

***VILLAGE OF CROWN CITY
GALLIA COUNTY, OHIO***

AUDIT REPORT

FOR THE YEARS ENDED DECEMBER 31, 2005 & 2004

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



Mary Taylor, CPA

Auditor of State

Village Council
Village of Crown City
156 Charles Street
Crown City, Ohio 45623

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

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

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

May 3, 2007

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VILLAGE OF CROWN CITY
GALLIA COUNTY, OHIO
Audit Report
For the Years Ended December 31, 2005 & 2004

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

REPORT OF INDEPENDENT ACCOUNTANTS

Village of Crown City
Gallia County
156 Charles Street
Crown City, Ohio 45623

To Village Council:

We have audited the accompanying financial statements of the Village of Crown City, Gallia, County, Ohio (the Village), as of and for the years ended December 31, 2005 and 2004. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in 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 that our audit provides a reasonable basis for our opinion.

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

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2005 and 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2005 and 2004. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since the Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 15, 2007, 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, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Charles E. Harris & Associates, Inc.

February 15, 2007

VILLAGE OF CROWN CITY
GALLIA COUNTY, OHIO
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
All Governmental Fund Types
For the Year Ended December 31, 2005

	Governmental Fund Types			Total- Memorandum Only
	General	Special Revenue	Capital Projects	
Receipts:				
Taxes	\$ 1,918	\$ 7,593	\$ -	\$ 9,511
Intergovernmental	65,609	24,534	-	90,143
Charges for Services	675	145	-	820
Fines, Licenses and Permits	1,091	-	-	1,091
Interest	247	894	-	1,141
Other	4,117	7,801	-	11,918
Total Receipts	73,657	40,967	-	114,624
Disbursements:				
Security of Persons & Property	24,129	9,216	-	33,345
Public Health Services	3,450	-	-	3,450
Leisure Time Activities	-	7,897	-	7,897
Transportation	-	11,168	-	11,168
General Government	49,712	-	-	49,712
Debt Service:				
Principal	6,740	-	-	6,740
Interest	3,156	-	-	3,156
Total Disbursements	87,187	28,281	-	115,468
Total Receipts Over/(Under) Disbursements	(13,530)	12,686	-	(844)
Other Financing Sources (Uses):				
Advances-In	-	7,500	-	7,500
Advances-Out	(7,500)	-	-	(7,500)
Total Other Financing Sources (Uses)	(7,500)	7,500	-	-
Excess/Deficiency of Receipts and Other Sources Over Disbursements and Other Uses	(21,030)	20,186	-	(844)
Fund Cash Balance January 1, 2005	39,027	108,046	28	147,101
Fund Cash Balance December 31, 2005	\$ 17,997	\$ 128,232	\$ 28	\$ 146,257

See accompanying Notes to the Financial Statements.

VILLAGE OF CROWN CITY
GALLIA COUNTY, OHIO
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
All Governmental Fund Types
For the Year Ended December 31, 2004

	Governmental Fund Types			Total- Memorandum Only
	General	Special Revenue	Capital Projects	
Receipts:				
Taxes	\$ 2,767	\$ 6,595	\$ -	\$ 9,362
Intergovernmental	65,757	14,845	-	80,602
Charges for Services	900	1,360	-	2,260
Fines, Licenses and Permits	516	-	-	516
Interest	277	229	-	506
Other	1,364	6,454	-	7,818
Total Receipts	71,581	29,483	-	101,064
Disbursements:				
Security of Persons & Property	28,355	2,393	-	30,748
Public Health Services	3,000	-	-	3,000
Leisure Time Activities	-	324	-	324
Transportation	-	13,225	-	13,225
General Government	40,779	-	-	40,779
Debt Service:				
Principal	9,066	-	-	9,066
Interest	3,330	-	-	3,330
Total Disbursements	84,530	15,942	-	100,472
Total Receipts Over/(Under) Disbursements	(12,949)	13,541	-	592
Fund Cash Balance January 1, 2004	51,976	94,505	28	146,509
Fund Cash Balance December 31, 2004	\$ 39,027	\$ 108,046	\$ 28	\$ 147,101

See accompanying Notes to the Financial Statements.

VILLAGE OF CROWN CITY
GALLIA COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

The Village of Crown City, Gallia County (the Village) is a body corporate and politic established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly elected, six-member Council. The Village provides general governmental services, park operations (leisure time activities), maintenance of streets, and police and fire protection (security of persons and property), and general Village maintenance.

The Village's management believes these financial statements included in this report represent all of the funds of the Village over which the Village has the ability to exercise direct operating control.

B. BASIS OF ACCOUNTING

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

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

C. CASH

Investments are included in the fund cash balances. 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 disbursements, respectively.

D. FUND ACCOUNTING

The Village maintains its accounting records in accordance with the principles of "Fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity, which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

VILLAGE OF CROWN CITY
GALLIA COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. FUND ACCOUNTING - (Continued)

Governmental Fund Types:

General Fund: The general operating fund of the Village. It is used to account for all financial resources except those required by law or contract to be accounted for in another fund.

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

- Street Construction Maintenance and Repair Fund- Receives Motor vehicle and gasoline taxes for constructing, maintaining and repairing Village streets.
- Fire Department Fund- This fund receives tax monies assessed and levied on general assessed valuation of real and personal property taxes for the operation of the fire department.

Capital Projects Funds: This fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds).

- Sewer Fund- This fund receives intergovernmental funding to support the wastewater sewer treatment plant construction project.

E. BUDGETARY PROCESS

A budget of estimated cash receipts and disbursements is prepared by the Clerk, approved by the Village Council, and submitted to the county auditor, as secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

VILLAGE OF CROWN CITY
GALLIA COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

E. BUDGETARY PROCESS - (Continued)

1. Estimated Resources

The county auditor calculates the estimated revenues available to the Village. He prepares a certificate of estimated resources based upon this calculation and upon the other financial information supplied in the budget sent by the Village. The certificate is approved by the county budget commission and sent to the Village Clerk by September 1.

Prior to December 31, the Village must revise its budget so that the total budgeted expenditures for a fund will not exceed the amount of estimated resources stated in the certificate of estimated resources. The revised budget serves as the basis for the annual appropriation measure.

On or about January 1, the Clerk sends the county auditor a certificate, which includes the actual unencumbered balances from the preceding year. The county auditor prepares an amended certificate, submits it to the county budget commission for approval. This amended certificate may be further amended during the year if projected revenue increases or the Clerk identifies decreases in revenue.

Budgeted receipts, as shown in Note 4, do not include the unencumbered fund balances as of January 1, 2004 and 2005. However, those fund balances are available for appropriation.

2. Appropriations

A temporary appropriation measure to control cash expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation measure must be passed by March 31 of each year for the period January 1 to December 31. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.

**VILLAGE OF CROWN CITY
GALLIA COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

E. BUDGETARY PROCESS - (Continued)

3. Encumbrances

The Village is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The sum of expenditures and encumbrances may not exceed appropriated totals at any level of budgetary control. The legal level of control is the object level.

Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year without being re-appropriated.

F. PROPERTY, PLANT AND EQUIPMENT

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

G. ACCUMULATED LEAVE

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

2. EQUITY IN POOLED CASH AND CASH EQUIVALENTS

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

	<u>2005</u>	<u>2004</u>
Demand Deposits	\$132,197	\$133,041
Certificates of Deposit	<u>14,060</u>	<u>14,060</u>
Total	<u>\$146,257</u>	<u>\$147,101</u>

Deposits: Deposits are either (1) insured by the Federal Deposit Insurance Corporation, (2) collateralized by securities specifically pledged by the financial institution to the Village, or (3) collateralized by the financial institution's public entity deposit pool.

**VILLAGE OF CROWN CITY
GALLIA COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004**

3. PROPERTY TAXES

Real property taxes are levied on assessed values, which equal 35% of appraised value. The county auditor reappraises all real property every six years with a triennial update. The last update was completed for tax year 2004.

Real property taxes become a lien on all non-exempt real property located in the county on January 1. 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 of the following year. Under certain circumstances, state statute permits later payment dates to be established.

The State Board of Tax Equalization adjusts the tax rates for inflation. Real property owners' tax bills are further reduced by homestead and rollback deductions when applicable. The amount of these homestead and rollback reductions is reimbursed to the Village by the State of Ohio. The amounts reimbursed by the State of Ohio are reflected in the accompanying financial statements as intergovernmental receipts.

Public utilities are also taxed on personal and real property located within the Village. The property owners, who must file a list of such property to the County by each April 30, assess tangible personal property tax.

The County Treasurer collects property tax on behalf of all taxing authorities within the county. The County Auditor periodically remits to the taxing authorities their portions of the taxes collected.

4. BUDGETARY ACTIVITY

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

	<u>2005 Budgeted vs Actual Receipts</u>		
<u>Fund:</u>	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>
	<u>Receipts</u>	<u>Receipts</u>	<u></u>
General Fund	\$ 82,090	\$ 73,657	\$ (8,433)
Special Revenue Funds	33,620	48,467	14,847
Capital Projects Funds	-	-	-

VILLAGE OF CROWN CITY
GALLIA COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

4. BUDGETARY ACTIVITY – (Continued)

2005 Budgeted vs Actual Budgetary Basis Expenditures

<u>Fund:</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General Fund	\$ 117,866	\$ 94,687	\$ 23,179
Special Revenue Funds	39,495	28,281	11,214
Capital Projects Funds	28	-	28

2004 Budgeted vs Actual Receipts

<u>Fund:</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General Fund	\$ 79,370	\$ 71,581	\$ (7,789)
Special Revenue Funds	23,205	29,483	6,278
Capital Projects Funds	-	-	-

2004 Budgeted vs Actual Budgetary Basis Expenditures

<u>Fund:</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General Fund	\$ 99,721	\$ 84,530	\$ 15,191
Special Revenue Funds	41,635	15,942	25,693
Capital Projects Fund	28	-	28

5. RETIREMENT SYSTEM

The Village's employees belong to the Ohio Public Employees Retirement System (OPERS), a state operated, cost sharing, multiple employer plans. The plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code. Contribution rates are prescribed by the Ohio Revised Code. OPERS members contributed 8.5% of their gross pay while the Village contributed an amount equal to 13.55% of covered payroll. The Village paid all required contributions through 2005.

6. RISK MANAGEMENT

The Village has obtained Pool Insurance (Ohio Municipal League Joint Self-Insurance Pool) for the following risks:

- General Liability
- Auto Liability & Auto Physical Damage
- Property Coverage
- Inland Marine
- Public Officials Liability

**VILLAGE OF CROWN CITY
GALLIA COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004**

6. RISK MANAGEMENT – (Continued)

- Law Enforcement
- Boiler Insurance
- Gatekeepers

The Village belongs to the Ohio Municipal Joint Self-Insurance Pool, (the “Pool”), an unincorporated non-profit association available to municipal corporations and their instrumentalities. The Plan is a separate legal entity per Section 2744 of the Ohio Revised Code. The Pool provides property and casualty insurance for its members. The Plan pays judgments, settlements and other expenses resulting for covered claims that exceed the members’ deductibles.

The Pool cedes certain premiums to reinsures or excess reinsurers. The Pool is contingently liable should any reinsurer be unable to meet its reinsurance obligations.

The Pool’s financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained deficit at December 31.

	<u>2005</u>	<u>2004</u>
Assets	\$ 2,063,636	\$ 2,390,150
Liabilities	<u>(3,279,694)</u>	<u>(3,424,271)</u>
Accumulated Deficit	<u>\$(1,216,058)</u>	<u>\$(1,034,121)</u>

Settled claims have not exceeded this commercial coverage in any of the last three years. There have been no significant reductions in insurance coverage from last year.

The Village pays the State Worker's Compensation System a premium based on a rate per \$100 of salaries. The rate is calculated based on accident history and administrative costs.

7. DEBT

Debt outstanding at December 31, 2005 is as follows:

<u>Description:</u>	<u>Principal</u>	<u>Interest Rate</u>
Building Acquisition Bonds, Series 1998	\$ 73,592	4.00%
OWDA #3372	<u>15,000</u>	0.00%
Total	<u>\$88,592</u>	

**VILLAGE OF CROWN CITY
GALLIA COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004**

7. DEBT - (Continued)

Principal and interest requirements for debt outstanding at December 31, 2005 is as follows:

<u>Year Ended</u>	<u>OWDA #3372</u>	<u>Building Bonds</u>
2006	\$ 2,500	\$ 7,396
2007	2,500	7,396
2008	2,500	7,396
2009	2,500	7,396
2010	2,500	7,396
Subsequent	2,500	59,168
Total	<u>\$ 15,000</u>	<u>\$ 96,148</u>

8. CONTINGENT LIABILITES/SUBSEQUENT EVENTS

Management believes there are no pending claims or lawsuits.

Charles E. Harris & Associates, Inc.
Certified Public Accountants

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

Village of Crown City
Gallia County
156 Charles Street
Crown City, Ohio 45623

To Village Council:

We have audited the financial statements of the Village of Crown City, Gallia County, Ohio (the Village), as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated February 15, 2007, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls Over Financial Reporting

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted other matters involving compliance that we have reported to the management of the Village in a separate letter dated February 15, 2007.

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

Charles E. Harris and Associates, Inc.
February 15, 2007

STATUS OF PRIOR AUDIT'S CITATIONS AND RECOMMENDATIONS

The prior audit report, for the two years ended December 31, 2003, reported no material citations or recommendations.



Mary Taylor, CPA
Auditor of State

VILLAGE OF CROWN CITY

GALLIA 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
MAY 15, 2007**