

VILLAGE OF MENDON  
MERCER COUNTY, OHIO

---

AUDITED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED  
DECEMBER 31, 2005 AND 2004





Mary Taylor, CPA  
Auditor of State

Village Council  
Village of Mendon  
102 S. Main Street  
P.O. Box 167  
Mendon, Ohio 45862

We have reviewed the *Independent Auditor's Report* of the Village of Mendon, Mercer County, prepared by E.S. Evans and Company, 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.

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 Mendon is responsible for compliance with these laws and regulations.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

March 29, 2007

**This Page is Intentionally Left Blank.**

VILLAGE OF MENDON  
MERCER COUNTY, OHIO

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT -----	Page	1
MANAGEMENT'S DISCUSSION AND ANALYSIS -----		3
BASIC FINANCIAL STATEMENTS –		
GOVERNMENT-WIDE FINANCIAL STATEMENTS -		
STATEMENTS OF NET ASSETS – CASH BASIS-----		16
STATEMENTS OF ACTIVITIES – CASH BASIS -----		18
FUND FINANCIAL STATEMENTS -		
STATEMENTS OF CASH BASIS ASSETS AND FUND BALANCES –		
GOVERNMENTAL FUNDS-----		22
STATEMENTS OF CASH RECEIPTS, DISBURSMENTS, AND CHANGES IN		
CASH BASIS FUND BALANCES – GOVERNMENTAL FUNDS -----		24
STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES		
IN FUND BALANCES – BUDGET AND ACTUAL – BUDGET BASIS		
GENERAL FUND-----		26
STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES		
IN FUND BALANCES – BUDGET AND ACTUAL – BUDGET BASIS		
STREET FUND -----		28
STATEMENTS OF CASH BASIS ASSETS AND NET CASH ASSETS		
PROPRIETARY FUNDS-----		30
STATEMENTS OF CASH RECEIPTS, CASH DISBURSEMENTS, AND		
CHANGES IN FUND NET ASSETS – PROPRIETARY FUNDS-----		32
NOTES TO THE BASIC FINANCIAL STATEMENTS-----		36
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING		
AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY		
<u>GOVERNMENT AUDITING STANDARDS</u> -----		51
SCHEDULE OF FINDINGS -----		53
SCHEDULE OF PRIOR AUDIT FINDINGS -----		54

**This Page is Intentionally Left Blank.**



# ***E.S. Evans and Company***

**Certified Public Accountants and Consultants**

205 West Elm Street • Lima, Ohio 45801 • Phone: (419) 223-3075

P.O. Box 298 • Lima, Ohio 45802 • Fax: (419) 222-8507 • E-mail: askus@esevans.com

---

Robert E. Wendel, CPA • Dan F. Clifford, CPA • E.S. Evans, CPA, PFS (1930-1999)

July 27, 2006

## INDEPENDENT AUDITOR'S REPORT

Village of Mendon  
Mercer County, Ohio

and

Auditor of State of Ohio  
Columbus, Ohio

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 Mendon as of and for the years ended December 31, 2005 and 2004, which collectively comprise the Village's basic financial statements as listed in the table of contents. The basic financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Mendon, as of December 31, 2005 and 2004, and the respective changes in cash basis financial position, thereof and the respective budgetary comparison for the General and Street Funds for the years then ended in conformity with the basis of accounting described in Note 2.

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

In accordance with Government Auditing Standards, we have also issued a report dated July 27, 2006 on our consideration of the Village of Mendon'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 and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

A handwritten signature in red ink, appearing to read "E. L. Green and Company".



VILLAGE OF MENDON  
MERCER COUNTY, OHIO

---

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Years Ended December 31, 2005 and 2004

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

**Highlights**

**Key highlights for 2005 are as follows:**

The Government's general receipts are primarily property taxes. These receipts represent 46% of the total cash received for governmental activities in the General Fund during the year. Property tax receipts for 2005 increased a little compared to 2004 as development within the Government increased slightly, and we expect an increase in 2006 due to some new development.

The Village received grant money that was accounted for by Mercer County Community Development to replace Main Street, sidewalks, curbs, water lines, etc. This project was a work in progress between 2004 and 2005.

At the end of 2005, the Village was looking into grant money for necessary repairs to the sewer plant and lagoons.

**Key highlights for 2004 are as follows:**

The Government's general receipts are primarily property taxes. These receipts represent 56% of the total cash received for governmental activities in the General Fund during the year.

The Village received grant money that was accounted for by Mercer County Community Development to replace Main Street, sidewalks, curbs, water lines, etc. This project was a work in progress in 2004.

At the end of 2004, the Village was looking into completing the Main Street Project and researching other available grants to improve other areas of the Village.

VILLAGE OF MENDON  
MERCER COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Years Ended December 31, 2005 and 2004

Using the Basic Financial Statements

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

**Report Components**

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

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

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

**Basis of Accounting**

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

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

Reporting the Government as a Whole

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

VILLAGE OF MENDON  
MERCER COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Years Ended December 31, 2005 and 2004

These statements report the Village's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Village's financial health. Overtime, increases or decreases in the Village's cash position is one indicator of whether the Village's financial health is improving or deteriorating. When evaluating the Village's financial condition, you should also consider other non-financial factors as well as the Village's property tax base, the condition of the Village's capital assets and infrastructure, the extent of the Village's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property and income taxes.

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

Governmental activities - Most of the Village's basic services are reported here, including streets and parks. Property taxes and levies finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Business-type activities - The Village has three business-type activities, the provision of water, sewer and electric services. Business-type activities are financed by a fee charged to the customers receiving the service.

Reporting the Government's Most Significant Funds

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

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

Proprietary Funds - When the Village charges customers for the services it provides, these services are generally reported in proprietary funds. When the services are provided to the general public, the activity is reported as an enterprise fund. The Village has five major enterprise funds, the Water Fund, the Electric Fund, the Water Debt Fund, the Sewer Debt Fund, and the Sewer Replacement Fund. When the services are provided to other departments of the Village, the service is reported as an internal service fund. The Village has no internal service funds.

VILLAGE OF MENDON  
MERCER COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Years Ended December 31, 2005 and 2004

**The Village as a Whole**

Table 1 provides a summary of the Village's net assets for years 2005 and 2004 on the cash basis of accounting. Since the Village did not prepare financial statements in this format for 2003, a comparative analysis for 2003 has not been presented.

Table 1  
Net Assets

	Governmental Activities	
	2005	2004
<u>Assets:</u>		
Cash and Cash Equivalents	\$ 68,080	\$ 74,904
	68,080	74,904
<u>Net Assets:</u>		
Restricted for:		
Other Purposes	47,643	47,923
Cemetery Endowment -		
Expendable	139	128
Non-expendable	2,500	2,500
Unrestricted	17,798	24,353
Total Net Assets	\$ 68,080	\$ 74,904
	68,080	74,904
	Business-Type Activities	
	2005	2004
<u>Assets:</u>		
Cash and Cash Equivalents	\$ 314,854	\$ 289,681
	314,854	289,681
<u>Net Assets:</u>		
Restricted for:		
Debt Service	110,006	95,699
Capital Outlay	77,311	72,058
Unrestricted	127,537	121,924
Total Net Assets	\$ 314,854	\$ 289,681
	314,854	289,681

VILLAGE OF MENDON  
MERCER COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Years Ended December 31, 2005 and 2004

Table 1 - Continued  
Net Assets

	2005	Total 2004
<u>Assets:</u>		
Cash and Cash Equivalents	\$ 382,934	\$ 364,585
<u>Net Assets:</u>		
Restricted for:		
Debt Service	110,006	95,699
Capital Outlay	77,311	72,058
Other Purposes	47,643	47,923
Cemetery Endowment -		
Expendable	139	128
Non-expendable	2,500	2,500
Unrestricted	145,335	146,277
Total Net Assets	\$ 382,934	\$ 364,585

As noted, net assets of governmental activities decreased \$6,824 or 9 percent during 2005. The primary reasons contributing to the decreases in cash balances are as follows:

- Although receipts increased over the prior year, expenses continue to rise with the economy and thus created a decrease in governmental net assets.

As mentioned previously, net assets of governmental activities declined \$69,978 during 2004. The primary reasons contributing to the decreases in cash balances are as follows:

- \$47,500 was expended as capital outlay for the Main Street Project.
- In addition, we had anticipated receiving more local government distributions, but as the local government fund budget was cut we received less than anticipated.

VILLAGE OF MENDON  
MERCER COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Years Ended December 31, 2005 and 2004

Table 2 reflects the changes in net assets in 2005 and 2004. Since the Village did not prepare financial statements in this format for 2003, a comparative analysis of government-wide data has not been presented for 2003.

Table 2 -Change in Net Assets

	Governmental Activities	
	<u>2005</u>	<u>2004</u>
<u>Receipts:</u>		
Program Receipts:		
Charges for Services and Sales	\$ 9,838	\$ 9,592
Operating Grants, Contributions, and Interest	37,928	25,129
Capital Grants and Contributions	-	-
Total Program Receipts	<u>47,766</u>	<u>34,721</u>
General Receipts:		
Property Taxes	25,086	23,261
Other Taxes	5,907	5,817
Grants Not Restricted	12,798	8,306
Contributions	3,050	-
Interest	9,893	1,770
Miscellaneous	5,969	6,853
Total General Receipts	<u>62,703</u>	<u>46,007</u>
Total Receipts	<u>110,469</u>	<u>80,728</u>
<u>Disbursements:</u>		
General Government	43,193	46,874
Security of Persons and Property	17,306	13,438
Public Health Services	12,828	11,444
Leisure Time Activities	-	7
Basic Utilities	407	132
Transportation	43,559	31,561
Capital Outlay	-	47,250
Debt Service:	-	-
Water	-	-
Sewer	-	-
Electric	-	-
Utility Deposits	-	-
Total Disbursements	<u>117,293</u>	<u>150,706</u>
Increase (Decrease) in Net Assets	(6,824)	(69,978)
Net Assets - Beginning of Year	<u>74,904</u>	<u>144,882</u>
Net Assets - End of Year	<u>\$ 68,080</u>	<u>\$ 74,904</u>

VILLAGE OF MENDON  
MERCER COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Years Ended December 31, 2005 and 2004

Table 2 – Change in Net Assets - Continued

	Business Type Activities	
	2005	2004
<u>Receipts:</u>		
Program Receipts:		
Charges for Services and Sales	\$ 613,307	\$ 554,136
Operating Grants, Contributions, and Interest	-	-
Capital Grants and Contributions	-	-
Total Program Receipts	<u>613,307</u>	<u>554,136</u>
General Receipts:		
Property Taxes	-	-
Other Taxes	-	-
Grants Not Restricted	-	-
Contributions	-	-
Interest	1,766	717
Miscellaneous	750	-
Total General Receipts	<u>2,516</u>	<u>717</u>
Total Receipts	<u>615,823</u>	<u>554,853</u>
<u>Disbursements:</u>		
General Government	-	-
Security of Persons and Property	-	-
Public Health Services	-	-
Leisure Time Activities	-	-
Basic Utilities	-	-
Transportation	-	-
Capital Outlay	-	-
Debt Service:	-	-
Water	113,198	119,454
Sewer	63,029	56,392
Electric	406,429	351,327
Utility Deposits	7,994	9,269
Total Disbursements	<u>590,650</u>	<u>536,442</u>
Increase (Decrease) in Net Assets	25,173	18,411
Net Assets - Beginning of Year	<u>289,681</u>	<u>271,270</u>
Net Assets - End of Year	<u>\$ 314,854</u>	<u>\$ 289,681</u>

VILLAGE OF MENDON  
MERCER COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Years Ended December 31, 2005 and 2004

Table 2 – Change in Net Assets - Continued

	TOTAL	
	2005	2004
<u>Receipts:</u>		
Program Receipts:		
Charges for Services and Sales	\$ 623,145	\$ 563,728
Operating Grants, Contributions, and Interest	37,928	25,129
Capital Grants and Contributions	-	-
Total Program Receipts	<u>661,073</u>	<u>588,857</u>
General Receipts:		
Property Taxes	25,086	23,261
Other Taxes	5,907	5,817
Grants Not Restricted	12,798	8,306
Contributions	3,050	-
Interest	11,659	2,487
Miscellaneous	6,719	6,853
Total General Receipts	<u>65,219</u>	<u>46,724</u>
Total Receipts	<u>726,292</u>	<u>635,581</u>
<u>Disbursements:</u>		
General Government	43,193	46,874
Security of Persons and Property	17,306	13,438
Public Health Services	12,828	11,444
Leisure Time Activities	-	7
Basic Utilities	407	132
Transportation	43,559	31,561
Capital Outlay	-	47,250
Debt Service:	-	-
Water	113,198	119,454
Sewer	63,029	56,392
Electric	406,429	351,327
Utility Deposits	7,994	9,269
Total Disbursements	<u>707,943</u>	<u>687,148</u>
Increase (Decrease) in Net Assets	18,349	(51,567)
Net Assets - Beginning of Year	<u>364,585</u>	<u>416,152</u>
Net Assets - End of Year	<u>\$ 382,934</u>	<u>\$ 364,585</u>



VILLAGE OF MENDON  
MERCER COUNTY, OHIO

---

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Years Ended December 31, 2005 and 2004

Program receipts represent 91.0 percent and 92.7 percent for 2005 and 2004, respectively of total receipts and are primarily comprised of charges for services for water, sewer, and electric.

General receipts represent 9.0 percent and 7.3 percent for 2005 and 2004, respectively of the Village's total receipts, and of this amount, over 38 percent for 2005 and 49 percent for 2004 are property taxes. State and federal grants and entitlements make up approximately 28.7 and 30.2 percent in 2005 and 2004, respectively of the general receipts. Other receipts are very insignificant and somewhat unpredictable revenue sources.

Disbursements for General Government represent the overhead costs of running the Village and the support services provided for the other Village activities. These include the costs of Council, Mayor and the Clerk-Treasurer.

Governmental Activities

If you look at the Statement of Activities on pages 18 through 21, you will see that the first column lists the major services provided by the Village. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for general government and transportation, which account for approximately 35 and 28 percent, respectively of all governmental disbursements, respectively. Capital Outlay was also a significant cost in 2004, about 31 percent. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Village that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

VILLAGE OF MENDON  
MERCER COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Years Ended December 31, 2005 and 2004

Table 3  
Governmental Activities

	Total Cost of Services 2005	Net Cost of Services 2005	Total Cost of Services 2004	Net Cost of Services 2004
General Government	43,193	35,584	46,874	46,874
Security of Persons and Property	17,306	17,306	13,438	13,438
Public Health Services	12,828	2,990	11,444	1,852
Leisure Time Activities	-	-	7	7
Basic Utilities	407	407	132	132
Transportation	43,559	13,240	31,561	6,432
Capital Outlay	-	-	47,250	47,250
Total Disbursements	117,293	69,527	150,706	115,985

The dependence upon tax receipts and intergovernmental support is apparent as over 40 percent in 2005 and 23 percent in 2004 of governmental activities are supported through these general receipts.

VILLAGE OF MENDON  
MERCER COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Years Ended December 31, 2005 and 2004

Business-type Activities

The water, sewer, and electric operations of the Village routinely report receipts and disbursement that are relatively equal. The excess receipts are being used to pay debt and saved for future capital improvements.

The utility deposit fund of the Village is relatively small in size and the receipts and disbursements are of similar size.

The Government's Funds

Total governmental funds had receipts of \$110,469 and \$80,728 and disbursements of \$117,293 and \$150,706 for 2005 and 2004, respectively. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund decreased both years as the result of purchasing trees for Main Street at year end and repairing alleys and other necessary costs to maintain the Village.

General Fund Budgeting Highlights

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

During 2005 and 2004, the Village amended its General Fund budget to reflect changing circumstances. For 2005, the General Fund budget was set at \$42,969. Final budgeted receipts were above original budgeted receipts due to an increase in the amount received for real estate and personal property taxes. The difference between final budgeted receipts and actual receipts was \$11,624. For 2004, the General Fund budget was set at \$45,359. Final budgeted receipts were below original budgeted receipts due to a decrease in the amount received for local government distribution. The difference between final budgeted receipts and actual receipts was \$3,543.

VILLAGE OF MENDON  
MERCER COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Years Ended December 31, 2005 and 2004

Final disbursements were budgeted at \$65,322 in 2005 and \$92,080 in 2004 while actual disbursements were \$61,148 and \$68,746 in 2005 and 2004, respectively. The Village kept spending very close to budgeted amounts as demonstrated by the minor reported variances.

Capital Assets and Debt Administration

Capital Assets

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

Debt

At December 31, 2005, the Government's outstanding debt included \$545,808 in general obligation debt issued for a new sewer plant and improvements to the water plant and lines, and \$11,862 in the form of a lease on the purchase of a new digger truck that will be paid off in 2006. For further information regarding the Village's debt, refer to Notes 11 and 12 to the financial statements.

Current Issues

The challenge for all governments is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on local taxes and have very little industry to support the tax base. The Council watches the budget very closely. We discuss spending in depth for each major purchase, such as street repair, tree planting, and alley repairs. We try to plan according to what we might want to do to improve the Village for each year. We made plans to plant trees on Main Street in two phases over two years to help spread out the amount spent on this project. We don't have a large budget, but we try to spend the money in a way that will most benefit the residents of our Village.

Contacting the Government's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Government's finances and to reflect the Government's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Kristina Boroff, Fiscal Officer, 102 S. Main Street, P.O. Box 167, Mendon, Ohio 45862.

This page is intentionally left blank.

VILLAGE OF MENDON  
MERCER COUNTY, OHIO

---

STATEMENTS OF NET ASSETS - CASH BASIS

December 31, 2005

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	\$ 68,080	\$ 314,854	\$ 382,934
Total Assets	<u>68,080</u>	<u>314,854</u>	<u>382,934</u>
<u>Net Assets:</u>			
Restricted For:			
Capital Projects	-	77,311	77,311
Debt Service	-	110,006	110,006
Other Purposes	47,643	-	47,643
Cemetery -			
Expendable	139	-	139
Non-Expendable	2,500	-	2,500
Unrestricted	<u>17,798</u>	<u>127,537</u>	<u>145,335</u>
Total Net Assets	<u>\$ 68,080</u>	<u>\$ 314,854</u>	<u>\$ 382,934</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF MENDON  
MERCER COUNTY, OHIO

STATEMENTS OF NET ASSETS - CASH BASIS

December 31, 2004

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	\$ 74,904	\$ 289,681	\$ 364,585
Total Assets	<u>74,904</u>	<u>289,681</u>	<u>364,585</u>
<u>Net Assets:</u>			
Restricted For:			
Capital Projects	-	72,058	72,058
Debt Service	-	95,699	95,699
Other Purposes	47,923	-	47,923
Cemetery -			
Expendable	128	-	128
Non-Expendable	2,500	-	2,500
Unrestricted	<u>24,353</u>	<u>121,924</u>	<u>146,277</u>
Total Net Assets	<u>\$ 74,904</u>	<u>\$ 289,681</u>	<u>\$ 364,585</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF MENDON  
MERCER COUNTY, OHIO

---

**STATEMENT OF ACTIVITIES - CASH BASIS**

For the Year Ended December 31, 2005

	Cash <u>Disbursements</u>	Program Cash Receipts		
		<u>Charges for Services and Sales</u>	<u>Operating Grants Contributions and Interest</u>	<u>Capital Grants and Contributions</u>
<u>Governmental Activities:</u>				
General Government	\$ 43,193	\$ -	\$ 7,609	\$ -
Security of Persons and Property	17,306	-	-	-
Public Health Services	12,828	9,838	-	-
Basic Utility Services	407	-	-	-
Transportation	43,559	-	30,319	-
Total Governmental Activities	<u>117,293</u>	<u>9,838</u>	<u>37,928</u>	<u>-</u>
<u>Business Type Activities:</u>				
Water	113,198	107,858	-	-
Sewer	63,029	79,713	-	-
Electric	406,429	416,635	-	-
Utility Deposits	7,994	9,101	-	-
Total Business Type Activities	<u>590,650</u>	<u>613,307</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 707,943</u>	<u>\$ 623,145</u>	<u>\$ 37,928</u>	<u>\$ -</u>

General Receipts:

- Property Taxes Levied for General Purposes
- Other Taxes
- Grants Not Restricted
- Contributions
- Interest
- Miscellaneous
- Total General Receipts
- Change in Net Assets
- Net Assets Beginning of Year
- Net Assets End of Year

The accompanying notes are an integral part of these financial statements.



Net (Disbursements) Receipts and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (35,584)	\$ -	\$ (35,584)
(17,306)	-	(17,306)
(2,990)	-	(2,990)
(407)	-	(407)
(13,240)	-	(13,240)
<u>(69,527)</u>	<u>-</u>	<u>(69,527)</u>
-	(5,340)	(5,340)
-	16,684	16,684
-	10,206	10,206
-	1,107	1,107
<u>-</u>	<u>22,657</u>	<u>22,657</u>
<u>(69,527)</u>	<u>22,657</u>	<u>(46,870)</u>
25,086	-	25,086
5,907	-	5,907
12,798	-	12,798
3,050	-	3,050
9,893	1,766	11,659
5,969	750	6,719
<u>62,703</u>	<u>2,516</u>	<u>65,219</u>
(6,824)	25,173	18,349
74,904	289,681	364,585
<u>\$ 68,080</u>	<u>\$ 314,854</u>	<u>\$ 382,934</u>

VILLAGE OF MENDON  
MERCER COUNTY, OHIO

STATEMENT OF ACTIVITIES - CASH BASIS

For the Year Ended December 31, 2004

	Cash	Program Cash Receipts		
		Disbursements	Charges for Services and Sales	Operating Grants Contributions and Interest
<u>Governmental Activities:</u>				
General Government	\$ 46,874	\$ -	\$ -	\$ -
Security of Persons and Property	13,438	-	-	-
Public Health Services	11,444	9,592	-	-
Leisure Time Activities	7	-	-	-
Basic Utility Services	132	-	-	-
Transportation	31,561	-	25,129	-
Capital Outlay	47,250	-	-	-
Total Governmental Activities	150,706	9,592	25,129	-
<u>Business Type Activities:</u>				
Water	119,454	110,129	-	-
Sewer	56,392	80,635	-	-
Electric	351,327	356,172	-	-
Utility Deposits	9,269	7,200	-	-
Total Business Type Activities	536,442	554,136	-	-
Total	\$ 687,148	\$ 563,728	\$ 25,129	\$ -

General Receipts:

Property Taxes Levied for General Purposes  
Other Taxes  
Grants Not Restricted  
Interest  
Miscellaneous  
Total General Receipts  
  
Change in Net Assets  
Net Assets Beginning of Year  
Net Assets End of Year

The accompanying notes are an integral part of these financial statements.

Net (Disbursements) Receipts and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (46,874)	\$ -	\$ (46,874)
(13,438)	-	(13,438)
(1,852)	-	(1,852)
(7)	-	(7)
(132)	-	(132)
(6,432)	-	(6,432)
(47,250)	-	(47,250)
<u>(115,985)</u>	<u>-</u>	<u>(115,985)</u>
-	(9,325)	(9,325)
-	24,243	24,243
-	4,845	4,845
-	(2,069)	(2,069)
<u>-</u>	<u>17,694</u>	<u>17,694</u>
<u>(115,985)</u>	<u>17,694</u>	<u>(98,291)</u>
23,261	-	23,261
5,817	-	5,817
8,306	-	8,306
1,770	717	2,487
6,853	-	6,853
<u>46,007</u>	<u>717</u>	<u>46,724</u>
(69,978)	18,411	(51,567)
144,882	271,270	416,152
<u>\$ 74,904</u>	<u>\$ 289,681</u>	<u>\$ 364,585</u>

VILLAGE OF MENDON  
MERCER COUNTY, OHIO

---

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

	<u>General</u>	<u>Street</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$ 17,798	\$ 25,231	\$ 25,051	\$ 68,080
Total Assets	<u>17,798</u>	<u>25,231</u>	<u>25,051</u>	<u>68,080</u>
<u>Fund Balances:</u>				
Unreserved, Reported in:				
General Fund	17,798	-	-	17,798
Special Revenue Funds	-	25,231	22,412	47,643
Permanent Funds	-	-	2,639	2,639
Total Fund Balances	<u>\$ 17,798</u>	<u>\$ 25,231</u>	<u>\$ 25,051</u>	<u>\$ 68,080</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF MENDON  
MERCER COUNTY, OHIO

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

	<u>General</u>	<u>Street</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$ 24,353	\$ 25,174	\$ 25,377	\$ 74,904
Total Assets	<u>24,353</u>	<u>25,174</u>	<u>25,377</u>	<u>74,904</u>
<u>Fund Balances:</u>				
Unreserved, Reported in:				
General Fund	24,353	-	-	24,353
Special Revenue Funds	-	25,174	22,749	47,923
Permanent Funds	-	-	2,628	2,628
Total Fund Balances	<u>\$ 24,353</u>	<u>\$ 25,174</u>	<u>\$ 25,377</u>	<u>\$ 74,904</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF MENDON  
MERCER COUNTY, OHIO

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BASIS  
FUND BALANCES - GOVERNMENTAL FUNDS  
For the Year Ended December 31, 2005

	<u>General</u>	<u>Street</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
<u>Receipts:</u>				
Property and Other Local Taxes	\$ 25,114	\$ 5,542	\$ 2,453	\$ 33,109
Charges for Services	-	-	9,836	9,836
Fines, Licenses and Permits	84	-	-	84
Intergovernmental	12,927	22,503	9,364	44,794
Interest	3,715	6,024	154	9,893
Miscellaneous	12,753	-	-	12,753
Total Receipts	<u>54,593</u>	<u>34,069</u>	<u>21,807</u>	<u>110,469</u>
<u>Disbursements:</u>				
Current:				
General Government	35,584	-	7,609	43,193
Security of Persons and Property	17,306	-	-	17,306
Public Health Services	-	-	12,828	12,828
Basic Utility Services	407	-	-	407
Transportation	7,851	34,012	1,696	43,559
Total Disbursements	<u>61,148</u>	<u>34,012</u>	<u>22,133</u>	<u>117,293</u>
Excess of Receipts Over (Under) Disbursements	<u>(6,555)</u>	<u>57</u>	<u>(326)</u>	<u>(6,824)</u>
Net Change in Fund Balances	(6,555)	57	(326)	(6,824)
Fund Balances Beginning of Year	<u>24,353</u>	<u>25,174</u>	<u>25,377</u>	<u>74,904</u>
Fund Balances End of Year	<u>\$ 17,798</u>	<u>\$ 25,231</u>	<u>\$ 25,051</u>	<u>\$ 68,080</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF MENDON  
MERCER COUNTY, OHIO

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BASIS  
FUND BALANCES - GOVERNMENTAL FUNDS  
For the Year Ended December 31, 2004

	<u>General</u>	<u>Street</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
<u>Receipts:</u>				
Property and Other Local Taxes	\$ 23,275	\$ 3,325	\$ 4,219	\$ 30,819
Charges for Services	-	-	9,592	9,592
Fines, Licenses and Permits	75	-	-	75
Intergovernmental	8,314	19,919	1,615	29,848
Interest	1,528	177	65	1,770
Miscellaneous	8,624	-	-	8,624
Total Receipts	<u>41,816</u>	<u>23,421</u>	<u>15,491</u>	<u>80,728</u>
<u>Disbursements:</u>				
Current:				
General Government	46,874	-	-	46,874
Security of Persons and Property	13,438	-	-	13,438
Public Health Services	-	-	11,444	11,444
Leisure Time Activities	-	-	7	7
Basic Utility Services	132	-	-	132
Transportation	8,302	22,968	291	31,561
Capital Outlay	-	22,250	25,000	47,250
Total Disbursements	<u>68,746</u>	<u>45,218</u>	<u>36,742</u>	<u>150,706</u>
Excess of Receipts Over (Under) Disbursements	<u>(26,930)</u>	<u>(21,797)</u>	<u>(21,251)</u>	<u>(69,978)</u>
Net Change in Fund Balances	(26,930)	(21,797)	(21,251)	(69,978)
Fund Balances Beginning of Year	51,283	46,971	46,628	144,882
Fund Balances End of Year	<u>\$ 24,353</u>	<u>\$ 25,174</u>	<u>\$ 25,377</u>	<u>\$ 74,904</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF MENDON  
MERCER COUNTY, OHIO

STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL - BUDGET BASIS  
GENERAL FUND

For the Year Ended December 31, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<u>Receipts:</u>				
Property and Other Local Taxes	\$ 15,997	\$ 15,997	\$ 25,114	\$ 9,117
Fines, Licenses and Permits	100	100	84	(16)
Intergovernmental	15,932	15,932	12,927	(3,005)
Interest	3,500	3,500	3,715	215
Miscellaneous	7,440	7,440	12,753	5,313
Total Receipts	<u>42,969</u>	<u>42,969</u>	<u>54,593</u>	<u>11,624</u>
<u>Disbursements:</u>				
Current:				
General Government	29,837	37,292	35,584	1,708
Security of Persons and Property	26,900	19,940	17,306	2,634
Basic Utility Services	150	507	407	100
Transportation	8,650	9,583	7,851	1,732
Total Disbursements	<u>65,537</u>	<u>67,322</u>	<u>61,148</u>	<u>6,174</u>
Excess of Receipts Over (Under) Disbursements	<u>(22,568)</u>	<u>(24,353)</u>	<u>(6,555)</u>	<u>17,798</u>
<u>Other Financing Sources (Uses):</u>				
Other Financing Sources (Uses)	<u>(1,785)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(1,785)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(24,353)	(24,353)	(6,555)	17,798
Fund Balance at Beginning of Year	24,353	24,353	24,353	-
Prior Year Encumbrances Appropriated	-	-	-	-
Fund Balance at End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,798</u>	<u>\$ 17,798</u>

The accompanying notes are an integral part of these financial statements.



VILLAGE OF MENDON  
MERCER COUNTY, OHIO

STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL - BUDGET BASIS  
GENERAL FUND

For the Year Ended December 31, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<u>Receipts:</u>				
Property and Other Local Taxes	\$ 15,997	\$ 15,997	\$ 23,275	\$ 7,278
Fines, Licenses and Permits	100	100	75	(25)
Intergovernmental	18,322	18,322	8,314	(10,008)
Interest	3,500	3,500	1,528	(1,972)
Miscellaneous	7,440	7,440	8,624	1,184
Total Receipts	<u>45,359</u>	<u>45,359</u>	<u>41,816</u>	<u>(3,543)</u>
<u>Disbursements:</u>				
Current:				
General Government	30,030	50,291	46,874	3,417
Security of Persons and Property	26,900	32,900	13,438	19,462
Basic Utility Services	150	150	132	18
Transportation	8,650	8,739	8,302	437
Total Disbursements	<u>65,730</u>	<u>92,080</u>	<u>68,746</u>	<u>23,334</u>
Excess of Receipts Over (Under) Disbursements	<u>(20,371)</u>	<u>(46,721)</u>	<u>(26,930)</u>	<u>19,791</u>
<u>Other Financing Sources (Uses):</u>				
Other Financing Sources (Uses)	(1,785)	(3)	-	(3)
Total Other Financing Sources (Uses)	<u>(1,785)</u>	<u>(3)</u>	<u>-</u>	<u>3</u>
Net Change in Fund Balances	(22,156)	(46,724)	(26,930)	19,794
Fund Balance at Beginning of Year	51,283	51,283	51,283	-
Prior Year Encumbrances Appropriated	-	-	-	-
Fund Balance at End of Year	<u>\$ 29,127</u>	<u>\$ 4,559</u>	<u>\$ 24,353</u>	<u>\$ 19,794</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF MENDON  
MERCER COUNTY, OHIO

STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL - BUDGET BASIS  
STREET FUND

For the Year Ended December 31, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<u>Receipts:</u>				
Property and Other Local Taxes	\$ 5,000	\$ 5,000	\$ 5,542	\$ 542
Intergovernmental	14,000	14,000	22,503	8,503
Interest	1,000	1,000	6,024	5,024
Total Receipts	20,000	20,000	34,069	14,069
<u>Disbursements:</u>				
Current:				
Transportation	36,420	36,420	34,012	2,408
Total Disbursements	36,420	36,420	34,012	2,408
Excess of Receipts Over (Under) Disbursements	(16,420)	(16,420)	57	16,477
<u>Other Financing Sources (Uses):</u>				
Other Financing Sources (Uses)	-	(8,754)	-	8,754
Total Other Financing Sources (Uses)	-	(8,754)	-	8,754
Net Change in Fund Balances	(16,420)	(25,174)	57	25,231
Fund Balance at Beginning of Year	25,174	25,174	25,174	-
Prior Year Encumbrances Appropriated	-	-	-	-
Fund Balance at End of Year	\$ 8,754	\$ -	\$ 25,231	\$ 25,231

The accompanying notes are an integral part of these financial statements.

VILLAGE OF MENDON  
MERCER COUNTY, OHIO

---

STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL - BUDGET BASIS  
STREET FUND

For the Year Ended December 31, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<u>Receipts:</u>				
Property and Other Local Taxes	\$ 5,000	\$ 5,000	\$ 3,325	\$ (1,675)
Intergovernmental	14,000	14,000	19,919	5,919
Interest	1,000	1,000	177	(823)
Total Receipts	20,000	20,000	23,421	3,421
<u>Disbursements:</u>				
Current:				
General Government	6,000	2,000	-	2,000
Transportation	30,420	31,940	22,968	8,972
Capital Outlay	8,755	31,469	22,250	9,219
Total Disbursements	45,175	65,409	45,218	20,191
Excess of Receipts Over (Under) Disbursements	(25,175)	(45,409)	(21,797)	23,612
Net Change in Fund Balances	(25,175)	(45,409)	(21,797)	23,612
Fund Balance at Beginning of Year	46,971	46,971	46,971	-
Prior Year Encumbrances Appropriated	-	-	-	-
Fund Balance at End of Year	\$ 21,796	\$ 1,562	\$ 25,174	\$ 23,612

The accompanying notes are an integral part of these financial statements.

VILLAGE OF MENDON  
MERCER COUNTY, OHIO

---

STATEMENT OF CASH BASIS ASSETS AND NET CASH ASSETS  
PROPRIETARY FUNDS  
December 31, 2005

	<u>Water Fund</u>	<u>Electric Fund</u>	<u>Water Debt Service</u>	<u>Sewer Debt Service</u>	<u>Sewer Replacement</u>	<u>Other Enterprise</u>	<u>Total Proprietary Funds</u>
<u>Assets:</u>							
Equity in Pooled Cash and Cash Equivalents \$	19,720	\$ 78,150	\$ 42,868	\$ 67,138	\$ 52,690	\$ 54,288	\$ 314,854
Total Assets	19,720	78,150	42,868	67,138	52,690	54,288	314,854
<u>Net Assets:</u>							
Restricted for:							
Capital Projects	-	-	-	-	52,690	24,621	77,311
Debt Service	-	-	42,868	67,138	-	-	110,006
Unrestricted	19,720	78,150	-	-	-	29,667	127,537
Total Net Assets	\$ 19,720	\$ 78,150	\$ 42,868	\$ 67,138	\$ 52,690	\$ 54,288	\$ 314,854

The accompanying notes are an integral part of these financial statements.

VILLAGE OF MENDON  
MERCER COUNTY, OHIO

---

STATEMENT OF CASH BASIS ASSETS AND NET CASH ASSETS  
PROPRIETARY FUNDS  
December 31, 2004

	<u>Water Fund</u>	<u>Electric Fund</u>	<u>Water Debt Service</u>	<u>Sewer Debt Service</u>	<u>Sewer Replacement</u>	<u>Other Enterprise</u>	<u>Total Proprietary Funds</u>
<u>Assets:</u>							
Equity in Pooled Cash and Cash Equivalents \$	27,034	\$ 67,594	\$ 43,981	\$ 51,718	\$ 50,924	\$ 48,430	\$ 289,681
Total Assets	27,034	67,594	43,981	51,718	50,924	48,430	289,681
<u>Net Assets:</u>							
Restricted for:							
Capital Projects	-	-	-	-	50,924	21,134	72,058
Debt Service	-	-	43,981	51,718	-	-	95,699
Unrestricted	27,034	67,594	-	-	-	27,296	121,924
Total Net Assets	\$ 27,034	\$ 67,594	\$ 43,981	\$ 51,718	\$ 50,924	\$ 48,430	\$ 289,681

The accompanying notes are an integral part of these financial statements.

VILLAGE OF MENDON  
MERCER COUNTY, OHIO

---

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN  
CASH BASIS FUND NET ASSETS - PROPRIETARY FUNDS  
For the Year Ended December 31, 2005

	<u>Water Fund</u>	<u>Electric Fund</u>	<u>Water Debt Service</u>	<u>Sewer Debt Service</u>
<i><u>Operating Receipts:</u></i>				
Charges for Services	\$ 64,877	\$ 416,112	\$ 39,181	\$ 39,296
Other Operating Receipts	313	523	-	-
Total Operating Receipts	65,190	416,635	39,181	39,296
<i><u>Operating Disbursements:</u></i>				
Personal Services	5,591	60,776	-	-
Fringe Benefits	1,200	33,744	-	-
Contractual Services	23,129	278,553	-	-
Materials and Supplies	36,035	8,243	-	-
Capital Outlay	2,580	23,724	-	-
Other	3,396	1,389	-	-
Total Operating Disbursements	71,931	406,429	-	-
Operating Income/(Loss)	(6,741)	10,206	39,181	39,296
<i><u>Non-Operating Receipts/(Disbursements):</u></i>				
Interest Receipts	-	-	-	-
Intergovernmental Receipts	-	350	-	-
Sale of Assets	400	-	-	-
Redemption of Principal	-	-	(26,426)	(9,000)
Interest on Debt	-	-	(13,868)	(14,876)
Other Financing Uses	(973)	-	-	-
Total Non-Operating Receipts/(Disbursements)	(573)	350	(40,294)	(23,876)
Change in Net Assets	(7,314)	10,556	(1,113)	15,420
Net Assets - Beginning of Year	27,034	67,594	43,981	51,718
Net Assets - End of Year	\$ 19,720	\$ 78,150	\$ 42,868	\$ 67,138

The accompanying notes are an integral part of these financial statements.

<u>Sewer Replacement</u>	<u>Other Enterprise Funds</u>	<u>Total Enterprise Funds</u>
\$ -	\$ 52,992	\$ 612,458
-	13	849
<u>-</u>	<u>53,005</u>	<u>613,307</u>
-	5,595	71,962
-	10,232	45,176
-	8,454	310,136
-	14,274	58,552
-	-	26,304
-	8,342	13,127
<u>-</u>	<u>46,897</u>	<u>525,257</u>
-	6,108	88,050
1,766	-	1,766
-	-	350
-	-	400
-	-	(35,426)
-	-	(28,744)
-	(250)	(1,223)
<u>1,766</u>	<u>(250)</u>	<u>(62,877)</u>
1,766	5,858	25,173
<u>50,924</u>	<u>48,430</u>	<u>289,681</u>
<u>\$ 52,690</u>	<u>\$ 54,288</u>	<u>\$ 314,854</u>

VILLAGE OF MENDON  
MERCER COUNTY, OHIO

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN  
CASH BASIS FUND NET ASSETS - PROPRIETARY FUNDS

For the Year Ended December 31, 2004

	Water Fund	Electric Fund	Water Debt Service	Sewer Debt Service
<i><u>Operating Receipts:</u></i>				
Charges for Services	\$ 65,374	\$ 355,879	\$ 41,285	\$ 44,817
Other Operating Receipts	25	293	-	-
Total Operating Receipts	65,399	356,172	41,285	44,817
<i><u>Operating Disbursements:</u></i>				
Personal Services	5,788	62,070	-	-
Fringe Benefits	1,312	35,160	-	-
Contractual Services	31,985	218,871	-	-
Materials and Supplies	33,124	6,034	-	-
Capital Outlay	-	23,724	-	-
Other	6,951	5,468	-	-
Total Operating Disbursements	79,160	351,327	-	-
Operating Income/(Loss)	(13,761)	4,845	41,285	44,817
<i><u>Non-Operating Receipts/(Disbursements):</u></i>				
Interest Receipts	-	-	-	-
Redemption of Principal	-	-	(25,262)	(8,910)
Interest on Debt	-	-	(15,032)	(15,301)
Total Non-Operating Receipts/(Disbursements)	-	-	(40,294)	(24,211)
Change in Net Assets	(13,761)	4,845	991	20,606
Net Assets - Beginning of Year	40,795	62,749	42,990	31,112
Net Assets - End of Year	\$ 27,034	\$ 67,594	\$ 43,981	\$ 51,718

The accompanying notes are an integral part of these financial statements.



<u>Sewer Replacement</u>	<u>Other Enterprise Funds</u>	<u>Total Enterprise Funds</u>
\$ -	\$ 46,463	\$ 553,818
-	-	318
<u>-</u>	<u>46,463</u>	<u>554,136</u>
-	5,723	73,581
-	1,180	37,652
-	9,035	259,891
-	13,292	52,450
-	-	23,724
-	12,220	24,639
<u>-</u>	<u>41,450</u>	<u>471,937</u>
-	5,013	82,199
717	-	717
-	-	(34,172)
-	-	(30,333)
<u>717</u>	<u>-</u>	<u>(63,788)</u>
717	5,013	18,411
<u>50,207</u>	<u>43,417</u>	<u>271,270</u>
\$ <u><u>50,924</u></u>	\$ <u><u>48,430</u></u>	\$ <u><u>289,681</u></u>

VILLAGE OF MENDON  
MERCER COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2005 and 2004

Note 1 - Reporting Entity

The Village of Mendon, Mercer County, Ohio (the Village), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a six-member Council elected at large for four year terms. The Mayor is elected to a four-year term and votes only to break a tie.

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

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

Note 2 - Summary of Significant Accounting Policies

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The Village does not apply FASB statements issued after November 30, 1989, to its business-type activities and to its enterprise funds. Following are the more significant of the Village's accounting policies.

A. Basis of Presentation

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

Government-Wide Financial Statements

The statement of net assets - cash basis and the statement of activities display information about the Village as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" receipts and disbursements. The statements distinguish between those activities of the Village that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

VILLAGE OF MENDON  
MERCER COUNTY, OHIO

---

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2005 and 2004

Note 2 - Summary of Significant Accounting Policies (continued)

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

Fund Financial Statements

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

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

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 two categories, governmental and proprietary.

VILLAGE OF MENDON  
MERCER COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2005 and 2004

Note 2 - Summary of Significant Accounting Policies (continued)

Governmental Funds

The Village classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other non-exchange transactions as governmental funds. The Village's only major governmental funds are the General Fund and Street Fund.

General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Street Fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing Village streets.

The 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, electric, water debt, sewer debt, and sewer replacement funds.

Water Fund - The water fund accounts for the provision of water to the residents and commercial users located within the Village

Electric Fund - The electric fund accounts for the provision of electric services to the residents and commercial users within the Village.

Water Debt - The water debt service fund accounts for a portion of water usage charges and is set aside to retire debt associated with water improvements of the Village.

Sewer Debt - The sewer debt service fund accounts for a portion of sewer usage charges and is set aside to retire debt associated with sewer improvements of the Village.

Sewer Replacement - The sewer replacement fund has been established to make capital improvement to the sewer system of the Village.

VILLAGE OF MENDON  
MERCER COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2005 and 2004

Note 2 - Summary of Significant Accounting Policies (continued)

C. Basis of Accounting

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

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

D. Budgetary Process

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

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Fiscal Officer. 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 MENDON  
MERCER COUNTY, OHIO

---

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2005 and 2004

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 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, Village Council's directives or debt related restrictions. Interest receipts credited to the General Fund during 2005 and 2004 was \$3,715 and \$1,528, respectively.

VILLAGE OF MENDON  
MERCER COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2005 and 2004

Note 2 - Summary of Significant Accounting Policies (continued)

F. 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.

G. Accumulated Leave

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

H. 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 9 and 10, the employer contributions include portions for pension benefits and for postretirement health care benefits.

I. Long-Term Obligations

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

J. 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 capital projects and debt service obligations.

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.

K. 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. The Village does not have any fund balance reserves.

VILLAGE OF MENDON  
MERCER COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2005 and 2004

Note 2 - Summary of Significant Accounting Policies (continued)

L. Interfund Transactions

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

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating 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.

M. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. 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 and Restatement of Fund Equity

For calendar year 2003, the Village reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. For calendar years 2004 and 2005, the Village has implemented the cash basis of accounting as described in Note 2. The fund financial statements now present each major fund in a separate column with non-major funds aggregated and presented in a single column, rather than a column for each fund type.

Note 4 - Accountability and Compliance

Compliance

Appropriations exceeded estimated resources in the Sewer Fund by \$9,506 in 2005.

The Certification of Available Revenue included \$2,500 which is the non-expendable portion of a trust fund both in 2004 and 2005.



VILLAGE OF MENDON  
MERCER COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2005 and 2004

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 is presented for the general fund and the street fund and are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The difference(s) between the budgetary basis and the cash basis is (are) outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis) and outstanding year end advances are treated as an other financing source or use (budgetary basis) rather than as an interfund receivable or payable (cash basis). However, the Village cancels all encumbrances outstanding at year end (budgetary basis) and reappropriates them in the subsequent year.

Note 6 - Deposits and Investments

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
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;

VILLAGE OF MENDON  
MERCER COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2005 and 2004

Note 6 - Deposits and Investments – (continued)

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 (I) 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)

Protection of the Village's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by collateral pledged to the Village by the financial institution, or by a collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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

At each year end, the Village had \$150 in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalent".

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 and 2004, \$148,352 and \$ 33,625 of the Village's bank balances of \$248,352 and \$227,640 were 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.

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.

VILLAGE OF MENDON  
MERCER COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2005 and 2004

Note 6 - Deposits and Investments – (continued)

Investments

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

STAR Ohio:	
	<u>Carrying Value</u>
December 31, 2005	\$142,635
December 31, 2004	\$138,330

STAR Ohio is an investment pool managed by the Treasurer of the State of Ohio. STAR Ohio is not registered with the Securities and Exchange Commission as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Act of 1940. STAR Ohio has obtained an AAA money market rating by Standard & Poor's. 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.

VILLAGE OF MENDON  
MERCER COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2005 and 2004

Note 7 - Property Taxes

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

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

Tangible personal property tax receipts received in 2005 (other than public utility property) represent the collection of 2004 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 year ended December 31, 2005, was \$44.17 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2005 property tax receipts was \$4,491,760.

Note 8 - Risk Management

The Village maintains comprehensive insurance coverage with private insurers for all real and personal property, including automobile coverage for the following risks: general liability, auto liability, uninsured motorists, property damage, inland marine, crime, and public employee bonding.

The Village offers medical and life insurance coverage for full-time employees through a commercial insurer.

VILLAGE OF MENDON  
MERCER COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2005 and 2004

Note 9 - 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 plan for the years ended December 31, 2005, 2004, and 2003 were \$21,413, \$21,099, and \$19,717 respectively. The full amount has been contributed for 2005, 2004 and 2003.

VILLAGE OF MENDON  
MERCER COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2005 and 2004

Note 10 - Post-employment Benefits

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Post-employment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2005 local government employer contribution rate was 13.55 percent of covered payroll (16.7 percent for public safety and law enforcement); 4.00 percent of covered payroll was the portion that was used to fund health care.

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

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

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

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

VILLAGE OF MENDON  
MERCER COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2005 and 2004

Note 11 - Debt

Debt Outstanding at December 31, 2005, was as follows:

		<u>Principal</u>	<u>Interest Rates</u>	<u>Maturity Dates</u>
First Mortgage Revenue Bonds	\$	238,933	6.00%	5/1/2021
Ohio Water Development Authority Loan		280,449	4.61%	7/1/2014
	\$	<u>519,382</u>		

The Ohio Water Development Authority (OWDA) Loan was obtained in 1998 to make improvements to the water system in the Village. The loan is being repaid in semiannual installments of \$20,147, including interest, over 15 years. The loan is secured by water receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The First Mortgage Revenue Bonds were issued in May of 1990 for sanitary sewer system improvements. Annual payments are being made in May of each year. The loan is being repaid over 30 years. Principal payments range from \$8,933 to \$22,000 annually, which results in total annual payments of \$9,469 to \$24,556 including interest. The Village established a sewer surcharge and a sewer debt fund in compliance with the debt covenant associated with this loan.

The Village's long-term debt activity for the years ending December 31, 2004 and 2005 is as follows:

	<u>Balance</u>		<u>Balance</u>
	<u>12/31/2003</u>	<u>Additions</u>	<u>12/31/2004</u>
		<u>Reductions</u>	
First Mtg Rev Bonds	\$ 256,843	\$ -	\$ (8,910)
OWDA Loan	332,137	-	(25,262)
	<u>\$ 588,980</u>	<u>\$ -</u>	<u>\$ (34,172)</u>

	<u>Balance</u>		<u>Balance</u>
	<u>12/31/2004</u>	<u>Additions</u>	<u>12/31/2005</u>
		<u>Reductions</u>	
First Mtg Rev Bonds	\$ 247,933	\$ -	\$ (9,000)
OWDA Loan	306,875	-	(26,426)
	<u>\$ 554,808</u>	<u>\$ -</u>	<u>\$ (35,426)</u>

VILLAGE OF MENDON  
MERCER COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2005 and 2004

Note 11 – Debt – (continued)

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

Year Ending December 31:	OWDA Loan	First Mtg Rev Bonds	TOTAL
2006	\$ 40,294	\$ 24,336	\$ 64,630
2007	40,294	23,736	64,030
2008	40,294	24,136	64,430
2009	40,294	24,476	64,770
2010	40,294	23,756	64,050
2011-2015	161,176	121,780	282,956
2016-2020	-	121,280	121,280
2021	-	9,469	9,469
Total	\$ <u>362,646</u>	\$ <u>372,969</u>	\$ <u>735,615</u>

Note 12 - Leases

The village has entered into a 60 month lease with Utility Equipment Leasing Corporation for a digger derrick. The lease calls for monthly payments of \$1,977 with an option to buy at the conclusion of the lease for \$1. At December 31, 2005, the Village had \$11,862 in remaining payments. The final lease payment was made in June of 2006 and the Village purchased the digger derrick for \$1.

Note 13 -Contingent Liabilities

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

Note 14 – Related Organizations

The Village Council appoints members to the local Zoning Board.





# ***E.S. Evans and Company***

**Certified Public Accountants and Consultants**

205 West Elm Street • Lima, Ohio 45801 • Phone: (419) 223-3075

P.O. Box 298 • Lima, Ohio 45802 • Fax: (419) 222-8507 • E-mail: askus@esevans.com

---

Robert E. Wendel, CPA • Dan F. Clifford, CPA • E.S. Evans, CPA, PFS (1930-1999)

July 27, 2006

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

Village of Mendon  
Mercer County, Ohio

and

Auditor of State of Ohio  
Columbus, Ohio

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 Mendon, Mercer County, Ohio, (the Village) as of and for the years ended December 31, 2005 and 2004, which collectively comprise the Village's basis financial statements, and have issued our report thereon dated July 27, 2006, wherein we noted the Village prepared its financial statements following the cash basis of accounting which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Village's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements being audited may occur and not be timely detected 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 material weaknesses. However, in a separate letter to the Village's management dated July 27, 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 no instances of noncompliance or other matters that we must report under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance which we have reported to management of Village of Mendon in a separate letter dated July 27, 2006.

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

A handwritten signature in red ink, appearing to read "E. L. ...", is located in the lower right quadrant of the page.

VILLAGE OF MENDON  
MERCER COUNTY, OHIO

SCHEDULE OF AUDIT FINDINGS

December 31, 2005 and 2004

**Findings Related to the Financial Statements Required to be Reported  
in Accordance with GAGAS**

Finding Number	Finding Summary
	NONE

VILLAGE OF MENDON  
MERCER COUNTY, OHIO

SCHEDULE OF PRIOR AUDIT FINDINGS

December 31, 2005 and 2004

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
NONE			



**Mary Taylor, CPA**  
Auditor of State

**VILLAGE OF MENDON**

**MERCER 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  
APRIL 10, 2007**