

**VILLAGE OF THURSTON  
FAIRFIELD COUNTY, OHIO**

*Financial Statements  
(Audited)*

For The Years Ended  
December 31, 2007 and 2006

**AARON REEDY, CLERK/TREASURER**





# Mary Taylor, CPA

Auditor of State

Village Council  
Village of Thurston  
2215 Main Street  
P.O. Box 188  
Thurston, Ohio 43157

We have reviewed the *Independent Auditor's Report* of the Village of Thurston, Fairfield County, prepared by Julian & Grube, Inc., for the audit period January 1, 2006 through December 31, 2007. 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 Thurston is responsible for compliance with these laws and regulations.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

May 15, 2008

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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 Auditor's 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, 2007 and 2006. 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 our audit provides a reasonable basis for our opinion.

As described 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.

Instead of the combined funds the accompanying financial statements present, GAAP requires presenting entity wide statements and also presenting the Village of Thurston's larger (i.e. major) funds separately. 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 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 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 years ended December 31, 2007 and 2006 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, 2007 and 2006, 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 fund cash balances of the Village of Thurston, Fairfield County, Ohio, as of December 31, 2007 and 2006, and its combined cash receipts and disbursements, combined budgeted and actual cash receipts and budgeted and actual cash disbursements and encumbrances for the years then ended on the accounting basis described in Note 2.

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 our report dated March 7, 2008 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 did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

Julian & Grube, Inc.  
March 7, 2008

**VILLAGE OF THURSTON  
FAIRFIELD COUNTY, OHIO**

COMBINED STATEMENT OF CASH FUND BALANCES  
ALL FUND TYPES  
DECEMBER 31, 2007 AND 2006

<u>Cash and Investments</u>	<u>2007</u>	<u>2006</u>
Cash and Cash Equivalents	\$ 320,883	\$ 290,863
Total Cash and Investments	<u>\$ 320,883</u>	<u>\$ 290,863</u>
 <u>Cash Fund Balances</u>		
<u>Governmental Fund Types:</u>		
General Fund	\$ 23,664	\$ 31,863
Special Revenue	203,226	149,502
Capital Projects	<u>-</u>	<u>-</u>
Total Governmental Funds	<u>226,890</u>	<u>181,365</u>
 <u>Proprietary Fund Type:</u>		
Enterprise	<u>93,993</u>	<u>109,498</u>
Total Fund Balances	<u>\$ 320,883</u>	<u>\$ 290,863</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 - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>Governmental Fund Types</u>		Total (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash receipts:			
Local taxes	\$ 10,491	\$ 10,382	\$ 20,873
Intergovernmental	16,557	133,739	150,296
Charges for services	-	138,940	138,940
Fines, licenses, and permits	2,094	-	2,094
Interest	9,006	2,604	11,610
Miscellaneous	722	2,279	3,001
Total cash receipts	<u>38,870</u>	<u>287,944</u>	<u>326,814</u>
Cash disbursements:			
Current:			
Security of persons and property	2,600	59,924	62,524
Public health services	2,178	1,617	3,795
Community environment	875	-	875
Basic utility services	6,475	8,988	15,463
Transportation	-	6,758	6,758
General government	31,497	-	31,497
Capital outlay	3,444	132,174	135,618
Debt service:			
Principal retirement	-	23,821	23,821
Interest and fiscal charges	-	6,063	6,063
Total cash disbursements	<u>47,069</u>	<u>239,345</u>	<u>286,414</u>
Total cash receipts over/(under) cash disbursements	<u>(8,199)</u>	<u>48,599</u>	<u>40,400</u>
Other financing receipts/(disbursements):			
Proceeds from sale of fixed assets	-	5,125	5,125
Total other financing receipts/(disbursements)	<u>-</u>	<u>5,125</u>	<u>5,125</u>
Excess of cash receipts and other financing receipts over/(under) cash disbursements and other financing disbursements	(8,199)	53,724	45,525
Cash fund balances, January 1, 2007	<u>31,863</u>	<u>149,502</u>	<u>181,365</u>
Cash fund balances, December 31, 2007	<u>\$ 23,664</u>	<u>\$ 203,226</u>	<u>\$ 226,890</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, 2007

	Proprietary Fund Type	Fiduciary Fund Type	Total (Memorandum Only)
	Enterprise	Agency	
Operating cash receipts:			
Charges for services	\$ 112,296	\$ 111,285	\$ 223,581
Total operating cash receipts	<u>112,296</u>	<u>111,285</u>	<u>223,581</u>
Operating cash disbursements:			
Personal services	10,302	-	10,302
Employee fringe benefits	1,629	-	1,629
Contractual services	87,883	111,285	199,168
Supplies and material	7,899	-	7,899
Miscellaneous	7,300	-	7,300
Total operating cash disbursements	<u>115,013</u>	<u>111,285</u>	<u>226,298</u>
Operating income	<u>(2,717)</u>	<u>-</u>	<u>(2,717)</u>
Nonoperating cash receipts/(disbursements):			
Miscellaneous receipts	1,714	-	1,714
Debt service:			
Principal	(11,699)	-	(11,699)
Interest	(2,803)	-	(2,803)
Total nonoperating cash receipts/(disbursements)	<u>(12,788)</u>	<u>-</u>	<u>(12,788)</u>
Income before operating transfers	<u>(15,505)</u>	<u>-</u>	<u>(15,505)</u>
Transfers in	15,050	-	15,050
Transfers out	<u>(15,050)</u>	<u>-</u>	<u>(15,050)</u>
Net cash receipts over cash disbursements	(15,505)	-	(15,505)
Cash fund balances, January 1, 2007	<u>109,498</u>	<u>-</u>	<u>109,498</u>
Cash fund balances, December 31, 2007	<u>\$ 93,993</u>	<u>\$ -</u>	<u>\$ 93,993</u>

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

**VILLAGE OF THURSTON**  
**FARFIELD COUNTY, OHIO**  
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS  
 AND ENCUMBRANCES COMPARED WITH EXPENDITURE  
 AUTHORITY - BUDGET AND ACTUAL  
 FOR THE YEAR ENDED DECEMBER 31, 2007

Fund Types	Receipts				Disbursements					Variance Favorable (Unfavorable)	
	County Certified Unencumbered Cash	Budget	Total Estimated Resources	Actual 2007 Receipts	Variance Favorable (Unfavorable)	Prior Year Carryover Appropriations	2007 Appropriations	Total	Actual 2007 Disbursements		Encumbrances Outstanding at 12/31/07
Governmental:											
General	\$ 31,734	\$ 40,298	\$ 72,032	\$ 38,870	\$ (1,428)	\$ 129	\$ 52,490	\$ 52,619	\$ 47,069	\$ 306	\$ 5,244
Special Revenue	148,002	243,167	391,169	293,069	49,902	1,500	296,642	298,142	239,345	7,640	51,157
Proprietary:											
Enterprise	109,498	140,250	249,748	129,060	(11,190)	-	181,976	181,976	144,565	20	37,391
<b>Total (Memorandum Only)</b>	<b>\$ 289,234</b>	<b>\$ 423,715</b>	<b>\$ 712,949</b>	<b>\$ 460,999</b>	<b>\$ 37,284</b>	<b>\$ 1,629</b>	<b>\$ 531,108</b>	<b>\$ 532,737</b>	<b>\$ 430,979</b>	<b>\$ 7,966</b>	<b>\$ 93,792</b>

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, 2006

	Governmental Fund Types		Total (Memorandum Only)
	General	Special Revenue	
Cash receipts:			
Local taxes	\$ 10,097	\$ 11,236	\$ 21,333
Intergovernmental	16,745	28,979	45,724
Charges for services	-	98,550	98,550
Fines, licenses, and permits	2,057	-	2,057
Interest	10,524	1,407	11,931
Miscellaneous	963	10,863	11,826
Total cash receipts	<u>40,386</u>	<u>151,035</u>	<u>191,421</u>
Cash disbursements:			
Current:			
Security of persons and property	2,422	48,380	50,802
Public health services	2,149	2,110	4,259
Basic utility services	5,427	8,094	13,521
Transportation	-	3,698	3,698
General government	46,668	2,497	49,165
Capital outlay	7,881	84,315	92,196
Debt service:			
Principal retirement	-	24,850	24,850
Interest and fiscal charges	-	4,260	4,260
Total cash disbursements	<u>64,547</u>	<u>178,204</u>	<u>242,751</u>
Total cash receipts over/(under) cash disbursements	<u>(24,161)</u>	<u>(27,169)</u>	<u>(51,330)</u>
Other financing receipts/(disbursements):			
Operating transfers out	(38)	-	(38)
Total other financing receipts/(disbursements)	<u>(38)</u>	<u>-</u>	<u>(38)</u>
Excess of cash receipts and other financing receipts over/(under) cash disbursements and other financing disbursements	(24,199)	(27,169)	(51,368)
Cash fund balances, January 1, 2006	<u>56,062</u>	<u>176,671</u>	<u>232,733</u>
Cash fund balances, December 31, 2006	<u>\$ 31,863</u>	<u>\$ 149,502</u>	<u>\$ 181,365</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, 2006

	Proprietary Fund Type	Fiduciary Fund Type	Total (Memorandum Only)
	Enterprise	Agency	
Operating cash receipts:			
Charges for services	\$ 105,915	\$ 80,373	\$ 186,288
Total operating cash receipts	<u>105,915</u>	<u>80,373</u>	<u>186,288</u>
Operating cash disbursements:			
Personal services	5,114	-	5,114
Employee fringe benefits	771	-	771
Contractual services	82,380	80,373	162,753
Supplies and material	9,218	-	9,218
Miscellaneous	4,735	-	4,735
Total operating cash disbursements	<u>102,218</u>	<u>80,373</u>	<u>182,591</u>
Operating income	<u>3,697</u>	<u>-</u>	<u>3,697</u>
Nonoperating cash receipts/(disbursements):			
Miscellaneous receipts	2,507	-	2,507
Debt service:			
Principal	(12,354)	-	(12,354)
Interest	(3,739)	-	(3,739)
Total nonoperating cash receipts/(disbursements)	<u>(13,586)</u>	<u>-</u>	<u>(13,586)</u>
Income before operating transfers	<u>(9,889)</u>	<u>-</u>	<u>(9,889)</u>
Transfers in	15,638	-	15,638
Transfers out	(15,600)	-	(15,600)
Total transfers in/(out)	<u>38</u>	<u>-</u>	<u>38</u>
Net cash receipts over cash disbursements	(9,851)	-	(9,851)
Cash fund balances, January 1, 2006	<u>119,349</u>	<u>-</u>	<u>119,349</u>
Cash fund balances, December 31, 2006	<u>\$ 109,498</u>	<u>\$ -</u>	<u>\$ 109,498</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, 2006

Fund Types	Receipts					Disbursements					Variance Favorable (Unfavorable)	
	County Certified Unencumbered Cash	Budget	Total Estimated Resources	Actual 2006 Receipts	Variance Favorable (Unfavorable)	Prior Year Carryover Appropriations	2006 Appropriations	Total	Actual 2006 Disbursements	Encumbrances Outstanding at 12/31/06		Total
Governmental:												
General	\$ 55,150	\$ 34,581	\$ 89,731	\$ 40,386	\$ 5,805	\$ 912	\$ 74,574	\$ 75,486	\$ 64,585	\$ 129	\$ 64,714	\$ 10,772
Special Revenue	166,979	129,730	296,709	151,035	21,305	9,692	242,847	252,539	178,204	1,500	179,704	72,835
Proprietary:												
Enterprise	119,349	121,650	240,999	124,060	2,410	-	169,576	169,576	133,911	-	133,911	35,665
Total (Memorandum Only)	\$ 341,478	\$ 285,961	\$ 627,439	\$ 315,481	\$ 29,520	\$ 10,604	\$ 486,997	\$ 497,601	\$ 376,700	\$ 1,629	\$ 378,329	\$ 119,272

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

**VILLAGE OF THURSTON  
FAIRFIELD COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

**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 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 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.

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

**VILLAGE OF THURSTON  
FAIRFIELD COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

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

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 agency fund:

*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.

**VILLAGE OF THURSTON  
FAIRFIELD COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

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

*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.

*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 2007 and 2006.

*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, 2007 and 2006.

**VILLAGE OF THURSTON  
FAIRFIELD COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

**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 \$11,610 and \$11,931 for the years ended December 31, 2007 and 2006, 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, 2007 AND 2006

**NOTE 3 - COMPLIANCE**

The Village approved an invalid formal action while in Executive Session in noncompliance with Ohio Revised Code Section 121.22.

**NOTE 4 - 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, 2007 and 2006 were as follows:

	<u>2007</u>	<u>2006</u>
Deposits:		
Demand deposits	\$ 212,135	\$ 183,760
Certificate of deposits	96,000	96,367
Investments:		
Repurchase Agreement	<u>12,748</u>	<u>10,736</u>
Total deposits and investments	<u>\$ 320,883</u>	<u>\$ 290,863</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 5 - 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.

**VILLAGE OF THURSTON  
FAIRFIELD COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

**NOTE 5 - PROPERTY TAX - (Continued)**

Tangible personal property tax revenues received in 2007 and 2006 (other than public utility property) represent the collection of 2007 and 2006 taxes, respectively. Tangible personal property taxes received in 2007 and 2006 were levied after October 1, 2006 and 2005, respectively, on the true value as of December 31, 2006 and 2005, respectively. In prior years, tangible personal property assessments were twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. Tangible personal property tax is being phased out - the assessment percentage for property, including inventory, was 18.75% for 2006. This percentage was reduced to 12.5% for 2007, and will be 6.25% for 2008, and zero for 2009. 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.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the Village due to the phasing out of the tax. In calendar years 2006-2010, the Village will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

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

**NOTE 6 - DEBT OBLIGATIONS**

At December 31, 2007 and 2006, debt obligations consisted of the following issuance:

<u>Description</u>	<u>Balance at December 31, 2007</u>	<u>Balance at December 31, 2006</u>
1975 Water System Mortgage Revenue Bonds for construction of water system, due in monthly installments of varying amounts through 2012, bearing a varying interest rate.	<u>\$ 50,708</u>	<u>\$ 62,407</u>

**VILLAGE OF THURSTON  
FAIRFIELD COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

**NOTE 6 - DEBT OBLIGATIONS - (Continued)**

Transactions for the years ended December 31, 2007 and 2006 are summarized as follows:

<u>2007:</u>	<u>Balance at December 31, 2006</u>	<u>Proceeds</u>	<u>Payments</u>	<u>Balance at December 31, 2007</u>
<u>Description</u>				
Mortgage Revenue Bonds	\$ <u>62,407</u>	\$ <u>-</u>	\$ <u>(11,699)</u>	\$ <u>50,708</u>
<u>2006:</u>	<u>Restated Balance at December 31, 2005</u>	<u>Proceeds</u>	<u>Payments</u>	<u>Balance at December 31, 2006</u>
<u>Description</u>				
Mortgage Revenue Bonds	\$ <u>74,761</u>	\$ <u>-</u>	\$ <u>(12,354)</u>	\$ <u>62,407</u>

The beginning balance has been restated to properly include reductions of principal due to royalty payments.

The principal and interest requirements to retire the debt obligation outstanding at December 31, 2007, are as follows:

<u>Year Ending December 31</u>	<u>Mortgage Revenue Bonds</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2008	\$ 11,000	\$ 4,050	\$ 15,050
2009	11,000	3,500	14,500
2010	11,000	2,950	13,950
2011	12,000	2,400	14,400
2012	<u>5,708</u>	<u>1,800</u>	<u>7,508</u>
Total	<u>\$ 50,708</u>	<u>\$ 14,700</u>	<u>\$ 65,408</u>

**NOTE 7 - CAPITALIZED LEASES - LESSEE DISCLOSURE**

In 2003, the Village entered into a capitalized lease agreement with Fifth Third Bank for the acquisition of a Smeal Fire Engine. Principal payments for the fire engine in fiscal year 2007 and 2006 were \$15,376 and \$14,850, respectively. During 2006, the Village made an additional \$10,000 payment on the principal of the fire truck lease.

In 2007, the Village entered into a capitalized lease agreement with Fairfield National Bank in the amount of \$46,650 for the acquisition of an International Tanker Truck for the fire department. Principal payment for the tanker truck in fiscal year 2007 was \$8,445.

These leases met the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease as one which transfers benefits and risks of ownership to the lease. Capital lease payments have been reclassified and are reflected as debt service expenditures in the Special Revenue - Fire fund.

**VILLAGE OF THURSTON  
FAIRFIELD COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

**NOTE 7 - CAPITALIZED LEASES - LESSEE DISCLOSURE - (Continued)**

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, 2007:

<u>Year Ended December 31,</u>	<u>Smeal Fire Engine Lease</u>	<u>Tanker Truck Lease</u>
2008	\$ 19,111	\$ 10,773
2009	19,111	10,773
2010	19,111	10,773
2011	19,111	10,773
2012	<u>18,501</u>	<u>-</u>
Total minimum lease payments	94,945	43,092
Less: amount representing interest	<u>(10,110)</u>	<u>(4,889)</u>
Present value of minimum lease payments	<u>\$ 84,835</u>	<u>\$ 38,203</u>

**NOTE 8 - 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 2007 and 2006, OPERS members contributed 9.5% and 9.00% of their gross salaries, respectively. The Village contributed an amount equal to 13.85% and 13.70% of participants' gross salaries, respectively. As of December 31, 2007, the Village has paid all contributions required for 2007 and 2006.

**NOTE 9 - RISK MANAGEMENT**

The Village belongs to the Ohio Government Risk Management Plan (the "Plan"), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 500 Ohio governments ("Members").

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is a separate legal entity.

The Plan provides property, liability, errors and omissions, law enforcement, automobile, excessive liability, crime, surety and bond, inland marine and other coverages, modified for each Member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the Member's deductible.

**VILLAGE OF THURSTON  
FAIRFIELD COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

**NOTE 9 - RISK MANAGEMENT - (Continued)**

The Plan issues its own policies and reinsures the Plan with A-VII or better rated carriers, except for the 5% portion retained by the Plan. After September 1, 2003, the Plan pays the lesser of 5% or \$25,000 of casualty losses and the lesser of 5% or \$50,000 of property losses. The individual members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2006 and 2005, the latest information available:

	<u>2006</u>	<u>2005</u>
Assets	\$ 9,620,148	\$ 8,219,430
Liabilities	<u>(3,329,620)</u>	<u>(2,748,639)</u>
Members' Equity	<u>\$ 6,290,528</u>	<u>\$ 5,470,791</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).

**NOTE 10 - CONTINGENT LIABILITY**

LITIGATION

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

**NOTE 11 - RELATED PARTY TRANSACTION**

A Village Council member, Ed Vanek, 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, 2007 AND 2006

**NOTE 12 - INTERFUND TRANSACATIONS**

The Village had the following interfund transactions for the year ended December 31, 2007:

<u>Fund Type/Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
<u>ENTERPRISE FUNDS:</u>		
Water System Debt Service	\$ 15,050	\$ -
Water Fund	<u>-</u>	<u>15,050</u>
Total Enterprise Funds	<u>15,050</u>	<u>15,050</u>
Total	<u>\$ 15,050</u>	<u>\$ 15,050</u>

The Village had the following interfund transactions for the year ended December 31, 2006:

<u>Fund Type/Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 38
<u>ENTERPRISE FUNDS:</u>		
Water System Debt Service	15,600	-
Water Fund	<u>38</u>	<u>15,600</u>
Total Enterprise Funds	<u>15,638</u>	<u>15,600</u>
Total	<u>\$ 15,638</u>	<u>\$ 15,638</u>

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



**Julian & Grube, Inc.**  
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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 fiscal years ended December 31, 2007 and 2006, and have issued our report thereon dated March 7, 2008, wherein we noted the Village of Thurston followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and 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 as a basis for designing 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 of Thurston's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village of Thurston's internal control over financial reporting.

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 function, 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 of Thurston's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that a misstatement or the Village of Thurston's financial statements that is more than inconsequential will not be prevented or detected by the Village of Thurston's internal control.

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 of Thurston's internal control.

Our consideration of 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 internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Members of Council and Mayor  
Village of Thurston

Compliance and Other Matters

As part of obtaining reasonable assurance whether the Village of Thurston'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 audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2007-VOT-001.

We noted certain matters that we reported to the management of the Village of Thurston in a separate letter dated March 7, 2008.

The Village of Thurston's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Village of Thurston's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use 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 those specified.



Julian & Grube, Inc.  
March 7, 2008

**VILLAGE OF THURSTON  
FAIRFIELD COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2007 AND 2006**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>	
Finding Number	2007-VOT-001

Ohio Revised Code Section 121.22 in part requires that the members of a public body may hold an executive session only after a majority of a quorum of the public body determines, by a roll call vote, to hold such a session and only at a regular or special meeting for the sole purpose of the consideration of any of the following matters [RC 121.22(G)]:

- (1) The appointment, employment, dismissal, discipline, promotion, demotion, or compensation of a public employee or officials, or the investigation of charges or complaints against a public employee, official, licensee, or regulated individual, unless the public employee, official licensee, or regulated individual requests a public hearing;
- (2) The purchase of property for public purposes, or for the sale of property at competitive bidding, if premature disclosure of information would give an unfair competitive or bargaining advantage to a person whose personal private interest is adverse to the general public interest.
- (3) Conducting conferences with an attorney for the public body, concerning disputes involving the public body that are the subject of pending or imminent court action.
- (4) Preparing for, conducting, or reviewing negotiations or bargaining sessions with public employees concerning their compensation or other terms and conditions of their employment.
- (5) Matters required to be kept confidential by federal laws or rules or state statutes.
- (6) Specialized details of security arrangements and emergency response protocols where disclosure of the matters discussed could reasonably be expected to jeopardize the security of the public body or public office.

A resolution, rule, or formal action of any kind is invalid unless adopted in an open meeting of the public body. A resolution, rule, or formal action adopted in an open meeting that results from deliberations in a meeting not open to the public is invalid unless the deliberations were for a purpose specifically authorized above. [RC 121.22(H)]

During the year ended December 13, 2007 the Village went into Executive Session to discuss personnel issues and while in Executive Session the Board approved to pay stipends to the following individuals:

<u>Name</u>	<u>Amount</u>
J. Hite	\$ 1,500
J. Barber	300
J. Carroll	300
G. Grude	300
H. Garrett	300
T. Traster	300

By approving legislation while in Executive Session and not during a Regular or Special meeting, the action is not valid. Thus, the payments made to the above mentioned individuals are considered to not be a valid or properly authorized payment.

We recommend that the Village Council review the Ohio Revised Code to familiarize themselves with the proper procedures for authorizing transactions and refer to legal council for determination of the legality of their potential actions.

Client response: The Mayor signed a statement instructing the Village Clerk/Treasurer to issue the checks as the Village presented. The Clerk/Treasurer signed the checks.



**Mary Taylor, CPA**  
Auditor of State

**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 29, 2008**