

**VILLAGE OF METAMORA  
FULTON COUNTY**

**AUDITED FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2006**





# Mary Taylor, CPA

Auditor of State

Village Council  
Village of Metamora  
114 E. Main Street  
P.O. Box 299  
Metamora, Ohio 43540-0299

We have reviewed the *Independent Auditor's Report* of the Village of Metamora, Fulton County, prepared by LublinSussman Group LLP, for the audit period January 1, 2006 through December 31, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

December 18, 2007

88 E. Broad St. / Fifth Floor / Columbus, OH 43215-3506  
Telephone: (614) 466-4514 (800) 282-0370 Fax: (614) 466-4490  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

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3166 N. Republic Blvd.  
Toledo, Ohio 43615-1572  
419-841-2848 Fax 419-841-8178

## INDEPENDENT AUDITOR'S REPORT

Village of Metamora  
Fulton County  
114 E. Main Street, P.O. Box 299  
Metamora, OH 43540-0299

We have audited the accompanying statements of cash receipts, cash disbursements, and changes in fund cash balances - all governmental fund types and enterprise funds of the Village of Metamora, Fulton County, (the Village) as of and for the year ended December 31, 2006. 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 obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices prescribed or permitted by the Auditor of State. These practices differ from accounting principles generally accepted in the United States of America (GAAP). The effects on the financial statements of these variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Instead of the funds the accompanying financial statements present, GAAP requires presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the village does not follow GAAP, generally accepted auditing standards require us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

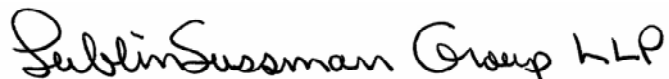
In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2006 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2006, or its changes in financial position or cash flows of its proprietary funds for the year then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the fund cash balances and reserves for encumbrances of the Village of Metamora, Fulton County, as of December 31, 2006, and its cash receipts and disbursements for the year then ended on the basis of accounting described in Note 1.

The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America had determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 17, 2007 on our consideration of the Village's internal control over financial reporting and on 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.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the Village of Metamora taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

 Dublin Sussman Group LLP

September 17, 2007  
Toledo, Ohio

**VILLAGE OF METAMORA  
FULTON COUNTY**  
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2006

	Governmental Fund Types			
	General	Special Revenue	Capital Projects	Totals (Memo. Only)
<b>Cash Receipts:</b>				
Property Tax and Other Local Taxes	\$ 48,096	\$ 0	\$ 0	\$ 48,096
Municipal Income Tax	202,824	0	0	202,824
Intergovernmental Receipts	51,987	69,404	0	121,391
Charges for Services	375	0	0	375
Fines, Licenses, and Permits	710	0	0	710
Earnings on Investments	8,611	2,153	0	10,764
Miscellaneous	<u>3,620</u>	<u>0</u>	<u>0</u>	<u>3,620</u>
Total Cash Receipts	<u>316,223</u>	<u>71,557</u>	<u>0</u>	<u>387,780</u>
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	13,470	0	0	13,470
Leisure Time Activities	18,731	0	0	18,731
Community Environment	1,463	0	0	1,463
Transportation	0	18,536	0	18,536
General Government	149,556	0	0	149,556
Debt Service:				
Principal Payments	0	2,368	0	2,368
Capital Outlay	<u>6,005</u>	<u>29,945</u>	<u>55,080</u>	<u>91,030</u>
Total Cash Disbursements	<u>189,225</u>	<u>50,849</u>	<u>55,080</u>	<u>295,154</u>
Total Receipts Over (Under) Disbursements	<u>126,998</u>	<u>20,708</u>	<u>(55,080)</u>	<u>92,626</u>
<b>Other Financing Receipts (Disbursements):</b>				
Transfers-In (Note 10)	0	0	5,531	5,531
Transfers-Out (Note 10)	(44,958)	(5,531)	0	(50,489)
Advances-Out	(32,700)	0	0	(32,700)
Proceeds of Note	<u>0</u>	<u>0</u>	<u>49,549</u>	<u>49,549</u>
Total Other Financing Receipts (Disbursements)	<u>(77,658)</u>	<u>(5,531)</u>	<u>55,080</u>	<u>(28,109)</u>
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements				
	49,340	15,177	0	64,517
Fund Cash Balances, January 1	<u>312,294</u>	<u>91,043</u>	<u>0</u>	<u>403,337</u>
<b>Fund Cash Balances, December 31</b>	<u>\$ 361,634</u>	<u>\$ 106,220</u>	<u>\$ 0</u>	<u>\$ 467,854</u>
Reserves for Encumbrances, December 31	<u>\$ 5,584</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 5,584</u>

See Notes to Financial Statements



VILLAGE OF METAMORA  
 FULTON COUNTY  
 STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
 CHANGES IN FUND CASH BALANCES - ENTERPRISE FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>Enterprise</u>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$ 275,363
Fines, Licenses and Permits	3,936
Miscellaneous	<u>1,329</u>
Total Operating Cash Receipts	<u>280,628</u>
<b>Operating Cash Disbursements:</b>	
Personal Services	129,063
Travel Transportation	1,829
Contractual Services	78,360
Supplies and Materials	20,469
Capital Outlay	<u>80,028</u>
Total Operating Cash Disbursements	<u>309,749</u>
Operating Loss	<u>(29,121)</u>
<b>Non-Operating Cash Receipts:</b>	
Property Tax and Other Local Taxes	31,872
Intergovernmental Receipts	701,646
Proceeds of Note	<u>957,260</u>
Total Non-Operating Cash Receipts	<u>1,690,778</u>
<b>Non-Operating Cash Disbursements:</b>	
Contractual Services	1,674,588
Redemption of Principal	76,476
Interest and Other Finance Charges	<u>24,594</u>
Total Non-Operating Cash Disbursements	<u>1,775,658</u>
Excess of Disbursements over Receipts Before Interfund Transfers and Advances	(114,001)
Transfers-In	112,516
Transfers-Out	(67,557)
Advances-In	<u>32,700</u>
Net Disbursements over Receipts	(36,342)
Fund Cash Balances, January 1	<u>147,408</u>
<b>Fund Cash Balances, December 31</b>	<b>\$ <u>111,066</u></b>
Reserve for Encumbrances, December 31	<b>\$ <u>10,671</u></b>

See Notes to Financial Statements

**VILLAGE OF METAMORA  
FULTON COUNTY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

**ORGANIZATION**

The Village of Metamora, Fulton County, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general governmental services, including water and sewer utilities and park operations (leisure time activities). The Village contracts with the Fulton County Sheriff's department to provide security of persons and property.

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

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**BASIS OF ACCOUNTING**

Although required by the federal funding agency to prepare its financial statements in accordance with accounting principles generally accepted in the United States of America, the Village chose to prepare its financial statements on an accounting basis not in accordance with generally accepted accounting principles. These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

**CASH AND INVESTMENTS**

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Village values certificates of deposit at cost. Money market mutual funds (including STAR Ohio) are recorded at share values the mutual funds report.

VILLAGE OF METAMORA  
FULTON COUNTY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2006

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

FUND ACCOUNTING

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

a. General Fund

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

b. Special Revenue Funds

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

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

Permissive Motor Vehicle License Tax Fund - This fund receives permissive motor vehicle license tax money for constructing, maintaining and repairing Village streets.

c. Capital Project Funds

These funds are 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). The Village had the following significant capital project funds:

Capital Project Fund - This fund receives proceeds from Recycle Ohio Grant used to purchase playground equipment.

d. Enterprise Funds

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

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

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

VILLAGE OF METAMORA  
FULTON COUNTY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2006

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Enterprise Debt Service Fund - This fund is used to accumulate resources for the payment of bonds and note indebtedness incurred for utility improvement projects.

Utility Improvement Fund - This fund receives loan proceeds from the Ohio Water Development Authority and U.S. Department of Agriculture to finance a utility plant expansion and improvement.

**BUDGETARY PROCESS**

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

a. Appropriations

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

b. Estimated Resources

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

c. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2006 budgetary activity appears in Note 3.

**PROPERTY, PLANT, AND EQUIPMENT**

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

**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.

VILLAGE OF METAMORA  
 FULTON COUNTY  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 FOR THE YEAR ENDED DECEMBER 31, 2006

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**INTERFUND TRANSACTIONS**

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. Transfers from one fund to another that require repayment are reported as interfund advances. Interfund transfers and advances are reported as other financing sources/uses in governmental funds.

**(2) DEPOSITS AND INVESTMENTS**

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

	<u>2006</u>
Demand Deposits	\$ 358,174
Certificates of Deposit	<u>90,728</u>
Total Deposits	<u>448,902</u>
STAR Ohio	<u>130,018</u>
Total Investments	<u>130,018</u>
Total Deposits and Investments	<u>\$ 578,920</u>

**DEPOSITS**

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

At December 31, 2006, \$168,731 of deposits were not insured or collateralized, contrary to Ohio law.

**INVESTMENTS**

Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

VILLAGE OF METAMORA  
 FULTON COUNTY  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 FOR THE YEAR ENDED DECEMBER 31, 2006

**(3) BUDGETARY ACTIVITY**

Budgetary activity for the year ended December 31, 2006 follows:

**2006 BUDGETED VS. ACTUAL RECEIPTS**

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 272,965	\$ 316,223	\$ 43,258
Special Revenue	61,330	71,557	10,227
Capital Projects	90,921	55,080	(35,841)
Enterprise	<u>4,040,533</u>	<u>2,083,922</u>	<u>(1,956,611)</u>
Total	<u>\$ 4,465,749</u>	<u>\$ 2,526,782</u>	<u>\$ (1,938,967)</u>

**2006 BUDGETED VS. ACTUAL BUDGETARY BASIS EXPENDITURES**

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 585,259	\$ 239,767	\$ 345,492
Special Revenue	152,373	56,380	95,993
Capital Projects	90,921	55,080	35,841
Enterprise	<u>3,915,884</u>	<u>2,163,635</u>	<u>1,752,249</u>
Total	<u>\$ 4,744,437</u>	<u>\$ 2,514,862</u>	<u>\$ 2,229,575</u>

Contrary to the Ohio Revised Code Section 5705.36(A)(4), the Village did not obtain a reduced amended certificate of estimated resources when they anticipated not receiving sufficient receipts to cover their appropriations.

**(4) PROPERTY TAX**

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

Public utilities are also taxed on personal and real property located within the Village.

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

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

VILLAGE OF METAMORA  
 FULTON COUNTY  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 FOR THE YEAR ENDED DECEMBER 31, 2006

**(5) LOCAL INCOME TAX**

The Village levies a municipal income tax of 1 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village. Central Collection Agency (CCA) provides income tax collection services for the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Central Collection Agency either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

**(6) DEBT**

Debt outstanding at December 31, 2006 was as follows:

	Balance <u>12/31/05</u>	Additions	Reductions	Balance <u>12/31/06</u>	Interest <u>Rate</u>
Ohio Water Development Authority Loan	\$ 245,956	\$ 0	\$ 24,190	\$ 221,766	6.75%
Ohio Water Development Authority Loan	54,970	957,260	0	1,012,230	3.27%
General Obligation Bonds	35,000	0	35,000	0	6.00%
Ohio Public Works Commission Loan	171,254	0	17,286	153,968	4.00%
Ohio Public Works Commission Loan	12,186	0	717	11,469	0%
Ohio Public Works Commission Loan	<u>0</u>	<u>49,549</u>	<u>1,651</u>	<u>47,898</u>	0%
Total	<u>\$ 519,366</u>	<u>\$ 1,006,809</u>	<u>\$ 78,844</u>	<u>\$ 1,447,331</u>	

The Ohio Water Development Authority (OWDA) and the first Ohio Public Works Commission (OPWC) loans relate to a sanitary sewer system interceptor and a sludge lagoon system mandated by the Ohio Environmental Protection Agency. The first OWDA loan will be repaid in semiannual installments of \$20,396 including interest over 20 years, maturing January 1, 2014. The second OWDA loan will be repaid in full with a USDA loan during 2007. The first OPWC loan will be repaid in semiannual installments of \$11,983 including interest over 20 years, maturing July 1, 2014. No assets are pledged to secure these loans.

The second Ohio Public Works Commission (OPWC) loan relates to the installment of a storm drainage system and partial separation of the sewer system on East Main Street. The loan will be repaid in semiannual installments of \$358 (no interest) over 20 years, maturing January 1, 2023. No assets are pledged to secure this loan.

The third OPWC loan relates to the paving of Swanton Street. The loan will be repaid in semiannual installments of \$1,651 (no interest) over 15 years, maturing July 1, 2021. No assets are pledged to secure this loan.

The General Obligation Bonds were related to improving the Village's waterworks system by expanding and upgrading its water treatment plant. The Bonds were repaid in 2006.

VILLAGE OF METAMORA  
 FULTON COUNTY  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 FOR THE YEAR ENDED DECEMBER 31, 2006

**(6) DEBT (CONTINUED)**

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

Year Ending <u>December 31</u>	1st <u>OWDA Loan</u>	2nd <u>OWDA Loan</u>	1st <u>OPWC Loan</u>	2nd <u>OPWC Loan</u>	3rd <u>OPWC Loan</u>
2007	40,792	1,047,066	23,965	717	3,303
2008	40,792	0	23,965	717	3,303
2009	40,792	0	23,965	717	3,303
2010	40,792	0	23,965	717	3,303
2011 - 2015	122,376	0	83,878	3,584	16,517
2016 - 2020	0	0	0	3,584	16,517
2021 - 2025	0	0	0	1,433	1,652
Totals	<u>\$ 285,544</u>	<u>\$ 1,047,066</u>	<u>\$ 179,738</u>	<u>\$ 11,469</u>	<u>\$ 47,898</u>

**(7) RETIREMENT SYSTEMS**

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

Contribution rates are also prescribed by the Ohio Revised Code. For 2006 OPERS participants contributed 9% of their wages. The Village has contributed an amount equal to 13.7% of the participants' gross salaries for 2006. The Village has paid all contributions required through December 31, 2006.

Pension expense amounted to \$24,410 for 2006.

**(8) RISK MANAGEMENT**

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

Pursuant to § 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverage, modified for each member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the member's deductible.



VILLAGE OF METAMORA  
FULTON COUNTY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2006

**(8) RISK MANAGEMENT (CONTINUED)**

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

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

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

The Plan's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2006.

	<u>2006</u>
Assets	\$ 9,620,148
Liabilities	<u>3,329,620</u>
Members' Equity	<u>\$ 6,290,528</u>

You can read the complete audited financial statements for the Ohio Government Risk Management Plan at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).

**(9) NONCOMPLIANCE**

Contrary to Ohio Revised Code Section 731.14, the Village did not subject a street paving project that exceeded \$25,000 in materials and labor to a competitive bidding process during the year. The Village had concluded the cost of the project would be less by utilizing a contractor already performing other work for the Village than bidding it out.

**(10) TRANSFERS**

During 2006, a transfer of \$5,531 was made from the street construction, maintenance, and repair fund to the capital projects fund for the purpose of recording all revenues and expenses of a project in one fund. This amount was the Village's matching requirement for the project.

VILLAGE OF METAMORA  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED DECEMBER 31, 2006

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>2006 Federal Expenditures</u>
U.S. Department of Agriculture - Rural Utilities Service: Water and Waste Disposal Systems for Rural Communities	10.760		\$ 1,417,808
U.S. Department of Housing and Urban Development: Pass-Through Program from Fulton County - Community Development Block Grants/State's Program	14.228	2005002094	\$ <u>17,332</u>
 Total All Federal Assistance			 \$ <u>1,435,140</u>

VILLAGE OF METAMORA  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2006

(1) BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Village of Metamora and is presented on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

# LublinSussman Group LLP

Certified Public Accountants

3166 N. Republic Blvd.  
Toledo, Ohio 43615-1572  
419-841-2848 Fax 419-841-8178

## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Village of Metamora  
Fulton County  
114 E. Main Street, P.O. Box 299  
Metamora, OH 43540-0299

We have audited the accompanying financial statements of the Village of Metamora, Fulton County, (the Village) as of and for the year ended December 31, 2006, and have issued our report thereon dated September 17, 2007 wherein we noted that the Village prepared its financial statements using accounting practices the Auditor of State prescribes, rather than accounting principles generally accepted in the United States of America. We conducted our audits 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.

### Internal Control Over Financial Reporting

In planning and performing our audits, we considered the Village's internal control over financial reporting to determine our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we considered to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting practices the Auditor of State prescribes, rather than accounting principles generally accepted such that there is more than a remote likelihood that a misstatement of the Village's financial statements that is more than inconsequential will not be prevented or detected by the Village's internal controls. We consider item 2006-004 described in the accompanying schedule of findings and questioned costs to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Village's internal control.

[www.lublinsussman.com](http://www.lublinsussman.com)

Douglas J. Welch, CPA, CVA  
Lee D. Wunschel, CPA  
Thomas J. Jaffee, JD, CPA  
Terri S. Lee, CPA

Members:  
American Institute of Certified Public Accountants  
AICPA—Private Companies Practice Section  
Ohio Society of Certified Public Accountants

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We believe the significant deficiency described above is not a material weakness.

#### 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, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Governmental Auditing Standards and which are described in the accompanying schedule of findings and questioned costs as items 2006-001 through 2006-003.

We also noted certain matters that we reported to the Council of the Village of Metamora, Fulton County, in a separate letter dated September 17, 2007.

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

*Deblin Sussman Group LLP*

September 17, 2007  
Toledo, Ohio

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Village of Metamora  
Fulton County  
114 E. Main Street, P.O. Box 299  
Metamora, OH 43540-0299

Compliance

We have audited the compliance of the Village of Metamora with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2006. The Village of Metamora's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Village of Metamora's management. Our responsibility is to express an opinion on the Village of Metamora's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Village of Metamora's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Village of Metamora's compliance with those requirements.

In our opinion, the Village of Metamora complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2006. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2006-004.

## Internal Control Over Compliance

The management of the Village of Metamora is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Village of Metamora's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

*Seblin Sussman Group LLP*

September 17, 2007  
Toledo, Ohio

**VILLAGE OF METAMORA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

**Section I - Summary of Auditor's Results**

*Financial Statements*

Type of auditor's report issued:	Unqualified
Internal Control Over Financial Reporting:	
• Material weakness(es) identified?	_____ yes <u>  X  </u> no
• Significant deficiencies identified that are not considered to be material weaknesses?	<u>  X  </u> yes    _____ none reported
Noncompliance material to financial statements noted?	<u>  X  </u> yes    _____ no

*Federal Awards*

Internal control over major programs:	
• Material weakness(es) identified?	_____ yes <u>  X  </u> no
• Significant deficiencies identified that are not considered to be material weaknesses?	_____ yes <u>  X  </u> none reported
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	<u>  X  </u> yes    _____ no

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.760	U.S. Department of Agriculture - Rural Utilities Services Water & Waste Disposal Systems for Rural Communities

Dollar threshold used to distinguish between Type A and Type B Programs:	\$300,000
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Auditee qualified as low-risk auditee?	_____ yes <u>  X  </u> no
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**VILLAGE OF METAMORA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2006**

**Section II - Financial Statement Audit Findings**

**FINDING NUMBER 2006-001**

**Noncompliance Citation**

Ohio Revised Code Section 731.14 requires all contracts for material and labor which exceed \$25,000 are subject to competitive bidding procedures. It also requires that acceptance of the contract is to be approved by the legislative authority.

There was one project that exceeded this \$25,000 requirement that was not subjected to competitive bidding procedures. We recommend all separate contracts exceeding \$25,000 be subjected to a competitive bidding process to make sure the best possible bid is obtained and to be in compliance with Ohio law.

Officials' Response: A street repaving project that was previously bid out as patching only was required to be on a separate contract by the funding agency. The contractor that was originally awarded the bid for the patching was utilized due to cost savings realized at that time. Bidding out the paving project would have increased project costs significantly.

**FINDING NUMBER 2006-002**

**Noncompliance Citation**

Ohio Revised Code Sections 135.18 and 135.181 require that the treasurer of a political subdivision must require the depository to provide security equal to the funds on deposit at all times. Security must consist of federal deposit insurance, surety bonds, or pledged securities.

It was noted that the security pledged by the depository was less than the Village's deposits by \$168,731. This deficiency in security pledged began on December 4, 2006. We recommend pledged security be equal to or greater than deposits to prevent the possible loss of funds.

Officials' Response: \$200,000 of bank deposits have been moved to a STAR Ohio account that is fully insured.

**VILLAGE OF METAMORA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2006**

**Section II - Financial Statement Audit Findings (Continued)**

**FINDING NUMBER 2006-003**

**Noncompliance Citation**

Ohio Revised Code Section 5705.36(A)(2) allows all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources. Ohio Revised Code Section 5705.36(A)(4) states that a reduced amended certificate must be obtained if the amount of the deficiency will reduce available resources below the current level of appropriation.

It was noted that appropriations exceeded actual available resources in the capital projects and enterprise funds in the amounts of \$35,841 and \$1,684,554, respectively. We recommend that the Village review the estimated resources and appropriation calculations throughout the year to protect funds from being overspent.

Officials' Response: Village Council has historically appropriated total estimated resources because actual receipts did not significantly differ from budgeted receipts. The current year difference was unusual. If this should occur in the future, an amended certificate will be requested.

**FINDING NUMBER 2006-004**

**Significant Deficiency - No Accountability of Bulk Water Sales**

There is no accountability for sales from the water tower. Customers deposit cash into a locked money machine at the water tower which dispenses water by the gallon. The money machine does not account for the gallons disbursed or the monies collected. Village employees collect the monies from the machine and deliver to the Village offices to be deposited into the bank by the Village Fiscal Officer or Deputy Clerk.

This condition provides for the lack of safeguarding of cash assets and the possible loss or diversion of cash assets occurring and going undetected.

To correct this condition we recommended the Village implement controls to promote accountability for both cash and water usage. There should be a cash count, preferably by report, cash tape, or double counted by persons handling the cash. If counted by Village personnel a form should be used that both parties can sign for the agreement of the cash balances. The cash count should be compared to the amount of water disbursed (preferably measured by a water meter).

Officials' Response: The Village will consider implementing these recommended controls in the future.

**VILLAGE OF METAMORA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**

**Section III - Federal Award Findings and Questioned Costs**

**FINDING NUMBER 2006-005**

**Noncompliance Citation**

Federal Agency: U.S. Department of Agriculture - Rural Utilities Services  
CFDA 10.760; Water and Waste Disposal Systems for Rural Communities

CONDITION: During the year ended December 31, 2006, the Village used the basis of accounting prescribed or permitted by the Auditor of State and did not subsequently adjust the financial statements to be presented on the accrual basis of accounting for the required grant reporting forms.

CRITERIA: U.S. Department of Agriculture - Rural Utilities Services Bulletin 1780-12 Part M (1) requires financial reporting be on an accrual basis.

EFFECT OF CONDITION: The financial statements being presented on the accrual basis of accounting could result in a user having a different perception of the organization's financial position as compared to the financial statements being presented on the cash basis of accounting.

CAUSE OF CONDITION: The Village's management has elected to use a basis of accounting prescribed or permitted by the Auditor of State and did not subsequently adjust the required grant reporting forms to be presented on the accrual basis of accounting.

RECOMMENDATIONS: We recommend that the Village consider presenting the required grant reporting forms in accordance with the accrual basis of accounting.

CORRECTIVE ACTION PLAN: The Village understands this requirement but feels there are no cost-benefits to converting to GAAP.

VILLAGE OF METAMORA  
SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2006

There were no findings in the prior year; therefore, no schedule is required.



**Mary Taylor, CPA**  
Auditor of State

**VILLAGE OF METAMORA**

**FULTON COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
DECEMBER 31, 2007**