



**VILLAGE OF THURSTON
FAIRFIELD COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2001



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

VILLAGE OF THURSTON
FAIRFIELD COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

Village of Thurston
Fairfield County
2115 Main Street, P.O. Box 188
Thurston, Ohio 43157

To the Village Council:

We have audited the accompanying financial statements of the Village of Thurston, Fairfield County, Ohio, (the Village) as of and for the year ended December 31, 2001. 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 reserve for encumbrances of the Village of Thurston, Fairfield County, Ohio, as of December 31, 2001, and its combined cash receipts and disbursements for the year then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 8, 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.

JIM PETRO
Auditor of State

February 8, 2002

**VILLAGE OF THURSTON
FAIRFIELD COUNTY**

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

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Local Taxes	\$6,611	\$3,873	\$0	\$10,484
Intergovernmental Receipts	26,077	16,754	73,823	116,654
Charges for Services		70,150		70,150
Earnings on Investments	8,275	971		9,246
Miscellaneous	1,623	4,463		6,086
				<u>6,086</u>
 Total Cash Receipts	 <u>42,586</u>	 <u>96,211</u>	 <u>73,823</u>	 <u>212,620</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	2,267	29,960		32,227
Public Health Services	1,086			1,086
Community Environment	60			60
Basic Utility Services	2,827	6,706		9,533
Transportation		911		911
General Government	21,306	1,417		22,723
Debt Service:				
Principal Payments		14,569		14,569
Interest Payments		2,539		2,539
Capital Outlay	2,624	33,789	73,823	110,236
				<u>110,236</u>
 Total Cash Disbursements	 <u>30,170</u>	 <u>89,891</u>	 <u>73,823</u>	 <u>193,884</u>
 Total Receipts Over/(Under) Disbursements	 <u>12,416</u>	 <u>6,320</u>	 <u>0</u>	 <u>18,736</u>
Other Financing Receipts/(Disbursements):				
Transfers-Out	(2,466)			(2,466)
				<u>(2,466)</u>
 Total Other Financing Receipts/(Disbursements)	 <u>(2,466)</u>	 <u>0</u>	 <u>0</u>	 <u>(2,466)</u>
 Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	 9,950	 6,320	 0	 16,270
 Fund Cash Balances, January 1	 <u>64,818</u>	 <u>117,143</u>	 <u>0</u>	 <u>181,961</u>
 Fund Cash Balances, December 31	 <u>\$74,768</u>	 <u>\$123,463</u>	 <u>\$0</u>	 <u>\$198,231</u>
 Reserve for Encumbrances, December 31	 <u>\$50</u>	 <u>\$3,685</u>	 <u>\$0</u>	 <u>\$3,735</u>

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

**VILLAGE OF THURSTON
FAIRFIELD COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY AND FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$74,350		\$74,350
Miscellaneous	150		150
	<u>74,500</u>	<u>0</u>	<u>74,500</u>
Operating Cash Disbursements:			
Personal Services	660		660
Fringe Benefits	93		93
Contractual Services	47,814		47,814
Supplies and Materials	6,310		6,310
Miscellaneous	2,210		2,210
	<u>57,087</u>	<u>0</u>	<u>57,087</u>
Operating Income/(Loss)	<u>17,413</u>	<u>0</u>	<u>17,413</u>
Non-Operating Cash Receipts:			
Other Non-Operating Receipts	4,489	65,474	69,963
	<u>4,489</u>	<u>65,474</u>	<u>69,963</u>
Non-Operating Cash Disbursements:			
Debt Service	20,145		20,145
Other Non-Operating Cash Disbursements	48	65,474	65,522
	<u>20,193</u>	<u>65,474</u>	<u>85,667</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	1,709	0	1,709
Transfers-In	2,466		2,466
Net Receipts Over/(Under) Disbursements	4,175	0	4,175
Fund Cash Balances, January 1	80,354		80,354
Fund Cash Balances, December 31	<u>\$84,529</u>	<u>\$0</u>	<u>\$84,529</u>
Reserve for Encumbrances, December 31	<u>\$25</u>	<u>\$0</u>	<u>\$25</u>

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

**VILLAGE OF THURSTON
FAIRFIELD COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Thurston, Fairfield County, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides water and sewer utility services and general government services. The Fairfield County Sheriff's department provides security of persons and property to the Village. The Village provides fire protection services in conjunction with Walnut Township.

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 Investments

Investments are included in fund cash balances. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

Certificates of deposit and the repurchase agreement 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.

**VILLAGE OF THURSTON
FAIRFIELD COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Fund

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 Fund:

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

3. 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 Fund:

Issue II Grant Fund - This fund receives grant money from the Ohio Public Works Commission (OPWC) for improvements to a storm sewer system.

4. 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.

5. Fiduciary Funds (Agency Fund)

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

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

**VILLAGE OF THURSTON
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(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 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.

A summary of 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.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

Demand deposits	\$ 376
Certificates of deposit	<u>91,276</u>
Total deposits	<u>91,652</u>
Repurchase agreement	<u>191,108</u>
Total investments	<u>191,108</u>
Total deposits and investments	<u><u>\$282,760</u></u>

**VILLAGE OF THURSTON
FAIRFIELD COUNTY**

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

2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation or (2) collateralized by the financial institution's public entity deposit pool.

Investments: State statutes permit the Village to invest in interim deposits in repurchase agreements, that is, an agreement in which the Village transfers cash to a financial institution; the financial institution transfers securities to the Village and promises to repay the cash plus interest in exchange for the same securities. The said securities are uninsured and unregistered and are held by the counterparty's trust department in the Village's name.

3. BUDGETARY ACTIVITY

Budgetary activity for the year was as follows:

Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$40,179	\$42,586	\$2,407
Special Revenue	108,000	96,211	(11,789)
Capital Projects	98,200	73,823	(24,377)
Enterprise	89,500	81,455	(8,045)
Fiduciary	66,000	65,474	(526)
Total	\$401,879	\$359,549	(\$42,330)

Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$77,941	\$32,686	\$45,255
Special Revenue	137,022	93,576	43,446
Capital Projects	98,200	73,823	24,377
Enterprise	119,093	77,305	41,788
Fiduciary	66,000	65,474	526
Total	\$498,256	\$342,864	\$155,392

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.

**VILLAGE OF THURSTON
FAIRFIELD COUNTY**

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

4. PROPERTY TAX (Continued)

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.

5. DEBT

Debt outstanding at December 31, 2001 was as follows:

	Principal	Interest Rate
Mortgage Revenue Bonds - United States Department of Agriculture	\$121,720	5%
Equipment Lease Purchase Agreement	34,216	
Total	\$155,936	

The Village issued Waterworks System First Mortgage Revenue Bonds in the amount of \$272,000 for a municipal waterworks system on October 24, 1975. The bonds are repaid in annual installments of varying amounts, including interest, over 36 years.

The Village entered into an equipment lease purchase agreement with Park National Bank in the amount of \$75,000 for the purchase of a used fire truck on September 16, 1998. The lease will be repaid in annual installments of \$17,108, including interest, over five years.

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

Year ending December 31:	Mortgage Revenue Bonds	Equipment Lease Purchase Agreement
2002	\$16,000	\$17,108
2003	16,550	17,108
2004	16,050	
2005	15,550	
2006	15,050	
2007 – 2011	72,450	
2012 – 2014	21,320	
Total	\$172,970	\$34,216

**VILLAGE OF THURSTON
FAIRFIELD COUNTY**

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

6. RETIREMENT SYSTEMS

The Village's employees belong to the Social Security Administration or Public Employees Retirement System (PERS) of Ohio. Social Security and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by Congress and the Ohio Revised Code.

Contribution rates are also prescribed by Congress and the Ohio Revised Code. Social Security members contributed 6.2% of their wages to the Social Security Administration. The village contributed an amount equal to 6.2% of their wages. PERS members contributed 8.5% of their wages. The village contributed an amount equal to 13.55% participants gross salaries. The Village has paid all contributions required through December 31, 2001.

7. RISK MANAGEMENT

Risk Pool Membership

The Government belongs to the Public Entities Pool of Ohio ("PEP"), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty insurance for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Insurance

PEP retains casualty risks up to \$250,000 per claim. Claims exceeding \$250,000 are reinsured with APEEP up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000, from the General Reinsurance Corporation.

If losses exhaust PEP's retained earnings, APEEP covers PEP losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Insurance

PEP retains property risks, including automobile physical damage up to \$100,000 on any specific loss. The Travelers Indemnity Company reinsures specific losses exceeding \$100,000. The Travelers Indemnity Company also provides aggregate excess coverage for property including automobile physical damage subject to an annual stop loss. When the stop loss is reached in any year, The Travelers Indemnity Company provides coverage in excess of \$10,000.

The aforementioned casualty and property reinsurance agreements do not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

VILLAGE OF THURSTON
FAIRFIELD COUNTY

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

7. RISK MANAGEMENT (Continued)

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31 for the most recent years audited:

<u>Casualty Coverage</u>	<u>2000</u>	<u>1999</u>
Assets	\$17,112,129	\$15,295,389
Liabilities	<u>7,715,035</u>	<u>6,636,543</u>
Retained earnings	<u>\$9,397,094</u>	<u>\$8,658,846</u>

<u>Property Coverage</u>	<u>2000</u>	<u>1999</u>
Assets	\$1,575,614	\$1,118,222
Liabilities	<u>281,561</u>	<u>279,871</u>
Retained earnings	<u>\$1,294,053</u>	<u>\$838,351</u>

The above information is the most recent available from PEP.

8. CONTINGENT LIABILITIES

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

Village of Thurston
Fairfield County
2115 Main Street, P.O. Box 188
Thurston, Ohio 43157

To the Village Council:

We have audited the accompanying financial statements of the Village of Thurston, Fairfield County, Ohio (the Village) as of and for the year ended December 31, 2001, and have issued our report thereon dated February 8, 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated February 8, 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated February 8, 2002.

Village of Thurston
Fairfield County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

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

JIM PETRO
Auditor of State

February 8, 2002



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VILLAGE OF THURSTON

FAIRFIELD COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 21, 2002**