



**Auditor of State
Betty Montgomery**

VILLAGE SUNBURY
DELAWARE COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Village of Sunbury
Delaware County
9 East Granville Street
Sunbury, Ohio 43074

To the Village Council:

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

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

As discussed in Note 2, the accompanying financial statements and notes follow the modified 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 modified cash financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Sunbury, Delaware County, Ohio, as of December 31, 2005, and December 31, 2004, and the respective changes in modified cash financial position and the respective budgetary comparison for the General, Street, and Parks & Recreation funds thereof for the years then ended in conformity with the basis of accounting Note 2 describes.

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

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In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2006, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

The Village did not present Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

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

Betty Montgomery
Auditor of State

October 19, 2006

**VILLAGE OF SUNBURY
DELAWARE COUNTY**

**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
DECEMBER 31, 2005**

	Governmental Activities	Business - Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$2,474,898	\$2,223,122	\$4,698,020
Cash and Cash Equivalents with Fiscal Agent		377,500	377,500
<i>Total Assets</i>	<u>\$2,474,898</u>	<u>\$2,600,622</u>	<u>\$5,075,520</u>
Net Assets			
Restricted for:			
Capital Projects	\$830		\$830
Other Purposes	597,905		597,905
Unrestricted	1,876,163	2,600,622	4,476,785
<i>Total Net Assets</i>	<u>\$2,474,898</u>	<u>\$2,600,622</u>	<u>\$5,075,520</u>

See accompanying notes to the basic financial statements

VILLAGE OF SUNBURY
DELAWARE COUNTY

**STATEMENT OF ACTIVITIES - MODIFIED 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 & Contributions	Capital Grants & Contributions	Governmental Activities	Business Type Activities	Total
Governmental Activities							
General Government	\$628,714	\$79,236	\$0	\$0	(\$549,478)	\$0	(\$549,478)
Security of Persons and Property	1,016,327	43,000			(973,327)		(973,327)
Public Health Services	10,438	26,000	25,901		41,463		41,463
Leisure Time Activities	11,658				(11,658)		(11,658)
Community Environment	173,849	270,008			96,159		96,159
Transportation	547,204		188,929		(358,275)		(358,275)
Capital Outlay	1,057,633			381,009	(676,624)		(676,624)
Debt Service	1,578,326				(1,578,326)		(1,578,326)
<i>Total Governmental Activities</i>	<u>5,024,149</u>	<u>418,244</u>	<u>214,830</u>	<u>381,009</u>	<u>(4,010,066)</u>	<u>0</u>	<u>(4,010,066)</u>
Business Type Activity							
Water	1,380,730	433,155				(947,575)	(947,575)
Sewer	4,798,629	1,212,955				(3,585,674)	(3,585,674)
Enterprise Deposit Fund	3,139	1,385				(1,754)	(1,754)
Total	<u>11,206,647</u>	<u>2,065,739</u>	<u>214,830</u>	<u>381,009</u>	<u>(4,010,066)</u>	<u>(4,535,003)</u>	<u>(8,545,069)</u>
		General Receipts					
		Property Taxes Levied for:					
		General Purposes			262,969		262,969
		Municipal Income Taxes			1,513,658		1,513,658
		Grants not Restricted to Specific Programs			269,366		269,366
		OWDA Loan Proceeds				4,161,356	4,161,356
		Notes Issued			2,889,000	1,012,000	3,901,000
		Interest			165,828		165,828
		Miscellaneous			44,591		44,591
		<i>Total General Receipts</i>			<u>5,145,412</u>	<u>5,173,356</u>	<u>10,318,768</u>
		Special Item - Proceeds from Sale of Capital Assets			<u>0</u>	<u>1,321,414</u>	<u>1,321,414</u>
		Total General Receipts and Special Items			<u>5,145,412</u>	<u>6,494,770</u>	<u>11,640,182</u>
		Change in Net Assets			1,135,346	1,959,767	3,095,113
		<i>Net Assets Beginning of Year</i>			<u>1,339,552</u>	<u>640,855</u>	<u>1,980,407</u>
		<i>Net Assets End of Year</i>			<u>\$2,474,898</u>	<u>\$2,600,622</u>	<u>\$5,075,520</u>

See accompanying notes to the basic financial statements

VILLAGE OF SUNBURY
DELAWARE COUNTY

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

	General	Street Fund	Parks and Recreation Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$1,882,672	\$173,993	\$229,285	\$188,948	\$2,474,898
<i>Total Assets</i>	<u>\$1,882,672</u>	<u>\$173,993</u>	<u>\$229,285</u>	<u>\$188,948</u>	<u>\$2,474,898</u>
Fund Balances					
Reserved:					
Reserved for Encumbrances	\$632,931	\$0	\$24,935	\$7,076	\$664,942
Unreserved:					
Undesignated (Deficit), Reported in:					
General Fund	1,249,741				1,249,741
Special Revenue Funds		173,993	204,350	181,042	559,385
Capital Projects Funds				830	830
<i>Total Fund Balances</i>	<u>\$1,882,672</u>	<u>\$173,993</u>	<u>\$229,285</u>	<u>\$188,948</u>	<u>\$2,474,898</u>

See accompanying notes to the basic financial statements

**VILLAGE OF SUNBURY
DELAWARE COUNTY**

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

	General	Street Fund	Parks and Recreation Fund	Other Governmental Funds	Total Governmental Funds
Receipts					
Municipal Income Taxes	\$1,513,658				\$1,513,658
Property and Other Local Taxes	262,969				262,969
Charges for Services	43,000			26,000	69,000
Fines, Licenses and Permits	343,810				343,810
Intergovernmental	368,866	174,759		14,171	557,796
Interest	158,862	5,243		1,723	165,828
Miscellaneous	46,862		281,509	29,063	357,434
<i>Total Receipts</i>	<u>2,738,027</u>	<u>180,002</u>	<u>281,509</u>	<u>70,957</u>	<u>3,270,495</u>
Disbursements					
Current:					
General Government	628,714				628,714
Security of Persons and Property	1,015,470			857	1,016,327
Public Health Services				10,438	10,438
Leisure Time Activities			11,658		11,658
Community Environment	173,849				173,849
Transportation	351,383	195,821			547,204
Capital Outlay	922,274	57,238	75,165	2,956	1,057,633
Debt Service:					
Principal Retirement	1,320,967		170,000	60,000	1,550,967
Interest and Fiscal Charges	24,049		2,404	906	27,359
<i>Total Disbursements</i>	<u>4,436,706</u>	<u>253,059</u>	<u>259,227</u>	<u>75,157</u>	<u>5,024,149</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(1,698,679)</u>	<u>(73,057)</u>	<u>22,282</u>	<u>(4,200)</u>	<u>(1,753,654)</u>
Other Financing Sources					
Bonds Issued	2,634,000		170,000	85,000	2,889,000
<i>Net Change in Fund Balances</i>	935,321	(73,057)	192,282	80,800	1,135,346
<i>Fund Balances Beginning of Year</i>	947,351	247,050	37,003	108,148	1,339,552
<i>Fund Balances End of Year</i>	<u>\$1,882,672</u>	<u>\$173,993</u>	<u>\$229,285</u>	<u>\$188,948</u>	<u>\$2,474,898</u>

See accompanying notes to the basic financial statements

**VILLAGE OF SUNBURY
DELAWARE 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
	Original	Final	
Receipts			
Municipal Income Taxes	\$1,525,000	\$1,525,000	\$1,513,658
Property and Other Local Taxes	266,112	273,024	262,969
Charges for Services	56,000	56,000	43,000
Fines, Licenses and Permits	130,000	130,000	343,810
Intergovernmental	378,616	378,616	368,866
Interest	6,000	6,000	158,862
Miscellaneous	107,000	107,000	46,862
<i>Total receipts</i>	<u>2,468,728</u>	<u>2,475,640</u>	<u>2,738,027</u>
Disbursements			
Current:			
General Government	714,260	777,162	658,524
Security of Persons and Property	992,287	1,058,254	1,021,398
Community Environment	201,030	205,221	199,044
Transportation	335,808	328,180	373,246
Capital Outlay	1,719,030	1,879,094	1,472,409
Debt Service:			
Principal Retirement	1,334,800	1,334,800	1,320,967
Interest and Fiscal Charges	30,794	34,296	24,049
<i>Total Disbursements</i>	<u>5,328,009</u>	<u>5,617,007</u>	<u>5,069,637</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(2,859,281)</u>	<u>(3,141,367)</u>	<u>(2,331,610)</u>
Other Financing Sources (Uses)			
Notes Issued	2,541,000	2,541,000	2,634,000
Transfers Out	(20,000)	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>2,521,000</u>	<u>2,541,000</u>	<u>2,634,000</u>
<i>Net Change in Fund Balance</i>	(338,281)	(600,367)	302,390
<i>Fund Balance Beginning of Year</i>	545,101	545,101	548,495
Prior Year Encumbrances Appropriated	398,856	398,856	398,856
<i>Fund Balance End of Year</i>	<u>\$605,676</u>	<u>\$343,590</u>	<u>\$1,249,741</u>

See accompanying notes to the basic financial statements

**VILLAGE OF SUNBURY
DELAWARE COUNTY**

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

	Budgeted Amounts		Actual
	Original	Final	
Receipts			
Intergovernmental	\$120,000	\$120,000	\$174,759
Interest	0	0	5,243
<i>Total receipts</i>	<u>120,000</u>	<u>120,000</u>	<u>180,002</u>
Disbursements			
Current:			
Transportation	217,641	217,641	195,821
Capital Outlay	97,648	97,648	57,238
<i>Total Disbursements</i>	<u>315,289</u>	<u>315,289</u>	<u>253,059</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(195,289)	(195,289)	(73,057)
<i>Fund Balance Beginning of Year</i>	199,403	199,403	199,403
Prior Year Encumbrances Appropriated	<u>47,647</u>	<u>47,647</u>	<u>47,647</u>
<i>Fund Balance End of Year</i>	<u><u>\$51,761</u></u>	<u><u>\$51,761</u></u>	<u><u>\$173,993</u></u>

See accompanying notes to the basic financial statements

**VILLAGE OF SUNBURY
DELAWARE COUNTY**

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

	Budgeted Amounts		Actual
	Original	Final	
Receipts			
Miscellaneous	\$0	\$225,000	\$281,509
<i>Total receipts</i>	0	225,000	281,509
Disbursements			
Current:			
Leisure Time Activities	7,890	22,890	16,460
Capital Outlay	18,000	121,800	95,298
Debt Service:			
Principal Retirement	170,000	170,000	170,000
Interest and Fiscal Charges	1,500	2,700	2,404
<i>Total Disbursements</i>	197,390	317,390	284,162
<i>Excess of Receipts Over (Under) Disbursements</i>	(197,390)	(92,390)	(2,653)
Other Financing Sources (Uses)			
Notes Issued	160,000	160,000	170,000
<i>Net Change in Fund Balance</i>	(37,390)	67,610	167,347
<i>Fund Balance Beginning of Year</i>	16,113	16,113	16,113
Prior Year Encumbrances Appropriated	20,890	20,890	20,890
<i>Fund Balance End of Year</i>	(\$387)	\$104,613	\$204,350

See accompanying notes to the basic financial statements

**VILLAGE OF SUNBURY
DELAWARE COUNTY**

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

	Business-Type Activities			Total Enterprise Funds
	Water Operating Fund	Sewer Operating Fund	Other Enterprise Fund	
Assets				
Equity in Pooled Cash and Cash Equivalents	\$490,360	\$1,699,374	\$33,388	\$2,223,122
Cash and Cash Equivalents with Fiscal Agent	377,500			377,500
<i>Total Assets</i>	<u>\$867,860</u>	<u>\$1,699,374</u>	<u>\$33,388</u>	<u>\$2,600,622</u>
Net Assets				
<i>Unrestricted</i>	<u>\$867,860</u>	<u>\$1,699,374</u>	<u>\$33,388</u>	<u>\$2,600,622</u>
<i>Total Net Assets</i>	<u>\$867,860</u>	<u>\$1,699,374</u>	<u>\$33,388</u>	<u>\$2,600,622</u>

See accompanying notes to the basic financial statements

**VILLAGE OF SUNBURY
DELAWARE COUNTY**

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

	Business-Type Activities			Total Enterprise Funds
	Water Operating Fund	Sewer Operating Fund	Other Enterprise Fund	
Operating Receipts				
Charges for Services	\$433,155	\$1,212,955	\$1,385	\$1,647,495
<i>Total Operating Receipts</i>	<u>433,155</u>	<u>1,212,955</u>	<u>1,385</u>	<u>1,647,495</u>
Operating Disbursements				
Personal Services	101,739	127,116		228,855
Fringe Benefits	65,141	58,911		124,052
Contractual Services	66,202	168,672		234,874
Materials and Supplies	122,297	142,479		264,776
Other			3,139	3,139
Capital Outlay	50,921	3,575,974		3,626,895
<i>Total Operating Disbursements</i>	<u>406,300</u>	<u>4,073,152</u>	<u>3,139</u>	<u>4,482,591</u>
<i>Operating Income (Loss)</i>	26,855	(2,860,197)	(1,754)	(2,835,096)
Non-Operating Receipts and Disbursements				
OWDA Loan Proceeds		4,161,356		4,161,356
Notes Issued	377,500	634,500		1,012,000
Other Non-Operating Disbursements	(220,523)			(220,523)
Principal Retirement	(745,414)	(698,359)		(1,443,773)
Interest and Fiscal Charges	(8,493)	(27,118)		(35,611)
<i>Total Non-Operating Receipts/Disbursements</i>	<u>(596,930)</u>	<u>4,070,379</u>	<u>0</u>	<u>3,473,449</u>
Special Item - Proceeds from Sale of Capital Assets	1,321,414			1,321,414
<i>Change in Net Assets</i>	751,339	1,210,182	(1,754)	1,959,767
<i>Net Assets Beginning of Year</i>	<u>116,521</u>	<u>489,192</u>	<u>35,142</u>	<u>640,855</u>
<i>Net Assets End of Year</i>	<u>\$867,860</u>	<u>\$1,699,374</u>	<u>\$33,388</u>	<u>\$2,600,622</u>

See accompanying notes to the basic financial statements

VILLAGE OF SUNBURY
DELAWARE COUNTY

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

	Private Purpose Trust Fund
Assets	
Equity in Pooled Cash and Cash Equivalents	\$7,250
Net Assets	
Restricted by Donor	\$7,250

See accompanying notes to the basic financial statements

VILLAGE OF SUNBURY
DELAWARE COUNTY

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - MODIFIED CASH BASIS
FIDUCIARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Private Purpose Trust Fund
Additions	
Interest	\$204
Change in Net Assets	204
Net Assets - Beginning of Year	7,046
Net Assets - End of Year	\$7,250

See accompanying notes to the basic financial statements

**VILLAGE OF SUNBURY
DELAWARE COUNTY**

**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
DECEMBER 31, 2004**

	<u>Governmental Activities</u>	<u>Business - Type Activities</u>	<u>Total</u>
Assets			
Equity in Pooled Cash and Cash Equivalents	<u>\$1,339,552</u>	<u>\$640,855</u>	<u>\$1,980,407</u>
<i>Total Assets</i>	<u><u>\$1,339,552</u></u>	<u><u>\$640,855</u></u>	<u><u>\$1,980,407</u></u>
Net Assets			
Restricted for:			
Capital Projects	\$830		\$830
Other Purposes	391,371		391,371
Unrestricted	<u>947,351</u>	<u>640,855</u>	<u>1,588,206</u>
<i>Total Net Assets</i>	<u><u>\$1,339,552</u></u>	<u><u>\$640,855</u></u>	<u><u>\$1,980,407</u></u>

See accompanying notes to the basic financial statements

**VILLAGE OF SUNBURY
DELAWARE COUNTY**

**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets		
	Cash Disburse-ments	Charges for Services and Sales	Operating Grants & Contributions	Governmental Activities	Business Type Activities	Total
Governmental Activities						
General Government	\$629,696	\$90,484	\$3,622	(\$535,590)	\$0	(\$535,590)
Security of Persons and Property	967,776	67,000		(900,776)		(900,776)
Public Health Services	19,784	19,125	31,690	31,031		31,031
Leisure Time Activities	10,949			(10,949)		(10,949)
Community Environment	148,825	154,728		5,903		5,903
Transportation	529,566		177,757	(351,809)		(351,809)
Capital Outlay	1,265,086			(1,265,086)		(1,265,086)
Debt Service	1,191,734			(1,191,734)		(1,191,734)
<i>Total Governmental Activities</i>	4,763,416	331,337	213,069	(4,219,010)	0	(4,219,010)
Business Type Activity						
Water	1,332,016	646,631			(685,385)	(685,385)
Sewer	4,224,815	820,189			(3,404,626)	(3,404,626)
Enterprise Deposit Fund	6,287	3,055			(3,232)	(3,232)
Total	10,326,534	1,801,212	213,069	(4,219,010)	(4,093,243)	(8,312,253)
General Receipts						
Property Taxes Levied for:						
				251,321		251,321
				1,484,111		1,484,111
				232,134		232,134
					2,871,534	2,871,534
				1,525,000	1,036,000	2,561,000
				13,248		13,248
				61,931		61,931
<i>Total General Receipts</i>				3,567,745	3,907,534	7,475,279
Change in Net Assets				(651,265)	(185,709)	(836,974)
<i>Net Assets Beginning of Year</i>				1,990,817	826,564	2,817,381
<i>Net Assets End of Year</i>				\$1,339,552	\$640,855	\$1,980,407

See accompanying notes to the basic financial statements

VILLAGE OF SUNBURY
DELAWARE COUNTY

STATEMENT OF MODIFIED CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
DECEMBER 31, 2004

	General	Street Fund	Parks and Recreation Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$947,351	\$247,050	\$37,003	\$108,148	\$1,339,552
<i>Total Assets</i>	<u>\$947,351</u>	<u>\$247,050</u>	<u>\$37,003</u>	<u>\$108,148</u>	<u>\$1,339,552</u>
Fund Balances					
Reserved:					
Reserved for Encumbrances	\$398,856	\$47,647	\$20,890	\$839	\$468,232
Unreserved:					
Undesignated (Deficit), Reported in:					
General Fund	548,495				548,495
Special Revenue Funds		199,403	16,113	106,479	321,995
Capital Projects Funds				830	830
<i>Total Fund Balances</i>	<u>\$947,351</u>	<u>\$247,050</u>	<u>\$37,003</u>	<u>\$108,148</u>	<u>\$1,339,552</u>

See accompanying notes to the basic financial statements

VILLAGE OF SUNBURY
DELAWARE COUNTY

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN MODIFIED-CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004**

	General	Street Fund	Parks and Recreation Fund	Other Governmental Funds	Total Governmental Funds
Receipts					
Municipal Income Taxes	\$1,484,111	\$0	\$0	\$0	\$1,484,111
Property and Other Local Taxes	251,321				251,321
Charges for Services	67,000			19,125	86,125
Fines, Licenses and Permits	245,126				245,126
Intergovernmental	235,756	164,426		13,331	413,513
Interest	11,397	1,455	131	357	13,340
Miscellaneous	61,001			32,614	93,615
<i>Total Receipts</i>	<u>2,355,712</u>	<u>165,881</u>	<u>131</u>	<u>65,427</u>	<u>2,587,151</u>
Disbursements					
Current:					
General Government	629,696				629,696
Security of Persons and Property	966,791			985	967,776
Public Health Services				19,784	19,784
Leisure Time Activities			10,949		10,949
Community Environment	148,825				148,825
Transportation	529,566				529,566
Capital Outlay	967,331	95,528	176,976	25,251	1,265,086
Debt Service:					
Principal Retirement	1,103,817			60,000	1,163,817
Interest and Fiscal Charges	27,239			678	27,917
<i>Total Disbursements</i>	<u>4,373,265</u>	<u>95,528</u>	<u>187,925</u>	<u>106,698</u>	<u>4,763,416</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(2,017,553)</u>	<u>70,353</u>	<u>(187,794)</u>	<u>(41,271)</u>	<u>(2,176,265)</u>
Other Financing Sources					
Bonds Issued	1,295,000		170,000	60,000	1,525,000
<i>Net Change in Fund Balances</i>	<u>(722,553)</u>	<u>70,353</u>	<u>(17,794)</u>	<u>18,729</u>	<u>(651,265)</u>
<i>Fund Balances Beginning of Year</i>	<u>1,669,904</u>	<u>176,697</u>	<u>54,797</u>	<u>89,419</u>	<u>1,990,817</u>
<i>Fund Balances End of Year</i>	<u>\$947,351</u>	<u>\$247,050</u>	<u>\$37,003</u>	<u>\$108,148</u>	<u>\$1,339,552</u>

See accompanying notes to the basic financial statements

**VILLAGE OF SUNBURY
DELAWARE COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Budgeted Amounts		Actual
	Original	Final	
Receipts			
Municipal Income Taxes	\$1,200,000	\$1,200,000	\$1,484,111
Property and Other Local Taxes	239,676	266,112	251,321
Charges for Services	52,000	52,000	67,000
Fines, Licenses and Permits	231,800	231,800	245,126
Intergovernmental	193,292	185,792	235,756
Interest	15,000	15,000	11,397
Miscellaneous	106,500	106,500	61,001
<i>Total receipts</i>	<u>2,038,268</u>	<u>2,057,204</u>	<u>2,355,712</u>
Disbursements			
Current:			
General Government	653,952	713,922	639,499
Security of Persons and Property	1,077,225	1,055,456	974,543
Community Environment	208,814	225,124	186,775
Basic Utility Services			
Transportation	643,252	584,432	545,866
Capital Outlay	114,814	1,361,914	1,297,361
Debt Service:			
Principal Retirement	210,000	1,072,800	1,100,838
Interest and Fiscal Charges	4,355	37,555	27,239
<i>Total Disbursements</i>	<u>2,912,412</u>	<u>5,051,203</u>	<u>4,772,121</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(874,144)</u>	<u>(2,993,999)</u>	<u>(2,416,409)</u>
Other Financing Sources (Uses)			
Notes Issued	210,000	1,385,453	1,295,000
Transfers Out		(35,000)	
<i>Total Other Financing Sources (Uses)</i>	<u>210,000</u>	<u>1,350,453</u>	<u>1,295,000</u>
<i>Net Change in Fund Balance</i>	(664,144)	(1,643,546)	(1,121,409)
<i>Fund Balance Beginning of Year</i>	1,588,324	1,588,324	1,588,324
Prior Year Encumbrances Appropriated	81,580	81,580	81,580
<i>Fund Balance End of Year</i>	<u>\$1,005,760</u>	<u>\$26,358</u>	<u>\$548,495</u>

See accompanying notes to the basic financial statements

**VILLAGE OF SUNBURY
DELAWARE COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
STREET FUND
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Budgeted Amounts		Actual
	Original	Final	
Receipts			
Intergovernmental	\$95,000	\$95,000	\$164,426
Interest	0	0	1,455
<i>Total receipts</i>	<u>95,000</u>	<u>95,000</u>	<u>165,881</u>
Disbursements			
Capital Outlay	153,932	153,932	143,175
<i>Total Disbursements</i>	<u>153,932</u>	<u>153,932</u>	<u>143,175</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(58,932)	(58,932)	22,706
<i>Fund Balance Beginning of Year</i>	147,764	147,764	147,764
Prior Year Encumbrances Appropriated	<u>28,933</u>	<u>28,933</u>	<u>28,933</u>
<i>Fund Balance End of Year</i>	<u><u>\$117,765</u></u>	<u><u>\$117,765</u></u>	<u><u>\$199,403</u></u>

See accompanying notes to the basic financial statements

**VILLAGE OF SUNBURY
DELAWARE COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
PARKS & RECREATION FUND
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Budgeted Amounts		Actual
	Original	Final	
Receipts			
Interest	\$1,250	\$1,250	\$131
<i>Total receipts</i>	1,250	1,250	131
Disbursements			
Current:			
Leisure Time Activities	24,500	14,500	13,839
Capital Outlay	0	195,000	194,976
<i>Total Disbursements</i>	24,500	209,500	208,815
<i>Excess of Receipts Over (Under) Disbursements</i>	(23,250)	(208,250)	(208,684)
Other Financing Sources (Uses)			
Notes Issued	0	170,000	170,000
<i>Net Change in Fund Balance</i>	(23,250)	(38,250)	(38,684)
<i>Fund Balance Beginning of Year</i>	54,797	54,797	54,797
<i>Fund Balance End of Year</i>	<u>\$31,547</u>	<u>\$16,547</u>	<u>\$16,113</u>

See accompanying notes to the basic financial statements

**VILLAGE OF SUNBURY
DELAWARE COUNTY**

**STATEMENT OF FUND NET ASSETS - MODIFIED CASH BASIS
PROPRIETARY FUNDS
DECEMBER 31, 2004**

	Business-Type Activities			Total Enterprise Funds
	Water Operating Fund	Sewer Operating Fund	Other Enterprise Fund	
Assets				
Equity in Pooled Cash and Cash Equivalents	\$116,521	\$489,192	\$35,142	\$640,855
<i>Total Assets</i>	<u>\$116,521</u>	<u>\$489,192</u>	<u>\$35,142</u>	<u>\$640,855</u>
Net Assets				
<i>Unrestricted</i>	\$116,521	\$489,192	\$35,142	\$640,855
<i>Total Net Assets</i>	<u>\$116,521</u>	<u>\$489,192</u>	<u>\$35,142</u>	<u>\$640,855</u>

See accompanying notes to the basic financial statements

**VILLAGE OF SUNBURY
DELAWARE COUNTY**

**STATEMENT OF CASH RECEIPTS,
DISBURSEMENTS AND CHANGES IN FUND NET ASSETS - MODIFIED CASH BASIS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Business-Type Activities			Total Enterprise Funds
	Water Operating Fund	Sewer Operating Fund	Other Enterprise Fund	
Operating Receipts				
Charges for Services	\$646,630	\$820,186	\$3,055	\$1,469,871
<i>Total Operating Receipts</i>	<u>646,630</u>	<u>820,186</u>	<u>3,055</u>	<u>1,469,871</u>
Operating Disbursements				
Personal Services	191,442	136,237		327,679
Fringe Benefits	91,402	59,191		150,593
Contractual Services	80,757	165,255		246,012
Materials and Supplies	225,644	164,051		389,695
Other			6,287	6,287
Capital Outlay	313,219	2,961,333		3,274,552
<i>Total Operating Disbursements</i>	<u>902,464</u>	<u>3,486,067</u>	<u>6,287</u>	<u>4,394,818</u>
<i>Operating Loss</i>	(255,834)	(2,665,881)	(3,232)	(2,924,947)
Non-Operating Receipts and Disbursements				
OWDA Loan Proceeds		2,871,534		2,871,534
Note Sale	388,500	647,500		1,036,000
Premium on Notes	1	3		4
Principal Retirement	(409,233)	(725,543)		(1,134,776)
Interest and Fiscal Charges	(20,319)	(13,205)		(33,524)
<i>Total Non-Operating Receipts/Disbursements</i>	<u>(41,051)</u>	<u>2,780,289</u>	<u>0</u>	<u>2,739,238</u>
<i>Change in Net Assets</i>	(296,885)	114,408	(3,232)	(185,709)
<i>Net Assets Beginning of Year</i>	<u>413,406</u>	<u>374,784</u>	<u>38,374</u>	<u>826,564</u>
<i>Net Assets End of Year</i>	<u>\$116,521</u>	<u>\$489,192</u>	<u>\$35,142</u>	<u>\$640,855</u>

See accompanying notes to the basic financial statements

VILLAGE OF SUNBURY
DELAWARE COUNTY

STATEMENT OF FIDUCIARY NET ASSETS - MODIFIED CASH BASIS
FIDUCIARY FUND
DECEMBER 31, 2004

	Private Purpose Trust Fund
Assets	
Equity in Pooled Cash and Cash Equivalents	\$7,046
Net Assets	
Restricted by Donor	\$7,046

See accompanying notes to the basic financial statements

VILLAGE OF SUNBURY
DELAWARE COUNTY

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - MODIFIED CASH BASIS
FIDUCIARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2004

	Private Purpose Trust Fund
Additions	
Interest	\$49
Change in Net Assets	49
Net Assets - Beginning of Year	6,997
Net Assets - End of Year	\$7,046

See accompanying notes to the basic financial statements

**VILLAGE OF SUNBURY
DELAWARE COUNTY**

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

Note 1 - Reporting Entity

The Village of Sunbury, Delaware 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, serves as the President of Council and votes only to break a tie.

The reporting entity is comprised of the primary government, component units and other organizations that were included to ensure that the financial statements are not misleading.

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 and sewer utilities, maintenance of Village roads and bridges, park operations, and police services.

B. Component Units

Component units are legally separate organizations for which the Village is financially accountable. The Village is financially accountable for an organization if the Village appoints a voting majority of the organization's governing board and (1) the Village is able to significantly influence the programs or services performed or provided by the organization; or (2) the Village is legally entitled to or can otherwise access the organization's resources; the Village is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or the Village is obligated for the debt of the organization. The Village is also financially accountable for any organizations that are fiscally dependent on the Village in that the Village approves their budget, the issuance of their debt or the levying of their taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Village, are accessible to the Village and are significant in amount to the Village.

The Village does not have any component units.

C. Joint Ventures

A joint venture is a legal entity or other organization that results from a contractual arrangement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility. Under the modified cash basis of accounting, the Village does not report assets for equity interests in joint ventures.

The Village participates in a joint venture and a jointly governed organization. Notes 15 and 16 to the financial statements provides additional information for these entities.

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

As discussed further in Note 2.C, these financial statements are presented on a modified cash basis of accounting. This modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant

**VILLAGE OF SUNBURY
DELAWARE COUNTY**

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

Note 2 - Summary of Significant Accounting Policies

Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified 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 modified 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.

The statement of net assets presents the modified 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 modified 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

VILLAGE OF SUNBURY
DELAWARE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004
(Continued)

Note 2 - Summary of Significant Accounting Policies (continued)

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 funds are the General Fund, the Parks and Recreation Fund, and the Street Fund.

General Fund: 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.

Parks and Recreation Fund: This fund receives donations and other contributions for the purpose of park development.

Street Fund: This fund receives gasoline tax and motor vehicle license tax money for constructing, maintaining, and repairing the Village streets.

All other governmental funds of the Village account for grants and other resources whose use is restricted to a particular purpose.

Proprietary Funds

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

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 funds are the water and sewer funds.

Water Operating Fund - The water fund accounts for the provision of water to the residents and commercial users located within the Village through August of 2005.

Sewer Operating Fund - The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

Fiduciary Funds

Fiduciary funds include pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held under a trust agreement for individuals,

**VILLAGE OF SUNBURY
DELAWARE COUNTY**

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

Note 2 - Summary of Significant Accounting Policies (continued)

private organizations, or other governments which are not available to support the Village's own programs. The Village's private purpose trust fund accounts for donations designated for maintenance of cemetery plots. Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village does not have any agency funds.

C. Basis of Accounting

The Village's financial statements are prepared using the modified 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.

As a result of the use of this modified 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 appropriations ordinance is the Village Council's authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the Village Council. The legal level of control has been established at the fund 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 appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Village Council during the year.

**VILLAGE OF SUNBURY
DELAWARE COUNTY**

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

Note 2 - Summary of Significant Accounting Policies (continued)

E. Cash and Investments

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

Cash and cash equivalents that are held separately in accounts at a financial institution for retainage and bond reserves and debt service are reported as "Cash and Cash Equivalents with Fiscal Agents."

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

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During 2005 and 2004, the Village invested in government issued securities and 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 and 2004.

Interest earnings are allocated to Village funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2005 and 2004 were \$51,371 and \$8,003.

F. Restricted Assets

Cash, cash equivalents and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. The Village did not have any restricted assets.

G. Inventory and Prepaid Items

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

H. Capital Assets

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

**VILLAGE OF SUNBURY
DELAWARE COUNTY**

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

Note 2 - Summary of Significant Accounting Policies (continued)

I. Interfund Receivables/Payables

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

J. Accumulated Leave

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

K. Employer Contributions to Cost-Sharing Pension Plans

The Village recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 10 and 11, the employer contributions include portions for pension benefits and for postretirement health care benefits.

L. Long-Term Obligations

The Village's modified 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.

M. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for use in street maintenance, park development, and cemetery maintenance.

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

N. Fund Balance Reserves

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

O. Interfund Transactions

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

**VILLAGE OF SUNBURY
DELAWARE COUNTY**

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

Note 2 - Summary of Significant Accounting Policies (continued)

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.

P. Special Items

Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence.

Note 3 - Change in Basis of Accounting

At December 31, 2003 the Village reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. At December 31, 2004 the Village has implemented the modified 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 - Compliance

Contrary to Ohio Rev. Code Section 5705.41(D), the fiscal officer did not always certify the amounts required to meet any contract or expenditure that has been appropriated. The Village will take actions to eliminate violations of this Ohio Rev. Code Section by issuing purchase orders in a timely manner and utilizing then and now certificates when needed.

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 and the major special revenue funds are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the modified cash basis are outstanding year end encumbrances that are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (modified cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$398,856 for the general fund, \$47,647 for the street fund and \$20,890 in the parks and recreation fund in 2004. In 2005, the encumbrances outstanding at year end amounted to \$632,931 for the general fund and \$24,935 in the parks and recreation 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.

**VILLAGE OF SUNBURY
DELAWARE COUNTY**

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

Note 6 - Deposits and Investments (continued)

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

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

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

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

**VILLAGE OF SUNBURY
DELAWARE COUNTY**

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

Note 6 - Deposits and Investments (continued)

Deposits

Custodial credit risk 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, \$62,203 of the Village's bank balance of \$162,203 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Village's name. At December 31, 2004, \$1,946,659 of the Village's bank balance of \$2,046,659 was also exposed to custodial risk due to the same reason as noted above.

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

Investments

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

	Carrying Value	Maturity	Credit Rating (Moody's & Standards and Poor's)
Federal National Mortgage Association	\$300,000	5/10/2006	Aaa/AAA
Federal Home Loan Banks	300,000	9/22/2006	Aaa/AAA
Federal National Mortgage Association	300,000	11/24/2006	Aaa/AAA
Federal National Mortgage Association	300,000	2/2/2007	Aaa/AAA
STAR Ohio	3,481,236	Average	See below
Total Portfolio	\$4,681,236		

The Village did not have any investments in 2004.

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

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Village will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Federal National Mortgage Association and Federal Home Loan

**VILLAGE OF SUNBURY
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004
(Continued)**

Note 6 - Deposits and Investments (continued)

Banks Securities are exposed to custodial credit risk as they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in the Village's name. The Village has no investment policy dealing with investment custodial risk beyond the requirements in ORC 135.14(M)(2) which states, "Payment for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee."

Note 7 - Income Taxes

The Village levies a 1.0 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. 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. All income tax income is collected by the Regional Income Tax Agency (RITA).

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, 2003, 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 2005 became a lien on December 31, 2004, 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.

The full tax rate for all Village operations for the years ended December 31, 2004 and December 31, 2005, was \$2.5 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2004 and 2005 property tax receipts were based are as follows:

**VILLAGE OF SUNBURY
DELAWARE COUNTY**

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

Note 8 - Property Taxes (continued)

	2005	2004
Real Property		
Residential & Agriculture	\$74,767,910	\$64,217,360
Commercial/Industrial/Mineral	25,204,680	22,492,920
Public Utility Property		
Personal Property	2,138,710	2,153,020
Tangible Personal Property	13,426,259	18,172,739
Total Assessed Value	\$115,537,559	\$107,036,039

Note 9 - Risk Management

The Village belongs to the Ohio Government Risk Management Plan (the "Plan"), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 460 Ohio governments ("Members").

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is 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 issues its own policies and reinsures the Plan with A- VII or better rated carriers, except for the 15% casualty and the 10% property portions the Plan retains. The Plan pays the lesser of 15% or \$37,500 of casualty losses and the lesser of 10% or \$100,000 of property losses. Individual Members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other obligation to the Plan. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31.

	2005	2004
Assets	\$8,219,430	\$6,685,522
Liabilities	(2,748,639)	(2,227,808)
Members' Equity	\$5,470,791	\$4,457,714

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan's website, www.ohioplan.org.

**VILLAGE OF SUNBURY
DELAWARE COUNTY**

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

Note 10 - 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, were required to contribute 8.5 percent of their annual covered salaries. The Village's contribution rate for pension benefits for 2005 was 9.55 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Village's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2005 and 2004 were \$105,939 and \$117,034 respectively. The full amount has been contributed for 2005 and 2004.

B. Ohio Police and Fire Pension Fund

The Village contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations while the Village is required to contribute 11.75 percent for police officers. Contributions are authorized by State statute. The Village's required contributions to the Fund for the years ended December 31, 2005 and 2004 were \$93,746 and \$88,519. The full amount has been contributed for 2005 and 2004.

**VILLAGE OF SUNBURY
DELAWARE COUNTY**

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

Note 11 - 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 2004 local government employer contribution rate was 13.55 percent of covered payroll (16.7 percent for public safety and law enforcement); 4 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 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between 0.50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase between 1 and 6 percent annually for the next eight years and 4 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 376,109. Actual Village contributions for 2005 which were used to fund postemployment benefits were \$31,274. The actual contribution and the actuarially required contribution amounts are the same. The actuarial value of OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) was \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs. Member and employer contribution rates increased as of January 1, 2006, which will allow additional funds to be allocated to the health care plan.

B. Ohio Police and Fire Pension Fund

The Ohio Police and Fire Pension Fund (OP&F) provides postretirement health care coverage to any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school full-time or on a 2/3 basis.

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in *GASB Statement No. 12*. The Ohio Revised Code provides the authority

**VILLAGE OF SUNBURY
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004
(Continued)**

Note 11 - Postemployment Benefits (continued)

allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the funds of OP&F shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution rate is 19.5 percent of covered payroll, of which 7.75 percent of covered payroll was applied to the postemployment health care program during 2005 and 2004. In addition, since July 1, 1992, most retirees and survivors have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The Village's actual contributions for 2005 that were used to fund postemployment benefits were \$37,258 for police. The OP&F's total health care expense for the year ended December 31, 2004 (the latest information available) was \$102,173,796, which was net of member contributions of \$55,665,341. The number of OP&F participants eligible to receive health care benefits as of December 31, 2004, was 13,812 for police and 10,528 for firefighters.

Note 12 - Notes Payable

A summary of the note transactions for the year ended December 31, 2004, follows:

	Interest Rate	Balance December 31, 2003	Additions	Reductions	Balance December 31, 2004
<u>Governmental Activities</u>					
<u>Bond Anticipation Notes</u>					
2003 Sweeny Cartwright & Co.	1.72%	\$210,000	\$0	\$210,000	\$0
2003 Bank One	1.87%	883,000		883,000	0
2004 Fifth Third Bank	1.99%		545,000		545,000
2004 Fifth Third Bank	2.19%		980,000		980,000
Total		<u>\$1,093,000</u>	<u>\$1,525,000</u>	<u>\$1,093,000</u>	<u>\$1,525,000</u>

	Interest Rate	Balance December 31, 2003	Additions	Reductions	Balance December 31, 2004
<u>Business Activities</u>					
<u>Bond Anticipation Notes</u>					
2003 Sweeny Cartwright & Co.	1.72%	\$93,000	\$0	\$93,000	\$0
2003 Sweeny Cartwright & Co.	1.66%	902,000		902,000	0
2004 Fifth Third Bank	1.99%		175,000		175,000
2004 Sweeney Cartwright & Co.	1.40%		861,000		861,000
Total		<u>\$995,000</u>	<u>\$1,036,000</u>	<u>\$995,000</u>	<u>\$1,036,000</u>

**VILLAGE OF SUNBURY
DELAWARE COUNTY**

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

Note 12 - Notes Payable (continued)

	Interest Rate	Balance December 31, 2004	Additions	Reductions	Balance December 31, 2005
<u>Governmental Activities</u>					
<u>Bond Anticipation Notes</u>					
2004 Fifth Third Bank	1.99%	\$545,000	\$0	\$545,000	\$0
2004 Fifth Third Bank	2.19%	980,000		980,000	0
2005 US Bank	2.89%		2,889,000		2,889,000
Total		<u>\$1,525,000</u>	<u>\$2,889,000</u>	<u>\$1,525,000</u>	<u>\$2,889,000</u>
	Interest Rate	Balance December 31, 2004	Additions	Reductions	Balance December 31, 2005
<u>Business Activities</u>					
<u>Bond Anticipation Notes</u>					
2004 Fifth Third Bank	1.99%	\$175,000	\$0	\$175,000	\$0
2004 Sweeny Cartwright & Co.	1.40%	861,000		861,000	0
2005 US Bank	2.89%	0	1,012,000		1,012,000
Total		<u>\$1,036,000</u>	<u>\$1,012,000</u>	<u>\$1,036,000</u>	<u>\$1,012,000</u>

All note proceeds had been spent or rolled over into subsequent bond anticipation notes at December 31, 2004 and December 31, 2005. The bond anticipation notes issued in 2003, 2004 and 2005 were used for various governmental and business activities. The bond anticipation notes are backed by the full faith and credit of the Village and mature within one year of issuance.

Note 13 - Debt

The Village's long-term debt activity for the year ended December 31, 2004, was as follows:

	Interest Rate	Balance December 31, 2003	Additions	Reductions	Balance December 31, 2004	Due Within One Year
<u>Governmental Activities</u>						
Promissory Notes 2003 Issue, \$85,161	3.25%	\$68,302	\$0	\$31,017	\$37,285	\$25,919
General Obligation Bonds 2003 Issue, \$199,000	3.00%	199,000		39,800	159,200	39,800
Total		<u>\$267,302</u>	<u>\$0</u>	<u>\$70,817</u>	<u>\$196,485</u>	<u>\$65,719</u>

**VILLAGE OF SUNBURY
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004
(Continued)**

Note 13 - Debt (continued)

	Interest Rate	Balance December 31, 2003	Additions	Reductions	Balance December 31, 2004	Due Within One Year
<u>Business-type Activities</u>						
Promissory Notes 2003 Issue, \$44,720	3.25%	\$35,890	\$0	\$11,921	\$23,969	\$10,356
General Obligation Bonds 2003 Issue, \$185,000	3.00%	185,000		37,000	148,000	37,500
1985 OWDA Loan, \$321,167	9.99%	17,453		17,453	0	0
1987 OWDA Loan, \$435,809	7.65%	240,896		10,202	230,694	21,964
2004 OWDA Loan	0%	0	2,871,534		2,871,534	0
1993 OPWC Loan, \$340,615	0%	221,399		17,031	204,368	8,515
1996 OPWC Loan, \$85,499	0%	49,162		4,275	44,887	4,275
1998 OPWC Loan, \$20,947	0%	167,573		41,894	125,679	41,894
Total Business-type Activities		<u>\$917,373</u>	<u>\$2,871,534</u>	<u>\$139,776</u>	<u>\$3,649,131</u>	<u>\$124,504</u>

The Village's long-term debt activity for the year ended December 31, 2005, was as follows:

	Interest Rate	Balance December 31, 2004	Additions	Reductions	Balance December 31, 2005	Due Within One Year
<u>Governmental Activities</u>						
Promissory Notes 2003 Issue, \$85,161	3.25%	\$37,285	\$0	\$25,967	\$11,318	\$11,318
General Obligation Bonds 2003 Issue, \$199,000	3.00%	159,200			159,200	39,800
Total		<u>\$196,485</u>	<u>\$0</u>	<u>\$25,967</u>	<u>170,518</u>	<u>51,118</u>
<u>Business-type Activities</u>						
Promissory Notes 2003 Issue, \$44,720	3.25%	\$23,969	\$0	\$10,356	\$13,713	\$13,613
General Obligation Bonds 2003 Issue, \$185,000	3.00%	148,000		148,000	0	0
1987 OWDA Loan, \$435,809	7.65%	230,694		21,964	208,730	21,964
2004 OWDA Loan	0%	2,871,534	4,161,356		7,032,890	0
1993 OPWC Loan, \$340,615	0%	204,368		204,368	0	0
1996 OPWC Loan, \$85,499	0%	44,887		2,137	42,750	4,275
1998 OPWC Loan, \$20,947	0%	125,679		20,948	104,731	41,894
Total Business-type Activities		<u>\$3,649,131</u>	<u>\$4,161,356</u>	<u>\$407,773</u>	<u>\$7,402,714</u>	<u>\$81,746</u>

The promissory notes were issued for the purchase of two police cruisers, a wastewater truck and a plow truck in 2003. The notes are repaid in monthly installments from the funds in which the vehicle purchases were made from over four years. The notes are secured by vehicles purchased.

**VILLAGE OF SUNBURY
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004
(Continued)**

Note 13 - Debt (continued)

The general obligation bonds are supported by the full faith and credit of the Village and are payable from unvoted property tax receipts to the extent that other resources are not available to meet annual principal and interest payments.

The 1987 Ohio Water Development Authority (OWDA) loans relate to sewer system expansion projects that were mandated by the Ohio Environmental Protection Agency. The loans will be repaid in semiannual installments over 25 years. The loans are secured by sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

In 2004 the Village entered into an agreement with the OWDA for the construction of a state sanitary sewer project. Construction occurred in 2004 and 2005. At the conclusion of the project the loan balance and amortization schedule will be established by OWDA.

The Ohio Public Works Commission (OPWC) loans relate capital improvements of the water and sewer plants. The loans will be repaid in semiannual installments over ten or twenty years. The loans are secured by water and sewer receipts.

In 2005 the water works system was sold to Delco, Inc. and the balance of the related 1993 OPWC loan was repaid as part of the sale of the waterworks system assets. See Note 17 for further information on the sale of the waterworks system.

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

Year	G.O. Bonds		OWDA Loans		OPWC Loans
	Principal	Interest	Principal	Interest	Principal
2006	\$76,800	\$4,776	\$23,645	\$14,611	\$46,168
2007	76,800	2,472	25,453	12,956	46,168
2008	5,600	168	27,401	11,174	25,221
2009			29,497	9,256	4,275
2010			31,753	7,192	4,275
2011 – 2015			70,981	7,542	21,374
Totals	<u>\$159,200</u>	<u>\$7,416</u>	<u>\$208,730</u>	<u>\$62,731</u>	<u>\$147,481</u>

Year	Promissory Notes	
	Principal	Interest
2006	\$23,042	\$380
2007	1,989	8
Totals	<u>\$25,031</u>	<u>\$388</u>

The Ohio Revised Code provides that net general obligation debt of the Village, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 5.5 percent of the tax valuation of the Village. The Revised Code further provides that total voted and unvoted net debt of the Village less the same exempt debt shall never exceed amount equal to 10.5 percent of its tax valuation. The effects of the debt limitations at December 31, 2005, were an overall debt margin of \$9,076,926 and an unvoted debt margin of \$3,259,048.

**VILLAGE OF SUNBURY
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004
(Continued)**

Note 14 - Contingent Liabilities

The Village is defendant in several lawsuits. Although management cannot presently determine the outcome of these suits, they believe the resolution of these matters will not materially adversely affect the Village's financial condition.

Note 15 - Joint Ventures

The Village of Sunbury Community Park Joint Venture is a jointly governed organization between the Big Walnut Board of Education and the Village of Sunbury. The joint venture agreement was entered into for the purpose of development of an elementary school and an adjacent community park. The legislative and advisory body is made up of one member appointed by the school, one member appointed by the Village and an agreed upon third member. The Village committed 21 acres of the development for the school and park and the district has committed \$1.4 million to development of the park.

Note 16 - Jointly Governed Organization

The Berkshire Township, the Village of Sunbury, Trenton Township, and the Village of Galena appoint one member to the Board of Trustees of the B.S.T.&G. Joint Fire District. The B.S.T. & G Joint Fire District provides fire protection and rescue services within the District.

Note 17 - Discontinued Operations

On July 1, 2005 the Village entered into an agreement with Del-Co Water Company, Inc to sell the Village's waterworks system. The following is a summary of the transactions related to this sale.

Agreed upon purchase price	\$1,321,414
Outstanding General Obligation Bonds paid by Delco	(148,000)
Outstanding Ohio Public Works Commission Loan paid by Delco	(204,369)
Outstanding Bond Anticipation Notes paid by Delco to an Escrow Account to be held until the due date of the notes	(377,500)
Tap Fees collected by the Village to be transferred to Delco	<u>(220,524)</u>
Gain on sale of Assets	<u>\$371,021</u>

Also on July 1, 2005 the Village entered into two agreements with Del-Co. to lease the water treatment plant and supply raw water for \$1/year for 99 years and for the ground lease for the Water Tower for \$1/year for 99 years.

Note 18 - Subsequent Events

On March 1, 2006, the Village issued Bond Anticipation Notes in the amount of \$2,900,000 to retire outstanding notes.

In August of 2006 the Village entered into a Tax Increment Financing Agreement for the Kintner Parkway and US Route 36 Routing Improvement Project. In addition the Village entered into a contract for engineering services related to the improvement project.

In September of 2006 the Village of Sunbury and Big Walnut Local School District agreed to establish the Eastern Delaware County Joint Recreation District.



Auditor of State Betty Montgomery

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

Village of Sunbury
Delaware County
9 East Granville Street
Sunbury, Ohio 43074

To the Village Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Sunbury, Delaware County, Ohio (the Village) as of and for the years ended December 31, 2005, and December 31, 2004, which collectively comprise the Village's basic financial statements and have issued our report thereon dated October 19, 2006, wherein we noted the Village prepared its financial statements using a comprehensive accounting basis other than accounting principles generally accepted in the United States of America. We also noted the Village did not present Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting to determine our auditing procedures to express our opinions on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Village's management dated October 19, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2005-001 and 2005-002. In a separate letter to the Village's management dated October 19, 2006, we reported other matters related to noncompliance we deemed immaterial.

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

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

Betty Montgomery
Auditor of State

October 19, 2006

**VILLAGE OF SUNBURY
DELAWARE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005 & 2004**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

FINDING NUMBER 2005-001

Finding for Recovery—Repaid Under Audit

Village of Sunbury Codified Ordinance Section 139.33(I) states that if an employee voluntarily terminates employment with the Village other than retirement or is terminated by the Village, he/she is not entitled to his/her sick time.

Village of Sunbury Codified Ordinance Section 139.37 provides in part that employees may elect to utilize compensatory time in lieu of cash payment for overtime hours worked. However, employees may not accrue more than one hundred and sixty hours of compensatory time.

On August 13, 2004 Marvin P. Jones provided a written resignation letter to the Village Administrator. For pay period ending August 27, 2004 Marvin P. Jones received a severance payment that included cash payment of \$10,757.08 for his accumulated sick leave balance of 400.04 hours.

In addition, in 2004 Marvin P. Jones accumulated 106 hours in compensatory time in excess of 160 hours that was not paid as cash payments in the pay periods earned. Rather a total of 263.5 hours of compensatory time were paid at a higher pay rate at the time of resignation.

<u>Description</u>	<u>X</u>	<u>Rate</u>	<u>=</u>	<u>Total</u>
106 hours of overtime earned	X	\$25.86 per hour	=	\$2,741.16
157.5 hours of accumulated compensatory time upon resignation	X	\$26.89 per hour	=	4,235.18
				\$6,976.34
263.5 compensatory hours time paid by the Village upon resignation	X	\$26.89 per hour	=	7,085.52
				\$ 109.18

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended would have been issued against Marvin P. Jones, former Utilities Coordinator, and Fiscal Officer, John Lane, and the Fiscal Officer's bonding company, the Ohio Government Risk Management Plan, jointly and severally, in the amount of \$10,866.26, and in favor of the Village of Sunbury Water Fund and Sewer Fund in the amount of \$5,433.13 to both funds.

On November 15, 2006, the Village Council retroactively approved the severance payment of \$10,866.26 to Marvin P. Jones.

Officials' Response:

On November 15, 2006, Village Council passed Resolution 2006-09 to ratify payment of \$10,866.26 to Marvin P. Jones for accrued leave balance as of his date of termination of employment.

VILLAGE OF SUNBURY
DELAWARE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2005 & 2004
(Continued)

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (continued)

FINDING NUMBER 2005-002

Ohio Rev. Code § 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" certificate – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.

2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

3. Super Blanket Certificate – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Twenty-nine percent of the transactions tested in 2005 and thirty one percent of the transactions tested in 2004 were not certified by the fiscal officer at the time the commitment was incurred and there was no evidence that the Village followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

**VILLAGE OF SUNBURY
DELAWARE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005 & 2004
(Continued)**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (continued)**

FINDING NUMBER 2005-002

Certification of Expenditures (continued)

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend that the Fiscal Officer certify that the funds are or will be available prior to obligation by the Village. When prior certification is not possible, "then and now" certification should be used.

We recommend the Village certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The fiscal officer should sign the certification at the time the Village incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

Officials' Response:

Action has been taken and will be reinforced on an ongoing basis to attempt to eliminate these exceptions to Ohio Revised Code § 5705.41(D)(1) by utilizing purchase orders completed on a timely basis and posted to the system on a timely basis and utilize the then and now certification when that is not possible to ensure proper certification of funds on all Village expenditures.

**VILLAGE OF SUNBURY
DELAWARE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2005 & 2004**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2003-001	Village Residents were not timely billed in accordance with Village Codified Ordinances 925.08 and 929.02	Yes	N/A
2003-002	The Village collected a Water & Sewer deposit from all Customers, contrary to Village Codified Ordinance 929.02	Yes	N/A
2003-003	Reportable Condition concerning the Utilities Receipt Cycle	Yes	N/A



**Auditor of State
Betty Montgomery**

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VILLAGE OF SUNBURY

DELAWARE 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 5, 2006**