

**VILLAGE OF THURSTON
FAIRFIELD COUNTY, OHIO**

*Financial Statements
(Audited)*

For The Years Ended
December 31, 2005 and 2004

AARON REEDY, CLERK/TREASURER



**Auditor of State
Betty Montgomery**

Members of Council
Village of Thurston
2215 Main Street
Thurston, Ohio 43157

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

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

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BETTY MONTGOMERY
Auditor of State

May 15, 2006

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**VILLAGE OF THURSTON
FAIRFIELD COUNTY, OHIO**

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Julian & Grube, Inc.
Serving Ohio Local Governments

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Independent Auditors' Report

Members of Council and Mayor
Village of Thurston
2115 Main Street
Thurston, Ohio 43157

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

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

As described more fully in Note 2, the Village of Thurston has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

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

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

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash fund balances of the Village of Thurston, Fairfield County, as of December 31, 2005 and 2004, and its combined cash receipts and disbursements, combined budgeted and actual receipts and budgeted and actual disbursements and encumbrances for the years then ended on the basis of accounting described in Note 2.

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

In accordance with *Government Auditing Standards*, we have also issued a report dated March 13, 2006, on our consideration of the Village of Thurston'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 do not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

A handwritten signature in cursive script that reads "Julian & Grube, Inc." The signature is written in dark ink and is positioned above the printed name of the firm.

Julian & Grube, Inc.
March 13, 2006

**VILLAGE OF THURSTON
FAIRFIELD COUNTY, OHIO**

COMBINED STATEMENT OF CASH FUND BALANCES
ALL FUND TYPES
DECEMBER 31, 2005 AND 2004

<u>Cash and Investments</u>	2005	2004
Cash and Cash Equivalents	\$ 342,482	\$ 300,541
Investments	9,600	11,966
Total Cash and Investments	\$ 352,082	\$ 312,507
 <u>Cash Fund Balances</u>		
<u>Governmental Fund Types:</u>		
General Fund	\$ 56,062	\$ 40,269
Special Revenue	176,671	143,322
Capital Projects	-	15,116
Total Governmental Funds	232,733	198,707
 <u>Proprietary Fund Type:</u>		
Enterprise	119,349	113,800
Total Fund Balances	\$ 352,082	\$ 312,507

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF THURSTON
FAIRFIELD COUNTY, OHIO**

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

	Governmental Fund Types			Total (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash receipts:				
Local taxes	\$ 9,727	\$ 8,918	\$ -	\$ 18,645
Intergovernmental	34,851	24,441	-	59,292
Charges for services	-	97,325	-	97,325
Fines, licenses, and permits	1,908	-	-	1,908
Interest	5,889	768	-	6,657
Miscellaneous	764	5,001	-	5,765
Total cash receipts	<u>53,139</u>	<u>136,453</u>	<u>-</u>	<u>189,592</u>
Cash disbursements:				
Current:				
Security of persons and property	2,313	40,747	-	43,060
Public health services	1,826	1,600	-	3,426
Community environment	773	-	-	773
Basic utility services	4,452	9,217	-	13,669
Transportation	-	2,162	-	2,162
General government	26,449	-	-	26,449
Capital outlay	1,533	49,378	15,116	66,027
Total cash disbursements	<u>37,346</u>	<u>103,104</u>	<u>15,116</u>	<u>155,566</u>
Total cash receipts over/(under) cash disbursements	15,793	33,349	(15,116)	34,026
Cash fund balances, January 1, 2005	<u>40,269</u>	<u>143,322</u>	<u>15,116</u>	<u>198,707</u>
Cash fund balances, December 31, 2005	<u>\$ 56,062</u>	<u>\$ 176,671</u>	<u>\$ -</u>	<u>\$ 232,733</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF THURSTON
FAIRFIELD COUNTY, OHIO**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH
FUND BALANCES - PROPRIETARY FUND TYPE
AND SIMILAR FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2005

	Proprietary Fund Type	Fiduciary Fund Type	Total
	Enterprise	Agency	(Memorandum Only)
Operating cash receipts:			
Charges for services	\$ 101,883	\$ 71,154	\$ 173,037
Total operating cash receipts	101,883	71,154	173,037
Operating cash disbursements:			
Personal services	1,050	-	1,050
Employee fringe benefits	101	-	101
Contractual services	75,584	71,154	146,738
Supplies and material	1,859	-	1,859
Miscellaneous	3,700	-	3,700
Total operating cash disbursements	82,294	71,154	153,448
Operating income	19,589	-	19,589
Nonoperating cash receipts/(disbursements):			
Miscellaneous receipts	1,670	-	1,670
Debt service:			
Principal	(11,396)	-	(11,396)
Interest	(4,314)	-	(4,314)
Total nonoperating cash receipts/(disbursements)	(14,040)	-	(14,040)
Income before operating transfers	5,549	-	5,549
Transfers in	15,550	-	15,550
Transfers out	(15,550)	-	(15,550)
Net cash receipts over cash disbursements	5,549	-	5,549
Cash fund balances, January 1, 2005	113,800	-	113,800
Cash fund balances, December 31, 2005	\$ 119,349	\$ -	\$ 119,349

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

VILLAGE OF THURSTON
FAIRFIELD COUNTY, OHIO

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
AND ENCUMBRANCES COMPARED WITH EXPENDITURE
AUTHORITY - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2005

Fund Types	Receipts					Disbursements						
	County Certified Unencumbered Cash	Budget	Total Estimated Resources	Actual 2005 Receipts	Variance Favorable (Unfavorable)	Prior Year Carryover Appropriations	2005 Appropriations	Total	Actual 2005 Disbursements	Encumbrances Outstanding at 12/31/05	Total	Variance Favorable (Unfavorable)
Governmental:												
General	\$ 39,969	\$ 48,131	\$ 88,100	\$ 53,139	\$ 5,008	\$ 300	\$ 76,521	\$ 76,821	\$ 37,346	\$ 912	\$ 38,258	\$ 38,563
Special Revenue	133,957	142,070	276,027	136,453	(5,617)	9,365	151,630	160,995	103,104	9,692	112,796	48,199
Capital Projects	15,116	-	15,116	-	-	-	15,116	15,116	15,116	-	15,116	-
Proprietary:												
Enterprise	113,300	121,650	234,950	119,103	(2,547)	500	153,337	153,837	113,554	-	113,554	40,283
Total												
(Memorandum Only)	\$ 302,342	\$ 311,851	\$ 614,193	\$ 308,695	\$ (3,156)	\$ 10,165	\$ 396,604	\$ 406,769	\$ 269,120	\$ 10,604	\$ 279,724	\$ 127,045

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF THURSTON
FAIRFIELD COUNTY, OHIO**

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

	Governmental Fund Types			Total (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash receipts:				
Local taxes	\$ 10,243	\$ 9,794	\$ -	\$ 20,037
Intergovernmental	17,235	22,495	97,755	137,485
Charges for services	-	96,326	-	96,326
Fines, licenses, and permits	2,208	-	-	2,208
Interest	3,859	211	-	4,070
Miscellaneous	684	1,087	-	1,771
Total cash receipts	<u>34,229</u>	<u>129,913</u>	<u>97,755</u>	<u>261,897</u>
Cash disbursements:				
Current:				
Security of persons and property	2,263	40,267	-	42,530
Public health services	1,639	1,091	-	2,730
Community environment	2,528	-	-	2,528
Basic utility services	3,699	8,255	-	11,954
Transportation	-	1,735	-	1,735
General government	44,602	1,500	-	46,102
Capital outlay	4,026	58,194	93,966	156,186
Total cash disbursements	<u>58,757</u>	<u>111,042</u>	<u>93,966</u>	<u>263,765</u>
Total cash receipts over/(under) cash disbursements	<u>(24,528)</u>	<u>18,871</u>	<u>3,789</u>	<u>(1,868)</u>
Other financing receipts/(disbursements):				
Operating transfers in	-	111	11,327	11,438
Operating transfers out	(12,150)	-	-	(12,150)
Total other financing receipts/(disbursements)	<u>(12,150)</u>	<u>111</u>	<u>11,327</u>	<u>(712)</u>
Excess of cash receipts and other financing receipts over/(under) cash disbursements and other financing disbursements	(36,678)	18,982	15,116	(2,580)
Cash fund balances, January 1, 2004	<u>76,947</u>	<u>124,340</u>	<u>-</u>	<u>201,287</u>
Cash fund balances, December 31, 2004	<u>\$ 40,269</u>	<u>\$ 143,322</u>	<u>\$ 15,116</u>	<u>\$ 198,707</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF THURSTON
FAIRFIELD COUNTY, OHIO**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH
FUND BALANCES - PROPRIETARY FUND TYPE
AND SIMILAR FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2004

	Proprietary Fund Type	Fiduciary Fund Type	Total (Memorandum Only)
	Enterprise	Agency	
Operating cash receipts:			
Charges for services	\$ 99,318	\$ 74,862	\$ 174,180
Total operating cash receipts	<u>99,318</u>	<u>74,862</u>	<u>174,180</u>
Operating cash disbursements:			
Personal services	870	-	870
Employee fringe benefits	111	-	111
Contractual services	58,297	74,862	133,159
Supplies and material	4,235	-	4,235
Miscellaneous	3,900	-	3,900
Total operating cash disbursements	<u>67,413</u>	<u>74,862</u>	<u>142,275</u>
Operating income	<u>31,905</u>	<u>-</u>	<u>31,905</u>
Nonoperating cash receipts/(disbursements):			
Miscellaneous receipts	1,083	-	1,083
Debt service:			
Principal	(10,927)	-	(10,927)
Interest	(4,894)	-	(4,894)
Total nonoperating cash receipts/(disbursements)	<u>(14,738)</u>	<u>-</u>	<u>(14,738)</u>
Income before operating transfers	17,167	-	17,167
Transfers in	16,312	-	16,312
Transfers out	(15,600)	-	(15,600)
Total transfers in/out	<u>712</u>	<u>-</u>	<u>712</u>
Net cash receipts over cash disbursements	17,879	-	17,879
Cash fund balances, January 1, 2004	<u>95,921</u>	<u>-</u>	<u>95,921</u>
Cash fund balances, December 31, 2004	<u>\$ 113,800</u>	<u>\$ -</u>	<u>\$ 113,800</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

VILLAGE OF THURSTON
FAIRFIELD COUNTY, OHIO

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
AND ENCUMBRANCES COMPARED WITH EXPENDITURE
AUTHORITY - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2004

Fund Types	Receipts					Disbursements						
	County Certified Unencumbered Cash	Budget	Total Estimated Resources	Actual 2004 Receipts	Variance Favorable (Unfavorable)	(Restated) Prior Year Carryover Appropriations	2004 Appropriations	Total	Actual 2004 Disbursements	Encumbrances Outstanding at 12/31/04	Total	Variance Favorable (Unfavorable)
Governmental:												
General	\$ 76,779	\$ 34,438	\$ 111,217	\$ 34,229	\$ (209)	\$ 2,500	\$ 106,820	\$ 109,320	\$ 70,907	\$ 300	\$ 71,207	\$ 38,113
Special Revenue	120,221	119,350	239,571	130,024	10,674	1,787	168,585	170,372	111,042	9,365	120,407	49,965
Capital Projects	-	147,000	147,000	109,082	(37,918)	-	147,000	147,000	93,966	-	93,966	53,034
Proprietary:												
Enterprise	95,921	104,000	199,921	116,713	12,713	-	137,801	137,801	98,834	500	99,334	38,467
Total												
(Memorandum Only)	\$ 292,921	\$ 404,788	\$ 697,709	\$ 390,048	\$ (14,740)	\$ 4,287	\$ 560,206	\$ 564,493	\$ 374,749	\$ 10,165	\$ 384,914	\$ 179,579

**VILLAGE OF THURSTON
FAIRFIELD COUNTY, OHIO**

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

NOTE 1 - DESCRIPTION OF THE ENTITY

The Village of Thurston (the “Village”) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The Village operates under a council-mayor form of government and provides the following services: water and sewer utility services, street maintenance and repair, as well as other general government services. The Village contracts with the Fairfield County Sheriff’s department to provide police protection services. The Village contracts with Walnut Creek Sewer District (“WCSD”) to provide water and sewer billing services for WCSD.

Management believes the financial statements included in this report represent all of the funds of the Village over which the Village officials are financially accountable.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The most significant of the Village’s accounting policies are described below.

A. BASIS OF PRESENTATION - FUND ACCOUNTING

The accounts of the Village are maintained on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts. The following fund types are used by the Village:

Governmental Fund Type

General Fund

The general fund is the general operating fund and is used to account for all activities of the Village not required to be included in another fund.

Special Revenue Funds

These funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

**VILLAGE OF THURSTON
FAIRFIELD COUNTY, OHIO**

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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.

Fire Fund - This fund receives levy money from Walnut Township for providing fire protection.

Capital Projects 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 funds). The Village has the following significant Capital Projects Funds:

Ohio Public Works Commission (OPWC) - This fund receives money from OPWC to be used for the replacement of storm sewers on Third Street.

Community Development Commission (CDC) Long Street Sewer Project Fund - This fund receives money from the CDC to be used for the construction of storm sewers on Long Street.

Proprietary Fund Type:

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 fund:

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

Fiduciary Fund Type:

Agency Funds

Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant agency fund:

**VILLAGE OF THURSTON
FAIRFIELD COUNTY, OHIO**

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Sewer Fund - The Village collects sewer fees on behalf of the Walnut Creek Sewer District.

B. BASIS OF ACCOUNTING

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

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

C. BUDGETARY PROCESS

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds are legally required to be budgeted and appropriated except agency funds. The primary level of budgetary control is at the item level within each department, within each fund. Any budgetary modifications at this level may only be made by resolution of the Village's Council.

Tax Budget:

A budget of estimated cash receipts and disbursements is submitted to the County Auditor, as secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year. The expressed purpose of the tax budget is to reflect the need for existing (or increased) tax rates.

**VILLAGE OF THURSTON
FAIRFIELD COUNTY, OHIO**

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Estimated Resources:

The County Budget Commission determines if the budget substantiates a need to levy the full amount of authorized property tax rates and reviews receipt estimates. The County Budget Commission certifies its actions to the Village by September 1. As part of this certification, the Village receives the official certificate of estimated resources, which states the projected receipts of each fund. On or about January 1, the certificate is amended to include unencumbered fund balances at December 31 of the preceding year. Further amendments may be made during the year if the Village determines that receipts collected will be greater than or less than the prior estimates, and the Budget Commission finds the revised estimates to be reasonable. Prior to December 31, the Village must revise its budget so that the total contemplated expenditures from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure.

Appropriations:

A temporary appropriation measure to control cash disbursements may be passed on or about January 1 of each year for the period January to March 31. An annual appropriation measure must be passed by April 1 of each year for the period January 1 to December 31. The appropriations measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources. The Village legally adopted several supplemental appropriations during 2005 and 2004.

Encumbrances:

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation.

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated. The Village had outstanding encumbrances at December 31, 2005 and 2004.

**VILLAGE OF THURSTON
FAIRFIELD COUNTY, OHIO**

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. CASH AND CASH EQUIVALENTS

For reporting purposes, the Village considers “Cash and Cash Equivalents” to be cash on hand, demand deposits, and all investments held by the Village with a maturity date less than or equal to three months from the date of purchase. Interest earned on investments held by the Village is credited to its respective funds. Interest income earned and received by the Village totaled \$6,657 and \$4,070 for the years ended December 31, 2005 and 2004, respectively.

E. PROPERTY, PLANT AND EQUIPMENT

Capital assets are not capitalized in any of the Village’s funds. Instead, capital acquisition and construction costs are reflected as expenditures in the fund in the year expended. The costs of normal maintenance and repairs are also expended, along with improvements. Depreciation is not recorded.

F. INTERGOVERNMENTAL REVENUES

Intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursable basis are recorded when received in accordance with the Village’s cash basis method of accounting.

G. INTERFUND TRANSACTIONS

During the course of normal operations, the Village had transactions between funds. The most significant include:

Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers.

H. TOTAL COLUMNS ON FINANCIAL STATEMENTS

Total columns on the financial statements are captioned “Total (Memorandum Only)” to indicate that they are presented only to facilitate financial analysis. Interfund-type eliminations have not been made in the aggregation of this data.

**VILLAGE OF THURSTON
FAIRFIELD COUNTY, OHIO**

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

NOTE 3 - EQUITY IN POOLED CASH 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 cash equivalents and investments at December 31, 2005 and 2004 were as follows:

	<u>2005</u>	<u>2004</u>
Deposits:		
Demand deposits	\$ 342,482	\$ 300,541
Investments:		
Repurchase Agreement	<u>9,600</u>	<u>11,966</u>
Total deposits and investments	<u>\$ 352,082</u>	<u>\$ 312,507</u>

Deposits: Deposits are either insured by the Federal Deposit Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

Investments: The Village's financial institution has pledged securities to the Village's agent to collateralize repurchase agreements. The securities are not in the Village's name. The repurchase agreements are valued at cost.

NOTE 4 - PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the Village. 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 annually. However, if the property owner elects, they may make semiannual payments.

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 THURSTON
FAIRFIELD COUNTY, OHIO**

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

NOTE 5 - DEBT OBLIGATIONS

At December 31, 2005 and 2004, debt obligations consisted of the following issuance:

<u>Description</u>	<u>Balance at December 31, 2005</u>	<u>Balance at December 31, 2004</u>
1975 Water System Mortgage Revenue Bonds for construction of water system, due in monthly installments of varying amounts through 2014, bearing a varying interest rate.	<u>\$ 76,111</u>	<u>\$ 87,507</u>

Transactions for the years ended December 31, 2005 and 2004 are summarized as follows:

<u>2005:</u>	<u>Balance at December 31, 2004</u>	<u>Proceeds</u>	<u>Payments</u>	<u>Balance at December 31, 2005</u>
<u>Description</u>				
Mortgage Revenue Bonds	<u>\$ 87,507</u>	<u>\$ -</u>	<u>\$ (11,396)</u>	<u>\$ 76,111</u>
<u>2004:</u>	<u>Restated Balance at December 31, 2003</u>	<u>Proceeds</u>	<u>Payments</u>	<u>Balance at December 31, 2004</u>
<u>Description</u>				
Mortgage Revenue Bonds	<u>\$ 98,434</u>	<u>\$ -</u>	<u>\$ (10,927)</u>	<u>\$ 87,507</u>

The 2004 beginning balance was restated to more accurately reflect the Mortgage Revenue Bonds balance as of January 1, 2004 and to remove the capital lease that is now disclosed in Note 6.

The principal and interest requirements to retire the debt obligation outstanding at December 31, 2005, are as follows:

<u>Year Ending December 31</u>	<u>Mortgage Revenue Bonds</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2006	\$ 10,000	\$ 5,050	\$ 15,050
2007	10,000	4,550	14,550
2008	11,000	4,050	15,050
2009	11,000	3,500	14,500
2010	11,000	2,950	13,950
2011 - 2014	<u>23,111</u>	<u>6,000</u>	<u>29,111</u>
Total	<u>\$ 76,111</u>	<u>\$ 26,100</u>	<u>\$ 102,211</u>

**VILLAGE OF THURSTON
FAIRFIELD COUNTY, OHIO**

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

NOTE 6 - CAPITALIZED LEASES - LESSEE DISCLOSURE

In 2003, the Village entered into a capitalized lease for a fire truck.

The lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee.

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of December 31, 2005.

<u>Year Ended December 31,</u>	<u>Payments</u>
2006	\$ 19,111
2007	19,111
2008	19,111
2009	19,111
2010	19,111
2011 - 2018	<u>47,775</u>
Total minimum lease payments	143,330
Less: amount representing interest	<u>(18,270)</u>
Present value of minimum lease payments	<u>\$ 125,060</u>

Under the basis of accounting utilized by the Village, these capitalized assets are not reflected on the financial statements and payments are recorded in the Capital Outlay line item on the financial statements.

NOTE 7 - RETIREMENT SYSTEM

The Village's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The plan provides retirement benefits, including post-retirement 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 2005 and 2004, OPERS members contributed 8.5 % of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries. As of December 31, 2005, the Village has paid all contributions required for 2005 and 2004.

**VILLAGE OF THURSTON
FAIRFIELD COUNTY, OHIO**

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

NOTE 8 - RISK MANAGEMENT

The Village belongs to the Ohio Government Risk Management Plan (the "Plan"), an unincorporated non-profit association with over 600 government entity members providing a formalized, jointly administered self-insurance risk management program and other administrative services.

Pursuant to Section 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 coverages, modified for each member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceeded the member's deductible.

The Plan uses conventional insurance coverages and reinsures these coverages 100% rather than using a risk pool of member funds to pay individual and collective losses. Therefore, the individual members are only responsible for their self-retention (deductible) amounts which vary from member to member.

The Village also provides health insurance to full-time employees through a private carrier.

NOTE 9 - CONTINGENT LIABILITY

LITIGATION

The Village is currently not involved in litigation that the Village's legal counsel anticipates a loss.

NOTE 10 - RELATED PARTY TRANSACTION

A Village Board of Public Affairs member, Lowell Hite, is also on the Board of Trustees for Walnut Creek Sewer District. Every three years a new contract is approved by the Village Council and the Walnut Creek Sewer District's Board.

**VILLAGE OF THURSTON
FAIRFIELD COUNTY, OHIO**

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

NOTE 11 - INTERFUND TRANSACTIONS

The Village had the following interfund transactions for the year ended December 31, 2005:

	<u>Transfers In</u>	<u>Transfers Out</u>
<u>ENTERPRISE FUNDS:</u>		
Water System Debt Service	\$ 15,550	\$ -
Water Fund	<u>-</u>	<u>15,550</u>
Total Enterprise Funds	<u>15,550</u>	<u>15,550</u>
Total	<u>\$ 15,550</u>	<u>\$ 15,550</u>

The Village had the following interfund transactions for the year ended December 31, 2004:

<u>Fund Type/Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	<u>\$ -</u>	<u>\$ 12,150</u>
<u>SPECIAL REVENUE FUND:</u>		
Cemetery	<u>111</u>	<u>-</u>
Total Special Revenue Fund	<u>111</u>	<u>-</u>
<u>CAPITAL PROJECTS FUND:</u>		
OPWC Third St. Storm Sewer Project	1,327	-
CDC Long St. Storm Sewer Project	<u>10,000</u>	<u>-</u>
Total Capital Projects Funds	<u>11,327</u>	<u>-</u>
<u>ENTERPRISE FUNDS:</u>		
Water System Debt Service	15,600	-
Water Fund	601	15,600
Utility Deposit	<u>111</u>	<u>-</u>
Total Enterprise Funds	<u>16,312</u>	<u>15,600</u>
Total	<u>\$ 27,750</u>	<u>\$ 27,750</u>

All transfers are allowable in accordance with Sections 5705.14, 5705.15, 5705.16 of the Ohio Revised Code.



Julian & Grube, Inc.
Serving Ohio Local Governments

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**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***

Members of Council and Mayor
Village of Thurston
2115 Main Street
Thurston, Ohio 43157

We have audited the financial statements of the Village of Thurston, Fairfield County, Ohio as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated March 13, 2006, wherein we noted the Village of Thurston followed accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of Thurston's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to the management of the Village of Thurston in a separate letter dated March 13, 2006.

Members of Council and Mayor
Village of Thurston

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village of Thurston's financial statements are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted a certain matter that we reported to the management of the Village of Thurston in a separate letter dated March 13, 2006.

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

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
March 13, 2006

**VILLAGE OF THURSTON
FAIRFIELD COUNTY, OHIO**

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

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2003-VOT-001	Ohio Revised Code Section 5705.41(B) requires in part that no subdivision is to expend monies unless it has been appropriated.	Yes	N/A



**Auditor of State
Betty Montgomery**

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VILLAGE OF THURSTON

FAIRFIELD COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 30, 2006**