



**VILLAGE OF LEWISBURG
PREBLE COUNTY
REGULAR AUDIT
FOR THE YEARS ENDED DECEMBER 31, 2001-2000**



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

VILLAGE OF LEWISBURG
PREBLE COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

Village of Lewisburg
Preble County
112 South Commerce Street
Lewisburg, Ohio 45338

To the Village Council:

We have audited the accompanying financial statements of the Village of Lewisburg, Preble County, Ohio (the Village), as of and for the years ended December 31, 2001 and 2000. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village as of December 31, 2001 and 2000, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2002, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of management, Village Council and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large loop at the end.

Jim Petro
Auditor of State

June 24, 2002

VILLAGE OF LEWISBURG
PREBLE COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
FUND CASH BALANCES - ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES -
FOR THE YEAR ENDED DECEMBER 31, 2001**

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Cash Receipts:						
Property Tax and Other Local Taxes	\$843,811	\$78,005	\$0	\$0	\$0	\$921,816
Intergovernmental Receipts	123,317	133,400				256,717
Charges for Services	52,023				21,000	73,023
Fines, Licenses, and Permits	2,759	639				3,398
Earnings on Investments	42,344					42,344
Miscellaneous	5,229	13,582			2,723	21,534
Total Cash Receipts	1,069,483	225,626	0	0	23,723	1,318,832
Cash Disbursements:						
Current:						
Security of Persons and Property	407,329	1,200				408,529
Public Health Services	5,531					5,531
Leisure Time Activities	3,000	37,570				40,570
Community Environment	12,455					12,455
Basic Utility Services		5,000				5,000
Transportation		112,040				112,040
General Government	300,365	150				300,515
Debt Service:						
Principal Payments	6,293	50,516		18,956	12,095	87,860
Interest Payments		6,244				6,244
Capital Outlay	81,040	60,038	2,777	159,972	69,310	373,137
Total Cash Disbursements	816,013	272,758	2,777	178,928	81,405	1,351,881
Total Receipts Over/(Under) Disbursements	253,470	(47,132)	(2,777)	(178,928)	(57,682)	(33,049)
Other Financing Receipts/(Disbursements):						
Proceeds of Loan				35,120		35,120
Transfers-In		45,160		119,841		165,001
Transfers-Out	(195,001)					(195,001)
Other Sources	26,648					26,648
Total Other Financing Receipts/(Disbursements)	(168,353)	45,160	0	154,961	0	31,768
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	85,117	(1,972)	(2,777)	(23,967)	(57,682)	(1,281)
Fund Cash Balances, January 1	330,565	71,297	42,941	110,281	134,822	689,906
Fund Cash Balances, December 31	\$415,682	\$69,325	\$40,164	\$86,314	\$77,140	\$688,625
Reserves for Encumbrances, December 31	\$7,531	\$273	\$0	\$0	\$0	\$7,804

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF LEWISBURG
PREBLE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL ENTERPRISE FUNDS -
FOR THE YEAR ENDED DECEMBER 31, 2001**

Operating Cash Receipts:	
Charges for Services	<u>\$599,284</u>
Total Operating Cash Receipts	<u>599,284</u>
Operating Cash Disbursements:	
Personal Services	285,019
Contractual Services	115,157
Supplies and Materials	58,023
Capital Outlay	<u>64,231</u>
Total Operating Cash Disbursements	<u>522,430</u>
Operating Income/(Loss)	<u>76,854</u>
Non-Operating Cash Receipts:	
Other Non-Operating Receipts	<u>27,827</u>
Total Non-Operating Cash Receipts	<u>27,827</u>
Non-Operating Cash Disbursements:	
Debt Service	<u>90,866</u>
Total Non-Operating Cash Disbursements	<u>90,866</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	13,815
Transfers-In	<u>30,000</u>
Net Receipts Over/(Under) Disbursements	43,815
Fund Cash Balances, January 1	<u>196,849</u>
Fund Cash Balances, December 31	<u>\$240,664</u>
Reserve for Encumbrances, December 31	<u>\$13,167</u>

The notes to the financial statements are an integral part of this statement.

VILLAGE OF LEWISBURG
PREBLE COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
FUND CASH BALANCES - ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES -
FOR THE YEAR ENDED DECEMBER 31, 2000**

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Cash Receipts:						
Property Tax and Other Local Taxes	\$814,936	\$72,812	\$0	\$0	\$0	\$887,748
Intergovernmental Receipts	141,432	135,390		93,667		370,489
Charges for Services	52,062				21,000	73,062
Fines, Licenses, and Permits	1,213	358				1,571
Earnings on Investments	31,240			257		31,497
Miscellaneous	10,163	6,196			106,607	122,966
Total Cash Receipts	1,051,046	214,756	0	93,924	127,607	1,487,333
Cash Disbursements:						
Current:						
Security of Persons and Property	348,234	902				349,136
Public Health Services	5,531					5,531
Leisure Time Activities	3,000	35,343				38,343
Community Environment	15,778					15,778
Basic Utility Services		32,457				32,457
Transportation		112,518				112,518
General Government	251,071	2,022				253,093
Debt Service:						
Principal Payments	7,449	43,693		7,812	12,000	70,954
Interest Payments		763		8,488		9,251
Financing and Other Debt-Service Related				5,000		5,000
Capital Outlay	180,671	36,036	4,336	532,949	33,916	787,908
Total Cash Disbursements	811,734	263,734	4,336	554,249	45,916	1,679,969
Total Receipts Over/(Under) Disbursements	239,312	(48,978)	(4,336)	(460,325)	81,691	(192,636)
Other Financing Receipts/(Disbursements):						
Proceeds of Bonds and Loans				350,000		350,000
Sale of Fixed Assets		500				500
Transfers-In		41,846		150,874		192,720
Transfers-Out	(213,345)					(213,345)
Other Sources	21,000					21,000
Total Other Financing Receipts/(Disbursements)	(192,345)	42,346	0	500,874	0	350,875
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	46,967	(6,632)	(4,336)	40,549	81,691	158,239
Fund Cash Balances January 1	283,598	77,929	47,277	69,732	53,131	531,667
Fund Cash Balances, December 31	\$330,565	\$71,297	\$42,941	\$110,281	\$134,822	\$689,906
Reserves for Encumbrances, December 31	\$13,735	\$6,786	\$0	\$32,418	\$0	\$52,939

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF LEWISBURG
PREBLE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL ENTERPRISE FUNDS -
FOR THE YEAR ENDED DECEMBER 31, 2000**

Operating Cash Receipts:	
Charges for Services	<u>\$621,630</u>
Total Operating Cash Receipts	<u>621,630</u>
Operating Cash Disbursements:	
Personal Services	256,462
Contractual Services	125,911
Supplies and Materials	73,765
Capital Outlay	<u>65,753</u>
Total Operating Cash Disbursements	<u>521,891</u>
Operating Income/(Loss)	<u>99,739</u>
Non-Operating Cash Receipts:	
Other Non-Operating Receipts	<u>5,678</u>
Total Non-Operating Cash Receipts	<u>5,678</u>
Non-Operating Cash Disbursements:	
Debt Service	<u>90,269</u>
Total Non-Operating Cash Disbursements	<u>90,269</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	15,148
Transfers-In	<u>20,625</u>
Net Receipts Over/(Under) Disbursements	35,773
Fund Cash Balances, January 1	<u>161,076</u>
Fund Cash Balances, December 31	<u><u>\$196,849</u></u>
Reserve for Encumbrances, December 31	<u><u>\$7,282</u></u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF LEWISBURG
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Lewisburg, Preble County, Ohio (the Village), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general governmental services, including water and sewer utilities, park operations, fire services and police services.

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

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. Cash and Deposits

Certificates of deposit are valued at cost.

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

2. Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure 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.

Recreation Fund - This fund receives intergovernmental receipts and fund transfers for providing leisure time activities to Village residents.

**VILLAGE OF LEWISBURG
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Debt Service Funds

These funds are used to accumulate resources for the payment of bonds and note indebtedness. The Village had the following significant Debt Service Fund:

Fire Truck Bond Fund - This fund accumulates resources for the payment of fire truck bonds.

4. 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 or trust funds). The Village had the following significant Capital Projects Funds:

Capital Improvement Projects Fund - This fund receives local income tax receipts for various capital improvement projects within the Village.

South End Storm Sewer Issue II Fund - This fund received a state grant for a storm sewer project.

OPWC Water Improvement Fund - This fund received a state grant for water improvement projects.

5. Enterprise Funds

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

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

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

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

6. Fiduciary Funds (Expendable Trust Funds)

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. The Village has no nonexpendable trust funds. Other trust funds are classified as expendable. The Village had the following significant Fiduciary Fund:

New Ambulance Reserve Trust Fund - This expendable trust fund receives contract payments from local townships to which the Village provides ambulance services. These funds are reserved for the purchase of a new ambulance.

**VILLAGE OF LEWISBURG
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

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

1. Appropriations

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

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 also approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Village did not encumber all commitments required by Ohio law. The budgetary presentations have been adjusted to include material items that should have been encumbered.

A summary of 2001 and 2000 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

G. Accumulated Leave

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

**VILLAGE OF LEWISBURG
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

2. EQUITY IN POOLED CASH AND DEPOSITS

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

	2001	2000
Demand deposits	\$ 587,047	\$ 480,147
Certificates of deposit	340,650	406,608
Total deposits	\$927,697	\$886,755

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, (2) collateralized by securities specifically pledged by the financial institution to the Village, or (3) collateralized by the financial institution's public entity deposit pool.

Some deposits were not insured or collateralized from June 2000 through December 2000 and February 2001 through December 2001. At August 31, 2000, \$346,478 of deposits were not insured or collateralized, contrary to Ohio law.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2001, and 2000 follows:

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$781,220	\$1,096,131	\$314,911
Special Revenue	246,954	270,786	23,832
Capital Projects	107,713	154,961	47,248
Enterprise	608,000	657,111	49,111
Fiduciary	21,000	23,723	2,723
Total	\$1,764,887	\$2,202,712	\$437,825

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,085,599	\$1,018,545	\$67,054
Special Revenue	311,950	273,031	38,919
Debt Service	47,278	2,777	44,501
Capital Projects	244,445	178,928	65,517
Enterprise	804,849	628,055	176,794
Fiduciary	155,824	81,405	74,419
Total	\$2,649,945	\$2,182,741	\$467,204

**VILLAGE OF LEWISBURG
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$772,580	\$1,072,046	\$299,466
Special Revenue	238,346	257,102	18,756
Capital Projects	434,289	594,798	160,509
Enterprise	593,447	647,933	54,486
Fiduciary	21,000	127,607	106,607
Total	<u>\$2,059,662</u>	<u>\$2,699,486</u>	<u>\$639,824</u>

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,057,918	\$1,038,814	\$19,104
Special Revenue	339,783	270,520	69,263
Debt Service	51,614	4,336	47,278
Capital Projects	597,689	586,667	11,022
Enterprise	778,807	619,442	159,365
Fiduciary	106,967	45,916	61,051
Total	<u>\$2,932,778</u>	<u>\$2,565,695</u>	<u>\$367,083</u>

4. PROPERTY TAX

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

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

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

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

**VILLAGE OF LEWISBURG
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

5. LOCAL INCOME TAX

The Village levies a municipal income tax of 1.5% percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

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

6. DEBT

Debt outstanding at December 31, 2001 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Wastewater Treatment First Mortgage Revenue Refunding Bonds	\$225,000	5.88%
Water Revenue Bonds	215,000	6.75%
OPWC Loan (Main St.)	142,500	0.00%
OPWC Loan (Sludge)	514,500	0.00%
OPWC Loan (Water Tower)	525,429	0.00%
Fire Truck Bonds	<u>70,000</u>	4.63%
Total	<u>\$1,692,429</u>	

The Wastewater Treatment First Mortgage Revenue Refunding Bonds were issued in 1996 for \$340,000 to refinance a 1985 bond. The purpose of these bonds is to expand the Village water supply and construct certain improvements to the municipally owned wastewater treatment system.

The Water Revenue Bonds were issued in 1977 for \$350,000. The purpose of these bonds is to expand the village water supply, to add a washwater holding tank, to construct sludge lagoons, and make other improvements to the water system.

The Village was awarded a loan in 2000 from the Ohio Public Works Commission (OPWC) in the amount of \$150,000. This loan is to be used to finance the Main Street improvement project. The project was completed in 2001.

The Village was awarded a loan from the Ohio Public Works Commission in the amount of \$514,500. This loan is to be used to finance a sludge management facilities remodel project. The first payment of principal is due July 1, 2003. As of December 31, 2001, the Village had only drawn down \$35,120 of the available loan proceeds.

The Village was awarded a loan from the Ohio Public Works Commission in the amount of \$600,490. This loan is to be used to finance a water system improvements project. The Village completed the project in 1999.

The Fire Truck Bonds were issued in 2000 for \$200,000 for the purpose of paying part of the cost of acquiring a new fire truck and related equipment, including financing cost.

**VILLAGE OF LEWISBURG
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

6. DEBT (Continued)

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

Year ending December 31:	Wastewater Treatment First Mortgage Revenue Refunding Bonds	Water Revenue Bonds	OPWC (Water Tower)
2002	\$39,531	\$29,513	\$30,025
2003	43,000	28,500	30,025
2004	41,050	27,488	30,025
2005	39,100	26,475	30,025
2006	42,150	30,463	30,025
2007 – 2011	82,475	141,725	150,125
2012 – 2016		26,688	150,125
2017 – 2021			75,054
Total	<u><u>\$287,306</u></u>	<u><u>\$310,852</u></u>	<u><u>\$525,429</u></u>

Year ending December 31:	OPWC (Main St. Project)	OPWC (Sludge Maintenance Project)	Fire Truck Bonds
2002	\$7,500	\$0	\$73,238
2003	7,500	12,863	
2004	7,500	25,725	
2005	7,500	25,725	
2006	7,500	25,725	
2007 – 2011	37,500	128,625	
2012 – 2016	37,500	128,625	
2017 – 2021	30,000	128,625	
2022 – 2023		38,587	
Total	<u><u>\$142,500</u></u>	<u><u>\$514,500</u></u>	<u><u>\$73,238</u></u>

**VILLAGE OF LEWISBURG
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

7. RETIREMENT SYSTEMS

The Village's law enforcement officers and firefighters belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. OP&F and PERS are cost-sharing, multiple-employer plans. These plans provide 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 2001 and 2000, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant and 24% of fire participant wages. For 2001 and 2000, PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2001 and from January 1, 2000, through June 30, 2000. PERS temporarily reduced the employer contribution rate to 8.13%, effective July 1, 2000, through December 31, 2000. The Village has paid all contributions required through December 31, 2001.

8. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

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

9. DEBT SERVICE TRUSTEED FUNDS

Firststar Bank is the paying agent/trustee for the Village's Water Revenue Bonds. The Village makes quarterly payments to Firststar Bank to both the Debt Reserve Fund and the Repair and Replacement Fund. If the combined balance of these two funds total \$48,000 or more, the quarterly payment is \$7,000; however, if the combined balance of these two funds is less than \$48,000, the quarterly payment is \$7,500 until the minimum balance is achieved. The quarterly payments are deposited into a Firststar Money Market Account which has a fluctuating rate of interest based on the market. The money market account is used to pay for the retirement of the bonds plus interest. Payments are made on May 15 and November 15 of each year. Upon the retirement of these bonds, any remaining balance in the Firststar Money Market Account will be returned to the Village. At December 31, 2001, the custodian held \$36,501 in the Debt Reserve Fund and \$47,488 in the Replacement and Repair Fund which are Village assets. These assets, and the related receipts and disbursements, are not reflected in the accompanying financial statements.

**VILLAGE OF LEWISBURG
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

10. CONTINGENT LIABILITIES

The Village is defendant in several lawsuits. Although the outcome of these suits is not presently determinable, management believes that the resolution of these matters will not materially adversely affect the Village's financial condition.

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the federal government. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.

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STATE OF OHIO
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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON
INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Village of Lewisburg
Preble County
112 South Commerce Street
Lewisburg, Ohio 45338

To the Village Council:

We have audited the accompanying financial statements of the Village of Lewisburg, Preble County, Ohio (the Village), as of and for the years ended December 31, 2001, and 2000, and have issued our report thereon dated June 24, 2002. 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.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as items 2001-30368-001, 2001-30368-002, and 2001-30368-003.

We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated June 24, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village'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 assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2001-30368-002.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness.

We also noted other matters involving the internal control structure over financial reporting that do not require inclusion in this report that we have reported to the management of the Village in a separate letter dated June 24, 2002.

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

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

Jim Petro
Auditor of State

June 24, 2002

**VILLAGE OF LEWISBURG
PREBLE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2001-30368-001

Finding for Recovery

Jeffrey Sewert resigned as Village Administrator effective January 21, 2000. Per Village Administrative Code, §151.03(b)(5), "When a qualified employee's employment relationship with the Village is terminated (irrespective of reason), his remaining unpaid vacation for that calendar year shall be immediately calculated and paid within one week of termination at the qualified employee's then current rate of regular pay." Mr. Sewert had four weeks of unpaid vacation at his resignation date.

In accordance with Village Administrative Code, Mr. Sewert should have been paid a gross amount of \$3,759.66 for his four weeks of unpaid vacation. However, he was incorrectly paid a gross amount of \$7,519.32 for eight weeks of vacation.

Accordingly, a finding for recovery is hereby issued against the Village Clerk/Treasurer, Shirley Burkett, Western Surety Company, and Jeffrey Sewert, jointly and severally, in the amount of \$3,759.66 and in favor of the Village of Lewisburg. The finding was repaid under audit.

FINDING NUMBER 2001-30368-002

Material Noncompliance/Reportable Condition

Ohio Rev. Code, Section 5705.41 (D), requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

This Section also provides for two exceptions to the above requirements:

1. Then and Now Certificates - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Council may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.
2. If the amount involved is less than \$1,000, the Clerk may authorize payment through a Then and Now Certificate without affirmation of the Council, if such expenditure is otherwise valid.

The Village did not properly certify the availability of funds for purchase commitments for fifty-three percent of expenditures tested, and the above exceptions were not used. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Effort should be made by the Village to properly utilize the encumbrance method of accounting by certifying the availability of funds on properly approved purchase orders. We recommend the Village obtain approved purchase orders, which contain the Clerk's certification indicated by a signature that the amount required to meet the obligation has been lawfully appropriated and authorized, prior to making a commitment. All invoices should be dated.

FINDING NUMBER 2001-30368-003

Material Noncompliance

Ohio Revised Code, Section 135.18, requires that the treasurer of a political subdivision must require a depository to provide as security an amount equal to the funds on deposit at all times. Such security may consist of federal deposit insurance, surety company bonds, or pledged securities.

The Village's deposits at Eaton National Bank were not adequately covered by collateral at all times during the audit period. Deposits exceeded legal security from June 2000 through December 2000 and February 2001 through December 2001. At August 31, 2000, the Village's deposits exceeded legal security (both FDIC and pledged security) by \$346,478.

Failure to adequately collateralize deposits can result in loss of funds. The Village should implement procedures to verify that depository balances are adequately secured by eligible collateral at all times.

**VILLAGE OF LEWISBURG
PREBLE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FISCAL YEAR END DECEMBER 31, 2001 AND 2000**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
1999-30368-001	Revised Code 5705.41(D), failure to certify funds	No	Not corrected - reissued as Finding No. 2001-30368-002



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VILLAGE OF LEWISBURG

PREBLE 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
JULY 16, 2002**