterprise fund is the water operating fund. When the services are provided to other department of the Village, the service is reported as an internal service fund. The Village has no internal service funds.

VILLAGE OF WILMOT
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Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the Village. Fiduciary funds are not reflected on the government-wide financial statements because the resources of these funds are not available to support the Village's programs.

The Village as a Whole

Table 1 provides a summary of the Village's net assets for 2005:

(Table 1)
Net Assets

	Governmental Activities 2005	Business-Type Activities 2005
Assets		
Cash and Cash Equivalents	\$ 11,428	\$ 97,421
Total Assets	11,428	97,421
Net Assets		
Restricted for:		
Other Purposes	\$ 4,400	
Unrestricted	7,028	\$ 97,421
Total Net Assets	\$ 11,428	\$ 97,421

Since 2005 is the first year that the Village is implementing the cash basis GASB 34 look alike presentation, there is no comparison to 2004.

As mentioned previously, net assets of governmental activities increased \$ 782 or 7.3 percent during 2005.

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

VILLAGE OF WILMOT
STARK COUNTY
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

(Table 2)
Changes in Net Assets

	Governmental Activities 2005	Business Type Activities 2005	Total 2005
Receipts:			
Program Receipts:			
Charges for Services and Sales	\$ 2,300	\$ 75,796	\$ 78,096
Operating Grants and Contributions	11,657	-	11,657
Total Program Receipts	<u>13,957</u>	<u>75,796</u>	<u>89,753</u>
General Receipts:			
Property and Other Local Taxes	8,697	-	8,697
Income Taxes	88,453	-	88,453
Grants and Entitlements Not Restricted to Specific Programs	8,061	-	8,061
Interest	1,075	-	1,075
Miscellaneous	4,606	-	4,606
Total General Receipts	<u>110,892</u>	<u>-</u>	<u>110,892</u>
Total Receipts	<u>124,849</u>	<u>75,796</u>	<u>200,645</u>
Disbursements:			
General Government	34,240	-	34,240
Security of Persons and Property:	60,386	-	60,386
Public Health Services	858	-	858
Leisure Time Activities	571	-	571
Community Environment	100	-	100
Basic Utilities	693	-	693
Transportation	20,641	-	20,641
Principal Retirement	11,357	-	11,357
Interest and Fiscal Charges	4,544	-	4,544
Water	-	61,220	61,220
Other Enterprise Funds	-	1,350	1,350
Total Disbursements	<u>133,390</u>	<u>62,570</u>	<u>195,960</u>
Excess (Deficiency) Before Transfers	(8,541)	13,226	4,685
Transfers	9,323	(9,323)	-
Increase (Decrease) in Net Assets	<u>782</u>	<u>3,903</u>	<u>4,685</u>
Net Assets, January 1, 2005	10,646	93,518	104,164
Net Assets, December 31, 2005	<u>\$ 11,428</u>	<u>\$ 97,421</u>	<u>\$ 108,849</u>

Governmental program receipts represent only 11.1 percent of total receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money.

VILLAGE OF WILMOT
STARK COUNTY
Management's Discussion and Analysis
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General receipts represent 88.8 percent of the Village's total receipts, and of this amount, over 79.7 percent are local taxes. State and federal grants and entitlements make up the balance of the Village's general receipts. Other receipts are very insignificant and somewhat unpredictable revenue sources.

Disbursements for General Government represent the overhead costs of running the Village and the support services provided for the other Government activities. These include the costs of council, and the auditor, treasurer, and income tax departments, as well as payroll.

Security of Persons and Property are the costs of police protection, and fire protection; for which we contract with Wilmot Fire and Rescue. There is a ½% fire & rescue levy in place for this purpose. Public Health Services is the health department; Leisure Time Activities are the costs of maintaining the park; the economic development department consists of RPC dues; and Transportation is the cost of maintaining the roads.

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. The major program disbursements for governmental activities are for Transportation and Security of Persons and Property, which account for 15.5 and 45.3 percent of all governmental disbursements, respectively. General government also represents a significant cost, about 25.7 percent. The next two 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.

VILLAGE OF WILMOT
STARK COUNTY
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

(Table 3)

	Governmental Activities		Business - Type Activities	
	Total Cost	Net Cost	Total Cost	Net Cost
	Of Services	of Services	Of Services	of Services
	2005	2005	2005	2005
General Government	\$ 34,240	\$ (33,259)	-	-
Security of Persons and Property	60,386	(60,386)	-	-
Public Health Services	858	(858)	-	-
Leisure Time Activities	571	(571)	-	-
Community Environment	100	(100)	-	-
Basic Utilities	693	(693)	-	-
Transportation	20,641	(7,665)	-	-
Principal Retirement	11,357	(11,357)	-	-
Interest and Fiscal Charges	4,544	(4,544)	-	-
Water Operating	-	-	\$ 61,220	\$ 12,626
Other Enterprise Funds	-	-	1,350	600
Total Expenses	\$ 133,390	\$ (119,433)	\$ 62,570	\$ 13,226

The dependence upon property and income tax receipts is apparent as over 89.5 percent of governmental activities are supported through these general receipts.

Business-type Activities

The dependence upon charges for services is apparent as 100 percent of business - type activities are supported through these receipts. The water operation of the Village is relatively small and anticipates a project to complete the Main St. and Maple St. loops in the water lines. It is the position of the BPA that a cushion is also necessary for the maintenance to the infrastructure as needed.

The Village's Funds

Total governmental funds had receipts of \$124,851 and disbursements of \$133,390. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund increased \$1,806. The balance has remained low as the result of increased costs and not achieving anticipated growth in income and property tax receipts.

General Fund receipts were greater than disbursements by \$14,893. Council has held discussions over the past year about the fiscal situation and have made efforts to reduce spending in as many ways as possible. The taxpayers voted against a tax increase twice this year so it leaves the Council in the difficult situation of finding additional ways of reducing spending while trying to maintain decaying equipment and infrastructure. These cuts will not eliminate the need for additional funds (or additional cuts) in the future if the growth in property and income taxes remains stagnant.

VILLAGE OF WILMOT
STARK COUNTY
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

General Fund Budgeting Highlights

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

During 2005, the Village amended its General Fund budget several times to reflect changing circumstances. Final budgeted receipts were below original budgeted receipts due to unexpected slow growth in tax receipts. The difference between final budgeted receipts and actual receipts was not significant.

Final disbursements were budgeted at \$112 thousand while actual disbursements were \$102 thousand.

Capital Assets and Debt Administration

Capital Assets

The Village does not currently keep track of its capital assets and infrastructure.

Debt

At December 31, 2005, the Village's outstanding debt included \$77,014 in general obligation bonds issued for improvements to buildings and structures.

Current Issues

The challenge for all governments is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on local taxes and have very little industry to support the tax base.

Contacting the Village's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Village's finances and to reflect the Village's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Naomi Yeakley, Clerk-Treasurer, Village of Wilmot, PO Box 192, Wilmot, Ohio 44689. A phone message can be left at (330) 359-0192.

Village of Wilmot, Stark County

Statement of Net Assets - Cash Basis

December 31, 2005

	<u>Governmental Activities</u>	<u>Business - Type Activities</u>	<u>Total</u>
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 11,428	\$ 97,421	\$ 108,849
<i>Total Assets</i>	<u>\$ 11,428</u>	<u>\$ 97,421</u>	<u>\$ 108,849</u>
Net Assets			
Restricted for:			
Other Purposes	\$ 4,400	-	\$ 4,400
Unrestricted	<u>7,028</u>	<u>\$ 97,421</u>	<u>104,449</u>
<i>Total Net Assets</i>	<u>\$ 11,428</u>	<u>\$ 97,421</u>	<u>\$ 108,849</u>

See accompanying notes to the basic financial statements

Village of Wilmot, Stark County
Statement of Activities - Cash Basis
For the Year Ended December 31, 2005

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets		
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities						
General Government	\$ 34,240	\$ 981	-	\$ (33,259)	-	\$ (33,259)
Security of Persons and Property	60,386	-	-	(60,386)	-	(60,386)
Public Health Services	858	-	-	(858)	-	(858)
Leisure Time Activities	571	-	-	(571)	-	(571)
Community Environment	100	-	-	(100)	-	(100)
Basic Utility Services	693	-	-	(693)	-	(693)
Transportation	20,641	1,319	\$ 11,657	(7,665)	-	(7,665)
Debt Service:						
Principal Retirement	11,357	-	-	(11,357)	-	(11,357)
Interest and Fiscal Charges	4,544	-	-	(4,544)	-	(4,544)
<i>Total Governmental Activities</i>	133,390	2,300	11,657	(119,433)	-	(119,433)
Business Type Activity						
Water Operating	61,220	73,846	-	-	12,626	12,626
Other Enterprise Funds	1,350	1,950	-	-	600	600
<i>Total Business Type Activities</i>	62,570	75,796	-	-	13,226	13,226
Total	<u>\$ 195,960</u>	<u>\$ 78,096</u>	<u>\$ 11,657</u>	<u>\$ (119,433)</u>	<u>\$ 13,226</u>	<u>\$ (106,207)</u>
General Receipts						
Property Taxes Levied for:						
General Purposes				8,059	-	8,059
Special Purposes				638	-	638
Municipal Income Taxes				88,453	-	88,453
Grants and Entitlements not Restricted to						
Special Programs				8,061	-	8,061
Interest				1,075	-	1,075
Miscellaneous				4,606	-	4,606
Transfers				9,323	(9,323)	-
<i>Total General Receipts</i>				120,215	(9,323)	110,892
Change in Net Assets				782	3,903	4,685
<i>Net Assets Beginning of Year</i>				10,646	93,518	104,164
<i>Net Assets End of Year</i>				<u>\$ 11,428</u>	<u>\$ 97,421</u>	<u>\$ 108,849</u>

See accompanying notes to the basic financial statements

Village of Wilmot, Stark County
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2005

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 7,028	\$ 4,400	\$ 11,428
<i>Total Assets</i>	<u>\$ 7,028</u>	<u>\$ 4,400</u>	<u>\$ 11,428</u>
Fund Balances			
Reserved:			
Reserved for Encumbrances	\$ 4,943	\$ 2,094	\$ 7,037
Unreserved:			
Undesignated (Deficit), Reported in:			
General Fund	2,085	-	2,085
Special Revenue Funds	-	2,306	2,306
<i>Total Fund Balances</i>	<u>\$ 7,028</u>	<u>\$ 4,400</u>	<u>\$ 11,428</u>

See accompanying notes to the basic financial statements

Village of Wilmot, Stark County
Statement of Cash Receipts, Disbursements and Changes in Fund Balances - Cash Basis
Governmental Funds
For the Year Ended December 31, 2005

	General	Other Governmental Funds	Total Governmental Funds
Receipts			
Municipal Income Taxes	\$ 88,453	\$ -	\$ 88,453
Property and Other Local Taxes	8,059	1,319	9,378
Fines, Licenses and Permits	871	110	981
Intergovernmental	8,701	11,656	20,357
Interest	1,051	24	1,075
Miscellaneous	4,606	-	4,606
<i>Total Receipts</i>	<u>111,741</u>	<u>13,109</u>	<u>124,850</u>
Disbursements			
Current:			
General Government	34,240	-	34,240
Security of Persons and Property	60,386	-	60,386
Public Health Services	858	-	858
Leisure Time Activities	571	-	571
Community Environment	100	-	100
Basic Utility Services	693	-	693
Transportation	-	20,641	20,641
Debt Service:			
Principal Retirement	-	11,357	11,357
Interest and Fiscal Charges	-	4,544	4,544
<i>Total Disbursements</i>	<u>96,848</u>	<u>36,542</u>	<u>133,390</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>14,893</u>	<u>(23,433)</u>	<u>(8,540)</u>
Other Financing Sources (Uses)			
Transfers In	-	22,409	22,409
Transfers Out	(13,087)	-	(13,087)
<i>Total Other Financing Sources (Uses)</i>	<u>(13,087)</u>	<u>22,409</u>	<u>9,322</u>
<i>Net Change in Fund Balances</i>	1,806	(1,024)	782
<i>Fund Balances Beginning of Year</i>	<u>5,222</u>	<u>5,424</u>	<u>10,646</u>
<i>Fund Balances End of Year</i>	<u>\$ 7,028</u>	<u>\$ 4,400</u>	<u>\$ 11,428</u>

See accompanying notes to the basic financial statements

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

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Municipal Income Taxes	\$88,453	\$87,698	\$88,453	\$755
Property and Other Local Taxes	8,059	8,041	8,059	18
Fines, Licenses and Permits	871	901	871	(30)
Intergovernmental	5,930	8,693	8,701	8
Interest	1,051	1,051	1,051	-
Miscellaneous	4,606	4,553	4,606	53
<i>Total receipts</i>	<u>108,970</u>	<u>110,937</u>	<u>111,741</u>	<u>804</u>
Disbursements				
Current:				
General Government	33,980	34,420	34,240	180
Security of Persons and Property	64,890	65,730	65,329	401
Public Health Services	858	869	858	11
Leisure Time Activities	571	589	571	18
Community Environment	100	119	100	19
Basic Utility Services	693	743	693	50
<i>Total Disbursements</i>	<u>101,092</u>	<u>102,470</u>	<u>101,791</u>	<u>679</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>7,878</u>	<u>8,467</u>	<u>9,950</u>	<u>1,483</u>
Other Financing Sources (Uses)				
Transfers Out	(13,087)	(13,087)	(13,087)	-
<i>Total Other Financing Sources (Uses)</i>	<u>(13,087)</u>	<u>(13,087)</u>	<u>(13,087)</u>	<u>-</u>
<i>Net Change in Fund Balance</i>	(5,209)	(4,620)	(3,137)	1,483
<i>Fund Balance Beginning of Year</i>	3,326	3,326	3,326	-
Prior Year Encumbrances Appropriated	1,896	1,896	1,896	-
<i>Fund Balance End of Year</i>	<u>\$ 13</u>	<u>\$ 602</u>	<u>\$ 2,085</u>	<u>\$ 1,483</u>

See accompanying notes to the basic financial statements

Village of Wilmot, Stark County
Statement of Fund Net Assets - Cash Basis
Proprietary Funds
December 31, 2005

	Business-Type Activities		
	Water	Other Enterprise Funds	Total Enterprise Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 93,930	\$ 3,491	\$ 97,421
<i>Total Assets</i>	<u>\$ 93,930</u>	<u>\$ 3,491</u>	<u>\$ 97,421</u>
Net Assets			
Unrestricted	<u>\$ 93,930</u>	<u>\$ 3,491</u>	<u>\$97,421</u>

See accompanying notes to the basic financial statements

Village of Wilmot, Stark County
*Statement of Cash Receipts,
Disbursements and Changes in Fund Net Assets - Cash Basis
Proprietary Funds
For the Year Ended December 31, 2005*

	Business-Type Activities		
	Water	Other Enterprise Funds	Total Enterprise Funds
Operating Receipts			
Charges for Services	\$ 73,846	\$ 1,950	\$ 75,796
<i>Total Operating Receipts</i>	<u>73,846</u>	<u>1,950</u>	<u>75,796</u>
Operating Disbursements			
Personal Services	21,148	-	21,148
Employees Fringe Benefits	3,595	-	3,595
Contractual Services	28,297	-	28,297
Materials and Supplies	6,478	-	6,478
Miscellaneous	1,098	1,350	2,448
<i>Total Operating Disbursements</i>	<u>60,616</u>	<u>1,350</u>	<u>61,966</u>
<i>Operating Income (Loss)</i>	13,230	600	13,830
Non-Operating Receipts/ (Disbursements)			
Interest and Other Fiscal Charges	(605)	-	(605)
<i>Income (Loss) before Transfers and Advances</i>	12,625	600	13,225
Transfers In	890	-	890
Transfers Out	(10,212)	-	(10,212)
<i>Change in Net Assets</i>	3,303	600	3,903
<i>Net Assets Beginning of Year</i>	<u>90,627</u>	<u>2,891</u>	<u>93,518</u>
<i>Net Assets End of Year</i>	<u>\$ 93,930</u>	<u>\$ 3,491</u>	<u>\$ 97,421</u>

See accompanying notes to the basic financial statements

Village of Wilmot, Stark County
Statement of Fiduciary Net Assets - Cash Basis
Fiduciary Funds
December 31, 2005

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$494
	<hr/> <hr/>
Net Assets	
Other Purposes	\$494
	<hr/> <hr/>

See accompanying notes to the basic financial statements

VILLAGE OF WILMOT
STARK COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2005

Note 1 – Reporting Entity

The Village of Wilmot, Stark 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 at large for four year terms. The Mayor is elected to a four-year term and votes only to break a tie.

The reporting entity is comprised of the primary government.

A. Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Village. The Village provides general government services, water utilities, maintenance of Village roads, park operations, and police services. There is a ½ percent Fire and Rescue Levy in place for the Village to contract with Wilmot Fire and Rescue for fire and rescue services.

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. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The Village does not apply FASB statements issued after November 30, 1989, to its business-type activities and to its enterprise funds. Following are the more significant of the Village's accounting policies.

A. Basis of Presentation

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

Government-Wide Financial Statements

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

VILLAGE OF WILMOT
STARK COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2005

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

Proprietary fund statements distinguish operating transactions from nonoperating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the funds' principal services. Operating disbursements include costs of sales and services and administrative costs. The fund statements report all other receipts and disbursements as nonoperating.

B. Fund Accounting

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

Governmental Funds

The Village classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The Village's major governmental fund is the General 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.

Proprietary Funds

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

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

VILLAGE OF WILMOT
STARK COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2005

Water Fund - The water fund accounts for the provision of water to the residents and commercial users located within the Village and includes some out of town customers as well.

Fiduciary Funds

Fiduciary funds include the agency fund. Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village's agency fund accounts for Mayor's Court transactions.

C. Basis of Accounting

The Village's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, 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. Any such modifications made by the Village are described in the appropriate section in this note.

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

D. Budgetary Process

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

The appropriation 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. 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 appropriation 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.

VILLAGE OF WILMOT
STARK COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2005

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".

During 2005, the Village invested in STAR Ohio.

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.

F. 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.

G. 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 11 and 12, the employer contributions include portions for pension benefits and for postretirement health care benefits.

H. 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.

I. 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

J. Interfund Transactions

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general receipts.

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

VILLAGE OF WILMOT
STARK COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2005

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.

Note 4 – Accountability and Compliance

The street fund closed 2005 with a deficit fund balance, due in large part to supplies and materials needed to keep the street truck, salt spreader and tractor in running condition in order to maintain the Village streets during the winter months.

Note 5 – 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 is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis) The encumbrances outstanding at year end (budgetary basis) amounted to \$4,943 for the general fund.

Note 6 – 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;

VILLAGE OF WILMOT
STARK COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2005

2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
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. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Custodial credit risk for deposits is the risk that in the event of bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. At December 31, 2005, all of the Village's bank balance of \$87,536 was covered by federal depository insurance.

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.

As of December 31, 2005, the Village had \$28,685 invested in STAROhio.

VILLAGE OF WILMOT
STARK COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2005

Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The Village's investment policy addresses interest rate risk by requiring that the Village's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding that need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments.

STAR Ohio carries a rating of AAA by Standard and Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

Note 7 – Income Taxes

The Village levies a 1 1/2 percent income tax whose proceeds are placed into the General Fund. The Village levies and collects the tax on all income earned within the Village as well as on incomes of residents earned outside the Village. In the latter case, the Village allows a credit of the lesser of actual taxes paid to another city or 1 1/2 percent of the 1 1/2 percent tax rate on taxable income. Employers within the Village are required to withhold income tax on employee earnings and remit the tax to the Village at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually.

Note 8 – 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.

VILLAGE OF WILMOT
STARK COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2005

Note 9 – Long-Term Debt

A summary of the long-term debt transactions for the year ended December 31, 2005, follows:

	Balance at 1/1/2005	Increase	Decrease	Balance at 12/31/2005
Business-Type Activities:				
Water System Improvement	\$ 57,217	-	\$ 6,669	\$ 50,548
Townhall Remodelling Bond	31,154	-	4,688	26,466
Total Business-Type Activities	<u>\$ 88,371</u>	<u>-</u>	<u>\$ 11,357</u>	<u>\$ 77,014</u>

The following is a summary of the Village's future annual debt service requirements:

Year Ending December 31	Water System Improvement		Townhall Remodeling Bond	
	Principal	Interest	Principal	Interest
2006	\$ 7,250	\$ 2,962	\$ 10,017	\$ 9,900
2007	7,676	2,536	10,663	4,950
2008	8,127	2,085	5,786	-
2009	8,605	1,607	-	-
2010	9,110	1,102	-	-
2011	9,780	567	-	-
Total	<u>\$ 50,548</u>	<u>\$ 10,859</u>	<u>\$ 26,466</u>	<u>\$ 14,850</u>

Note 10 – Risk Management

Risk Pool Membership

The Village belongs to the Ohio Government Risk Management Plan (the "Plan"), an unincorporated non-profit association with over 600 governmental entity members providing a formalized, jointly administered self-insurance risk management program and other administrative services. Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages, modified for each member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the member's deductible. The Plan uses conventional insurance coverages and reinsures these coverages 100%, rather than using a risk pool of member funds to pay individual and collective losses. Therefore, the individual members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

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

VILLAGE OF WILMOT
STARK COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2005

	<u>2004</u>
Assets	\$ 6,685,522
Liabilities	<u>2,227,808</u>
Member's Equity	<u>\$ 4,457,714</u>

There were no significant reductions in coverage from prior years and claims have not exceeded insurance coverage in any of the past three years. The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is based on accident history and administrative costs.

Note 11 – Defined Benefit Pension Plans

A. Ohio Public Employees Retirement System

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

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

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

For the year ended December 31, 2005, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5 percent of their annual covered salaries. 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 to the Fund for the years ended December 31, 2005, 2004, and 2003 were \$8,702, \$8,996 and \$8,625. The full amount has been contributed for 2005, 2004 and 2003.

VILLAGE OF WILMOT
STARK COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2005

Note 12 - Postemployment 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 2005 local government employer contribution rate was 13.55 percent of covered payroll (16.7 percent for public safety and law enforcement); 4.00 percent of covered payroll was the portion that was used to fund health care.

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

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

The number of active contributing participants in the traditional and combined plans was 369,885. Actual employer contributions for 2005 which were used to fund postemployment benefits were \$5,796. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) were \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$26.9 billion and \$16.4 billion, respectively.

On September 9, 2005, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2008. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

Note 13 - Transfers

The Village transferred money from the General Fund and Enterprise Fund to the Debt Service Fund to pay debt principal and interest. The Village followed all applicable Ohio Revised Code requirements.

Note 14 – Contingent Liabilities

The Village was involved in two lawsuits in 2005. The first was a suit filed by the Village for damaged traffic lights. Judgement was granted to the Village in the amount of \$8,997. The defendants bankrupted the judgement. In the second case the Village of Wilmot was named in a suit for lawn damages allegedly caused in response to a fire call. The case was settled and the Village did not pay any damages.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Village of Wilmot
Stark County
300 Massillon St.
Wilmot, Ohio 44689

To Village Council:

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Village of Wilmot, Stark County, Ohio, (the Village) as and for the year ended December 31, 2005, and have issued our report thereon dated September 25, 2006, wherein we noted the Village follows the cash basis of accounting rather than accounting principles generally accepted in the United States of America and presented its financial statements in accordance with GASB 34. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Controls Over Financial Reporting

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

However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated September 25, 2006.

Compliance and Other Matters

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

However, we noted other matters involving compliance that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated September 25, 2006.

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

Charles E. Harris & Associates, Inc.

September 25, 2006

STATUS OF PRIOR YEAR'S CITATIONS AND RECOMMENDATIONS

The prior audit report, for the year ending December 31, 2004, reported no material citations or recommendations.



**Auditor of State
Betty Montgomery**

88 East Broad Street
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VILLAGE OF WILMOT

STARK COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 12, 2006**