

**VILLAGE OF THURSTON
FAIRFIELD COUNTY, OHIO**

FINANCIAL STATEMENTS
(AUDITED)

FOR THE YEARS ENDED
DECEMBER 31, 2013 AND 2012

AARON REEDY, CLERK/TREASURER

**VILLAGE OF THURSTON
FAIRFIELD COUNTY, OHIO**

**FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

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Julian & Grube, Inc.
Serving Ohio Local Governments

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Independent Auditor's Report

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

To the Members of Council and Mayor:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Village of Thurston, Fairfield County, Ohio, as of and for the years ended December 31, 2013 and 2012.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village of Thurston's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village of Thurston's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

Basis for Adverse Opinions on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the Village of Thurston prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village of Thurston as of December 31, 2013 and 2012, or changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

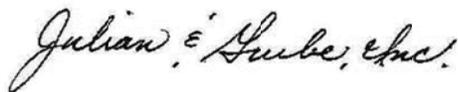
In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Thurston, Fairfield County, Ohio, as of December 31, 2013 and 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Emphasis of Matter

As discussed in Note 10 to the financial statements, during 2012, the Village of Thurston adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 23, 2014, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village of Thurston's internal control over financial reporting and compliance.



Julian & Grube, Inc.
May 23, 2014

**VILLAGE OF THURSTON
FAIRFIELD COUNTY, OHIO**

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (CASH BASIS) - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Governmental Fund Types</u>		Total (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash receipts:			
Property and local taxes	\$ 10,479	\$ 11,794	\$ 22,273
Municipal income tax	52,492	-	52,492
Intergovernmental	71,254	31,809	103,063
Charges for services	-	151,074	151,074
Earnings on investments	529	54	583
Miscellaneous	3,641	9,175	12,816
Total cash receipts	<u>138,395</u>	<u>203,906</u>	<u>342,301</u>
Cash disbursements:			
Current:			
Security of persons and property	3,667	87,458	91,125
Public health services	2,047	671	2,718
Leisure time activities	-	41	41
Community environment	170	-	170
Basic utility services	7,299	13,655	20,954
Transportation	-	11,616	11,616
General government	34,655	1,106	35,761
Capital outlay	<u>23,261</u>	<u>128,892</u>	<u>152,153</u>
Total cash disbursements	<u>71,099</u>	<u>243,439</u>	<u>314,538</u>
Excess of receipts over (under) disbursements	<u>67,296</u>	<u>(39,533)</u>	<u>27,763</u>
Other financing receipts (disbursements):			
Transfers in	-	323	323
Transfers out	<u>(4,570)</u>	<u>-</u>	<u>(4,570)</u>
Total other financing receipts (disbursements)	<u>(4,570)</u>	<u>323</u>	<u>(4,247)</u>
Net change in fund cash balances	62,726	(39,210)	23,516
Fund cash balances, January 1, 2013	<u>68,761</u>	<u>150,781</u>	<u>219,542</u>
Fund cash balances, December 31, 2013			
Restricted	-	111,571	111,571
Assigned	14,927	-	14,927
Unassigned	116,560	-	116,560
Fund cash balances, December 31, 2013	<u>\$ 131,487</u>	<u>\$ 111,571</u>	<u>\$ 243,058</u>

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

**VILLAGE OF THURSTON
FAIRFIELD COUNTY, OHIO**

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND
BALANCES (CASH BASIS) - PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013

	Proprietary Fund Type	Fiduciary Fund Type	Total
	Enterprise	Agency	(Memorandum Only)
Operating cash receipts:			
Charges for services	\$ 143,929	\$ 121,357	\$ 265,286
Total operating cash receipts	143,929	121,357	265,286
Operating cash disbursements:			
Personal services	9,360	-	9,360
Employee fringe benefits	1,640	-	1,640
Contractual services	145,972	121,357	267,329
Supplies and material	19,579	-	19,579
Other	5,275	-	5,275
Total operating cash disbursements	181,826	121,357	303,183
Operating income/(loss)	(37,897)	-	(37,897)
Non-operating cash receipts/(disbursements):			
Proceeds of notes	317,307	-	317,307
Miscellaneous receipts	3,061	-	3,061
Capital outlay	(353,309)	-	(353,309)
Debt service:			
Principal	(13,954)	-	(13,954)
Interest	(12,815)	-	(12,815)
Total non-operating receipts/(disbursements)	(59,710)	-	(59,710)
Income/(loss) before operating transfers	(97,607)	-	(97,607)
Transfers in	40,494	-	40,494
Transfers out	(36,247)	-	(36,247)
Net change in fund cash balances	(93,360)	-	(93,360)
Fund cash balances, January 1, 2013	157,653	-	157,653
Fund cash balances, December 31, 2013	\$ 64,293	\$ -	\$ 64,293

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

**VILLAGE OF THURSTON
FAIRFIELD COUNTY, OHIO**

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (CASH BASIS) - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Governmental Fund Types</u>		Total (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash receipts:			
Property and local taxes	\$ 10,495	\$ 11,818	\$ 22,313
Municipal income tax	46,878	-	46,878
Intergovernmental	11,609	31,126	42,735
Charges for services	-	136,021	136,021
Earnings on investments	504	60	564
Miscellaneous	4,849	5,870	10,719
Total cash receipts	<u>74,335</u>	<u>184,895</u>	<u>259,230</u>
Cash disbursements:			
Current:			
Security of persons and property	3,579	76,647	80,226
Public health services	1,929	-	1,929
Leisure time activities	-	95	95
Community environment	983	-	983
Basic utility services	6,341	12,084	18,425
Transportation	-	16,023	16,023
General government	28,316	3,158	31,474
Capital outlay	<u>3,676</u>	<u>21,147</u>	<u>24,823</u>
Total cash disbursements	<u>44,824</u>	<u>129,154</u>	<u>173,978</u>
Net change in fund cash balances	29,511	55,741	85,252
Fund cash balances, January 1, 2012	<u>39,250</u>	<u>95,040</u>	<u>134,290</u>
Fund cash balances, December 31, 2012			
Restricted	-	150,781	150,781
Assigned	48,694	-	48,694
Unassigned	20,067	-	20,067
Fund cash balances, December 31, 2012	<u>\$ 68,761</u>	<u>\$ 150,781</u>	<u>\$ 219,542</u>

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

**VILLAGE OF THURSTON
FAIRFIELD COUNTY, OHIO**

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND
BALANCES (CASH BASIS) - PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating cash receipts:			
Charges for services	\$ 154,291	\$ 126,110	\$ 280,401
Total operating cash receipts	<u>154,291</u>	<u>126,110</u>	<u>280,401</u>
Operating cash disbursements:			
Personal services	10,077	-	10,077
Employee fringe benefits	1,838	-	1,838
Contractual services	120,816	126,110	246,926
Supplies and material	9,862	-	9,862
Other	8,568	-	8,568
Total operating cash disbursements	<u>151,161</u>	<u>126,110</u>	<u>277,271</u>
Operating income/(loss)	<u>3,130</u>	<u>-</u>	<u>3,130</u>
Non-operating cash receipts/(disbursements):			
Miscellaneous receipts	27,530	-	27,530
Proceeds of notes	53,119	-	53,119
Capital outlay	(54,074)	-	(54,074)
Debt service:			
Principal	(5,550)	-	(5,550)
Interest	(4,568)	-	(4,568)
Total non-operating receipts/(disbursements)	<u>16,457</u>	<u>-</u>	<u>16,457</u>
Net income/(loss)	19,587	-	19,587
Fund cash balances, January 1, 2012	<u>138,066</u>	<u>-</u>	<u>138,066</u>
Fund cash balances, December 31, 2012	<u>\$ 157,653</u>	<u>\$ -</u>	<u>\$ 157,653</u>

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

**VILLAGE OF THURSTON
FAIRFIELD COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Thurston, Fairfield County, (the "Village") as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water and sewer (contracted through Walnut Creek Sewer District) 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 sewer billing services.

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements 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 the Auditor of State prescribes or permits.

C. Deposits 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.

D. 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:

1. General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

**VILLAGE OF THURSTON
FAIRFIELD COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. 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.

3. Enterprise Funds

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

Water Fund - This fund receives charges for services from residents to cover water service costs.

4. Fiduciary Funds

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency fund account for sewer fees collected on behalf of the Walnut Creek Sewer District.

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund function and object level of control and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments.

**VILLAGE OF THURSTON
FAIRFIELD COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

2. 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 approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Village had outstanding encumbrances at December 31, 2013 and 2012.

A summary of 2013 and 2012 budgetary activity appears in Note 3.

F. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. Committed

Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

**VILLAGE OF THURSTON
FAIRFIELD COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G. Property, Plant, and Equipment

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

H. 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 necessary fund and are recorded as operating transfers.

NOTE 2 - EQUITY IN POOLED DEPOSITS AND INVESTMENTS

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

	2013	2012
Demand deposits	<u>\$ 307,351</u>	<u>\$ 377,195</u>

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

**VILLAGE OF THURSTON
FAIRFIELD COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

NOTE 3 - BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2013 and 2012 follows:

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 62,400	\$ 138,395	\$ 75,995
Special Revenue	288,220	204,229	(83,991)
Enterprise	2,021,420	504,791	(1,516,629)
Total	\$ 2,372,040	\$ 847,415	\$ (1,524,625)

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 111,094	\$ 80,214	\$ 30,880
Special Revenue	302,434	252,489	49,945
Enterprise	2,123,802	598,151	1,525,651
Total	\$ 2,537,330	\$ 930,854	\$ 1,606,476

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 53,992	\$ 74,335	\$ 20,343
Special Revenue	141,280	184,895	43,615
Enterprise	326,060	234,940	(91,120)
Total	\$ 521,332	\$ 494,170	\$ (27,162)

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 56,479	\$ 44,824	\$ 11,655
Special Revenue	172,221	134,750	37,471
Enterprise	380,265	215,353	164,912
Total	\$ 608,965	\$ 394,927	\$ 214,038

**VILLAGE OF THURSTON
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 4 - INCOME TAXES

The Village of Thurston has enacted a municipal income tax of 1% effective July 1, 2010, on all income earned by individuals residing or working in the Village of Thurston and on businesses within the Village. There is no tax credit for taxes paid to other municipalities. The program is being administered by the Regional Income Tax Agency (R.I.T.A.).

Earned income includes items such as wages, salaries, tips, bonuses, rental income, net profits from a business or profession, and distributions from partnerships. Examples of items that would be exempt from the income tax are interest, dividends, annuities, receipts from Social Security, pensions, military pay, unemployment compensation, alimony, and child support.

NOTE 5 - PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, 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.

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**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

NOTE 6 - DEBT

At December 31, 2013 and 2012, debt obligations consisted of the following:

<u>Description</u>	<u>Balance at 12/31/2013</u>	<u>Balance at 12/31/2012</u>
2012 Ohio Water Department Authority (OWDA) note for Millersport - Thurston Waterline Design due in semi-annual installments of \$2,775 through 2016 bearing interest of 4.340%.	\$ 108,993	\$ 110,163
2012 Ohio Water Department Authority (OWDA) note for WTP and well field design due in semi-annual installments of \$4,202 through 2018 bearing interest of 3.670%.	149,123	30,956
2013 Ohio Water Department Authority (OWDA) note for new well field and WTP property.	164,248	-
2013 Ohio Water Department Authority (OWDA) note for potable water well field.	<u>22,108</u>	<u>-</u>
Total	<u>\$ 444,472</u>	<u>\$ 141,119</u>

The 2012 Millersport - Thurston Waterline design note requires semi-annual principal payments in the amount of \$2,775 until a permanent repayment schedule is established.

The 2012 WTP and wellfield design note requires semi-annual principal payments in the amount of \$4,202 until a permanent repayment schedule is established.

The 2013 loans currently have no established repayment requirements.

In addition, none of the above loans have been closed; therefore no amortization schedules are available.

Transactions for the years ended December 31, 2013 and December 31, 2012 are summarized as follows:

<u>2013</u>	<u>Balance at 12/31/2012</u>	<u>Proceeds</u>	<u>Retirements</u>	<u>Balance at 12/31/2013</u>
2012 OWDA note for Millersport-Thurston Waterline Design	\$ 110,163	\$ 4,380	\$ (5,550)	\$ 108,993
2012 OWDA note for WTP and well field design	30,956	126,571	(8,404)	149,123
2013 OWDA note for new well field and WTP property	-	164,248	-	164,248
2013 OWDA note for potable water well field	<u>-</u>	<u>22,108</u>	<u>-</u>	<u>22,108</u>
Total	<u>\$ 141,119</u>	<u>\$317,307</u>	<u>\$(13,954)</u>	<u>\$ 444,472</u>

**VILLAGE OF THURSTON
FAIRFIELD COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

NOTE 6 - DEBT - (Continued)

<u>2012</u>	Balance at <u>12/31/2011</u>	<u>Proceeds</u>	<u>Retirements</u>	Balance at <u>12/31/2012</u>
2012 OWDA note for Millersport-Thurston Waterline Design	\$ 93,550	\$ 22,163	\$ (5,550)	\$ 110,163
2012 OWDA note for WTP and well field design	-	30,956	-	30,956
Total	<u>\$ 93,550</u>	<u>\$ 53,119</u>	<u>\$ (5,550)</u>	<u>\$ 141,119</u>

NOTE 7 - RETIREMENT SYSTEM

The Village's elected officials and employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2013 and 2012, OPERS members contributed 10 and 10%, respectively, of their gross salaries and the Village contributed an amount equaling 14 and 14%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2013.

NOTE 8 - RISK MANAGEMENT

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Government Risk Management Plan, (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retains 41.5% (effective November 1, 2011) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2012 the plan increased its retention to 50% of the first \$250,000 casualty treaty. The Plan's property retention remained unchanged from prior years. This change was made to balance the reinsurance market conditions. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 767 and 765 members as of December 31, 2012 and 2011 respectively.

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 financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

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

**VILLAGE OF THURSTON
FAIRFIELD COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

NOTE 8 - RISK MANAGEMENT - (Continued)

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2012 and 2011 (the latest information available).

	<u>2012</u>	<u>2011</u>
Assets	\$13,100,381	\$12,501,280
Liabilities	(6,687,193)	(5,328,761)
Members' Equity	<u>\$6,413,188</u>	<u>\$7,172,519</u>

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

NOTE 9 - CONTINGENT LIABILITY

Litigation

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

NOTE 10 - CHANGE IN ACCOUNTING PRINCIPLE

For fiscal year 2012, the Village implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", which are described in Note 1.F.

NOTE 11 - RELATED PARTY TRANSACTION

The Village Clerk/Treasurer, Aaron Reedy, 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**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

NOTE 12 - INTERFUND ACTIVITY

The Village had the following transfers for the year ended December 31, 2013:

<u>Fund Type/Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	<u>\$ -</u>	<u>\$ 4,570</u>
<u>Special Revenue Fund</u>		
Street Construction, Maintenance and Repair	<u>323</u>	<u>-</u>
<u>Enterprise Fund</u>		
Water Operating	<u>-</u>	<u>36,247</u>
Water Improvement Fund	<u>40,494</u>	<u>-</u>
Total	<u>\$ 40,817</u>	<u>\$ 40,817</u>

During 2013, the General Fund transferred \$4,247 and \$323, respectively, to the Water Improvement Fund and the Street Construction, Maintenance and Repair. In addition, the water operating transferred \$36,247 to the water improvement plant for the building of a new water plant.

The above transfers were made in accordance with the Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

NOTE 13 - MISCELLANEOUS RECEIPTS

During 2012, the Water Operating Fund received a \$25,000 donation for the building of a new water plant. The donation was included as miscellaneous receipts.



Julian & Grube, Inc.
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**Independent Auditor's Report on Internal Control Over Financial Reporting and
on Compliance and Other Matters Required by *Government Auditing Standards***

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

To the Members of Council and Mayor:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of Thurston, Fairfield County, Ohio, as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements and have issued our report thereon dated May 23, 2014 wherein we noted the Village of Thurston followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. In addition, as discussed in Note 10, the Village of Thurston adopted Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions".

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village of Thurston's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village of Thurston's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village of Thurston's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Members of Council and Mayor
Village of Thurston

Compliance and Other Matters

As part of reasonably assuring whether the Village of Thurston's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations and contracts, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village of Thurston's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village of Thurston's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Julian & Grube, Inc.
May 23, 2014