

**VILLAGE OF SAVANNAH
ASHLAND COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004



**Auditor of State
Betty Montgomery**

Village Council
Village of Savannah
79 N. Main Street
P.O. Box 164
Savannah, Ohio 44874

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

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

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

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

BETTY MONTGOMERY
Auditor of State

December 18, 2006

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VILLAGE OF SAVANNAH
ASHLAND COUNTY

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KNOX & KNOX

Accountants and Consultants

Independent Accountants' Report

Village of Savannah
Ashland County
P. O. Box 164
Savannah, Ohio 44874-0164

To the Village Council:

We have audited the accompanying financial statements of the Village of Savannah, Ashland County, Ohio, as of and for the years ended December 31, 2005 and 2004. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our 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, if any, made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2005 and 2004. While the Village does not follow GAAP, auditing standards generally accepted in the United States of America require us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since the Village does not use GAAP to measure the financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

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

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Savannah, Ashland County, as of December 31, 2005 and 2004, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2006, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

KNOX & KNOX

Orrville Ohio
September 29, 2006

**VILLAGE OF SAVANNAH
ASHLAND COUNTY**

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

	Governmental Fund Types		Totals (Memorandum Only)
	General	Special Revenue	
Cash Receipts:			
Property and Other Local Taxes	\$6,601		\$6,601
Intergovernmental Receipts	38,028	\$15,510	53,538
Fines, Licenses, and Permits	5,767		5,767
Earnings on Investments	2,373	61	2,434
Miscellaneous	88	19	107
Total Cash Receipts	52,857	15,590	68,447
Cash Disbursements:			
Current:			
Security of Persons and Property	14,151		14,151
Leisure Time Activities	623		623
Community Environment	163		163
Transportation		8,425	8,425
General Government	24,049		24,049
Total Cash Disbursements	38,986	8,425	47,411
Total Cash Receipts Over/ (Under) Cash Disbursements	13,871	7,165	21,036
Fund Cash Balances, January 1	106,047	2,569	108,616
Fund Cash Balances, December 31	\$119,918	\$9,734	\$129,652

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

**VILLAGE OF SAVANNAH
ASHLAND COUNTY**

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

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Other Local Taxes	\$7,570		\$7,570
Intergovernmental Receipts	37,187	\$14,512	51,699
Fines, Licenses, and Permits	6,702		6,702
Earnings on Investments	2,709	41	2,750
Miscellaneous	440		440
Total Cash Receipts	54,608	14,553	69,161
Cash Disbursements:			
Current:			
Security of Persons and Property	12,388		12,388
Leisure Time Activities	670		670
Community Environment	279		279
Basic Utility Services	1,475		1,475
Transportation		13,163	13,163
General Government	26,897		26,897
Total Cash Disbursements	41,709	13,163	54,872
Total Cash Receipts Over/ (Under) Cash Disbursements	12,899	1,390	14,289
Fund Cash Balances, January 1	93,148	1,179	94,327
Fund Cash Balances, December 31	\$106,047	\$2,569	\$108,616

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

**VILLAGE OF SAVANNAH
ASHLAND COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ENTERPRISE FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004**

	2005	2004
Operating Cash Receipts:		
Charges for Services	64,437	62,640
Miscellaneous	56	
Total Operating Cash Receipts	64,493	62,640
Operating Cash Disbursements:		
Personal Services	8,759	8,708
Contractual Services	5,081	4,977
Supplies and Materials	633	399
Other	12,487	3,298
Total Operating Cash Disbursements	26,960	17,382
Operating Income	37,533	45,258
Non-Operating Cash Disbursements:		
Redemption of Principal	21,303	20,303
Interest and Fiscal Charges	25,513	25,824
Total Non-Operating Cash Disbursements	46,816	46,127
Net Cash Receipts (Under) Cash Disbursements	(9,283)	(869)
Fund Cash Balances, January 1	63,125	63,994
Fund Cash Balances, December 31	\$53,842	\$63,125

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

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**VILLAGE OF SAVANNAH
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Savannah, Ashland County, (the Village) is a body of corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general government services, road and bridge maintenance, and sewer utilities and park operations. The Village contracts with the Ashland County Sheriff's Department to provide security of persons and property.

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

B. Basis of Accounting

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

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

C. Cash

The certificate of deposit are valued at cost.

D. Fund Accounting

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

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

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

**VILLAGE OF SAVANNAH
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

3. Enterprise Funds

These funds account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges. The Village has the following significant Enterprise Funds.

Sewer Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

Sewer Debt Service Fund - This fund receives charges for services from residents to accumulate resources for the payment of bonded indebtedness.

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are cancelled, and reappropriated in the subsequent year.

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

F. Property, Plant and Equipment

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

**VILLAGE OF SAVANNAH
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

2. EQUITY IN POOLED CASH

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

	2005	2004
Demand deposits	\$178,494	\$166,741
Certificates of deposit	5,000	5,000
Total deposits	\$183,494	\$171,741

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

3. BUDGETARY ACTIVITY

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

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$156,838	\$52,857	(\$103,981)
Special Revenue	6,281	15,590	9,309
Enterprise	66,701	64,493	(2,208)
Total	\$229,820	\$132,940	(\$96,880)

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$155,492	\$38,986	\$116,506
Special Revenue	15,520	8,425	7,095
Enterprise	125,725	73,776	51,949
Total	\$296,737	\$121,187	\$175,550

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$148,170	\$54,608	(\$93,562)
Special Revenue	5,116	14,553	9,437
Enterprise	19,600	62,640	43,040
Total	\$172,886	\$131,801	(\$41,085)

**VILLAGE OF SAVANNAH
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

	2004 Budgeted vs. Actual Budgetary Basis Expenditures		
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$138,873	\$41,709	\$97,164
Special Revenue	14,970	13,163	1,807
Enterprise	128,058	63,509	64,549
Total	\$281,901	\$118,381	\$163,520

Contrary to Ohio Revised Code Section 5705.39, the Village's appropriations exceeded estimated resources in the Special Fund Type in 2004 and 2005, and the Enterprise Fund Type in 2004.

4. PROPERTY TAX

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

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

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

5. DEBT

At December 31, 2005 debt obligations consisted of the following issuances:

	Principal	Interest Rate
Ohio Public Works Commission Bonds	\$ 64,364	0.000%
USDA 1995A Mortgage Revenue Bonds	332,000	5.125%
USDA 1995B Mortgage Revenue Bonds	155,000	5.250%
Total	\$551,364	

The \$214,545 Ohio public Works Commissions (OPWC) Bonds issued in 1995 were for the construction of sewer facilities. Semi-annual installments of \$7,152 are due through 2010, bearing no interest. The bonds are collateralized by sewer receipts. The Village has agreed to set sewer rates sufficient to cover the debt service requirements.

**VILLAGE OF SAVANNAH
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

5. DEBT (Continued)

The \$364,000 United States Department of Agriculture (USDA) Sewerage System Mortgage Revenue Bond, Series 1995A, issued in 1995 were for the purpose of paying the cost of establishing a municipal sewerage system. Annual installments on bonds vary with the final installment being due in 2035, bearing 5.125% interest. The bonds are collateralized by sewer receipts. The Village has agreed to set sewer rates sufficient to cover the debt service requirements.

The \$170,000 United States Department of Agriculture (USDA) Sewerage System Mortgage Revenue Bond, Series 1995B, issued in 1995 were for the purpose of paying the cost of establishing a municipal sewerage system. Annual installments on bonds vary with the final installment being due in 2035, bearing 5.25% interest. The bonds are collateralized by sewer receipts. The Village has agreed to set sewer rates sufficient to cover the debt service requirements.

As required by the mortgage revenue bond covenants, the Village has established and fund a debt service reserve fund, included as an enterprise fund. The balance in the fund at December 31, 2005 is \$28,564.

Amortization of the above debt, including interest, is scheduled as follows:

	OPWC Bonds	Series 1995A USDA Mortgage Revenue Bonds	Series 1995B USDA Mortgage Revenue Bonds
Year ending December 31:			
2006	\$14,303	\$22,015	\$10,137
2007	14,303	21,759	10,032
2008	14,303	21,502	9,928
2009	14,303	21,245	9,818
2010	7,152	21,515	9,708
2011-2015		110,575	52,540
2016-2020		110,305	52,280
2021-2025		108,035	51,890
2026-2030		109,185	52,620
2031-2035		111,097	52,462
	<u>\$64,364</u>	<u>\$657,233</u>	<u>\$311,415</u>

6. RETIREMENT SYSTEMS

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

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

**VILLAGE OF SAVANNAH
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

7. RISK MANAGEMENT

In 2005 and 2004 the Village had obtained commercial insurance for the following risks:

- Buildings and contents;
- Vehicles;
- Public officials' liability; and
- Inland marine.

8. CONTINGENT LIABILITIES

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the federal government. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, managements believes such refunds, if any, would not be material.

KNOX & KNOX

Accountants and Consultants

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS

Village of Savannah
Ashland County
P.O. Box 164
Savannah, Ohio 44874-0164

To the Village Council:

We have audited the accompanying financial statements of the Village of Savannah, Ashland County, Ohio, (the Village) as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated September 29, 2006 wherein we noted that the Village prepared its financial statements using accounting practices prescribed by the Auditor of State rather than accounting principles generally accepted in the United States of America. 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.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. In a separate letter to the Village's management dated September 29, 2006, we reported a matter related to non-compliance we deemed immaterial.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's Internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance 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 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. In a separate letter to the Village's management dated September 29, 2006 we reported a matter involving internal control over financial reporting that we did not deem a reportable condition.

Village of Savannah
Ashland County
Report of Independent Accountants on Compliance and Internal
Control Required by *Government Auditing Standards*
Page 2

This report is intended solely for the information and use of the management, the audit committee, the Village Council, federal awarding agencies, and pass-through entities. It is not intended to be and should not be used by anyone other than these specified parties.

KNOX & KNOX

Orrville, Ohio
September 29, 2006

VILLAGE OF SAVANNAH
ASHLAND COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2005 AND 2004

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2003-01	Ohio Revised Code Section 5705.41 (D), failure to certify funds	Yes	Finding no longer valid



**Auditor of State
Betty Montgomery**

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VILLAGE OF SAVANNAH

ASHLAND 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 28, 2006**