



**Auditor of State
Betty Montgomery**

VILLAGE OF LEWISBURG
PREBLE COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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, 2003 and 2002. 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, 2003 and 2002, 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 October 8, 2004 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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

October 8, 2004

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, 2003**

	<u>Governmental Fund Types</u>				<u>Fiduciary Fund Type</u>	Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
Cash Receipts:						
Property Tax and Other Local Taxes	\$766,651	\$75,320				\$841,971
Intergovernmental Receipts	107,774	227,371		\$405,688		740,833
Charges for Services	264,313				\$21,000	285,313
Fines, Licenses, and Permits	1,127	260				1,387
Earnings on Investments	14,177					14,177
Miscellaneous	13,574	2,209				15,783
Total Cash Receipts	1,167,616	305,160	\$0	405,688	21,000	1,899,464
Cash Disbursements:						
Current:						
Security of Persons and Property	595,366	14,325			2,347	612,038
Public Health Services	5,474					5,474
Leisure Time Activities	3,000	42,089				45,089
Community Environment	18,440					18,440
Basic Utility Services		2,475				2,475
Transportation		119,968				119,968
General Government	299,780	58				299,838
Debt Service:						
Principal Payments	5,828	2,475		9,455		17,758
Capital Outlay	117,124	49,556	1,665	460,432		628,777
Total Cash Disbursements	1,045,012	230,946	1,665	469,887	2,347	1,749,857
Total Receipts Over/(Under) Disbursements	122,604	74,214	(1,665)	(64,199)	18,653	149,607
Other Financing Receipts and (Disbursements):						
Sale of Fixed Assets	216					216
Transfers-In		23,100		104,425		127,525
Transfers-Out	(143,775)					(143,775)
Other Financing Sources	30,286					30,286
Other Financing Uses	(3,410)					(3,410)
Total Other Financing Receipts/(Disbursements)	(116,683)	23,100	0	104,425	0	10,842
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	5,921	97,314	(1,665)	40,226	18,653	160,449
Fund Cash Balances, January 1	460,744	78,672	37,337	100,119	57,375	734,247
Fund Cash Balances, December 31	\$466,665	\$175,986	\$35,672	\$140,345	\$76,028	\$894,696
Reserves for Encumbrances, December 31	\$23,005	\$14,915	\$0	\$6,915	\$0	\$44,835

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, 2003**

Operating Cash Receipts:	
Charges for Services	<u>\$668,182</u>
Total Operating Cash Receipts	<u>668,182</u>
Operating Cash Disbursements:	
Personal Services	277,069
Contractual Services	123,526
Supplies and Materials	88,033
Capital Outlay	<u>120,824</u>
Total Operating Cash Disbursements	<u>609,452</u>
Operating Income	<u>58,730</u>
Non-Operating Cash Receipts:	
Other Non-Operating Receipts	<u>3,284</u>
Total Non-Operating Cash Receipts	<u>3,284</u>
Non-Operating Cash Disbursements:	
Debt Service	71,200
Other Non-Operating Cash Disbursements	<u>16,216</u>
Total Non-Operating Cash Disbursements	<u>87,416</u>
Receipts (Under) Disbursements Before Interfund Transfers	(25,402)
Transfers-In	<u>16,250</u>
Net Receipts (Under) Disbursements	(9,152)
Fund Cash Balances, January 1	<u>333,650</u>
Fund Cash Balances, December 31	<u><u>\$324,498</u></u>
Reserve for Encumbrances, December 31	<u><u>\$27,614</u></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, 2002**

	<u>Governmental Fund Types</u>				<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
Cash Receipts:						
Property Tax and Other Local Tax	\$754,416	\$80,407				\$834,823
Intergovernmental Receipts	119,997	164,266				284,263
Charges for Services	226,312				\$21,000	247,312
Fines, Licenses, and Permits	1,407	293				1,700
Earnings on Investments	21,269	554				21,823
Miscellaneous	219	2,775			1,320	4,314
Total Cash Receipts	<u>1,123,620</u>	<u>248,295</u>	<u>\$0</u>	<u>\$0</u>	<u>22,320</u>	<u>1,394,235</u>
Cash Disbursements:						
Current:						
Security of Persons and Property	457,670	1,417			23,828	482,915
Public Health Services	5,474					5,474
Leisure Time Activities	3,000	38,669				41,669
Community Environment	14,864					14,864
Basic Utility Services		2,475				2,475
Transportation		117,421				117,421
General Government	303,872	35				303,907
Debt Service						
Principal Payments	5,928	54,475		9,456	18,000	87,859
Interest Payments		2,980			258	3,238
Capital Outlay	125,165	66,545	2,827	97,237		291,774
Total Cash Disbursements	<u>915,973</u>	<u>284,017</u>	<u>2,827</u>	<u>106,693</u>	<u>42,086</u>	<u>1,351,596</u>
Total Receipts Over/(Under) Disbursement:	<u>207,647</u>	<u>(35,722)</u>	<u>(2,827)</u>	<u>(106,693)</u>	<u>(19,766)</u>	<u>42,639</u>
Other Financing Receipts and (Disbursements)						
Transfers-In	0	45,069		120,498		165,567
Transfers-Out	(197,496)					(197,496)
Other Sources	34,911					34,911
Total Other Financing Receipts/(Disbursements)	<u>(162,585)</u>	<u>45,069</u>	<u>0</u>	<u>120,498</u>	<u>0</u>	<u>2,982</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursement:	45,062	9,347	(2,827)	13,805	(19,766)	45,621
Fund Cash Balances, January 1	415,682	69,325	40,164	86,314	77,141	688,626
Fund Cash Balances, December 31	<u>\$460,744</u>	<u>\$78,672</u>	<u>\$37,337</u>	<u>\$100,119</u>	<u>\$57,375</u>	<u>\$734,247</u>
Reserves for Encumbrances, December 31	<u>\$16,253</u>	<u>\$2,900</u>	<u>\$0</u>	<u>\$8,697</u>	<u>\$670</u>	<u>\$28,520</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 ENTERPRISE FUNDS -
FOR THE YEAR ENDED DECEMBER 31, 2002

Operating Cash Receipts:	
Charges for Services	<u>\$706,547</u>
Total Operating Cash Receipts	<u>706,547</u>
Operating Cash Disbursements:	
Personal Services	282,780
Contractual Services	119,835
Supplies and Materials	85,555
Capital Outlay	<u>73,248</u>
Total Operating Cash Disbursements	<u>561,418</u>
Operating Income	<u>145,129</u>
Non-Operating Cash Receipts:	
Other Non-Operating Receipts	<u>4,934</u>
Total Non-Operating Cash Receipts	<u>4,934</u>
Non-Operating Cash Disbursements:	
Debt Service	71,200
Other Non-Operating Cash Disbursements	<u>17,805</u>
Total Non-Operating Cash Disbursements	<u>89,005</u>
Excess of Receipts Over Disbursements Before Interfund Transfers	61,058
Transfers-In	<u>31,929</u>
Net Receipts Over Disbursements	92,987
Fund Cash Balances, January 1	<u>240,663</u>
Fund Cash Balances, December 31	<u><u>\$333,650</u></u>
Reserve for Encumbrances, December 31	<u><u>\$7,836</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, 2003 AND 2002**

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 water and sewer utilities, park operations, fire services and police services. The Brown Memorial Library is a related organization, see Note 12.

The Village's management believes these financial statements present all activities for which the Village is financially accountable, except debt service funds maintained by outside custodians are not included in these financial statements. Assets held by custodians are described in Note 9 to the financial statements.

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 deposits 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, 2003 AND 2002
(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 Project 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 Project Fund:

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

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.

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 had no nonexpendable trust funds. Other trust funds are classified as expendable. The Village had the following significant fiduciary funds:

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.

Fire Truck Reserve and Trust Fund - This expendable trust fund receives contract payments from local townships to which the Village provides fire protection services. These funds are reserved for the purchase of a new fire truck.

**VILLAGE OF LEWISBURG
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(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.

A summary of 2003 and 2002 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.

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:

**VILLAGE OF LEWISBURG
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

2. EQUITY IN POOLED CASH AND DEPOSITS (Continued)

	2003	2002
Demand deposits	\$919,194	\$767,897
Certificates of deposit	300,000	300,000
Total deposits	1,219,194	1,067,897

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

Some deposits were not insured or collateralized from January 2002 through February 2003 contrary to Ohio law. Deposits in excess of pledged collateral and FDIC coverage ranged from a low of \$78,705 in January, 2002 to a high of \$213,064 in May, 2002.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2003 and 2002 follows:

2003 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$907,028	\$1,198,118	\$291,090
Special Revenue	315,027	328,260	13,233
Capital Projects	542,847	510,113	(32,734)
Enterprise	603,500	687,716	84,216
Fiduciary	21,000	21,000	0
Total	\$2,389,402	\$2,745,207	\$355,805

2003 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,374,163	\$1,215,202	\$158,961
Special Revenue	387,307	245,861	141,446
Debt Service	37,337	1,665	35,672
Capital Projects	642,966	476,802	166,164
Enterprise	937,150	724,482	212,668
Fiduciary	78,375	2,347	76,028
Total	\$3,457,298	\$2,666,359	\$790,939

2002 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$856,300	\$1,158,531	\$302,231
Special Revenue	269,769	293,364	23,595
Capital Projects	62,332	120,498	58,166
Enterprise	612,929	743,410	130,481
Fiduciary	21,000	22,320	1,320
Total	\$1,822,330	\$2,338,123	\$515,793

**VILLAGE OF LEWISBURG
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,268,955	\$1,218,954	\$50,001
Special Revenue	330,035	286,918	43,117
Debt Service	40,164	2,827	37,337
Capital Projects	156,097	115,390	40,707
Enterprise	852,000	658,259	193,741
Fiduciary	99,461	42,756	56,705
Total	\$2,746,712	\$2,325,104	\$421,608

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 payments, 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.

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 either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

**VILLAGE OF LEWISBURG
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

6. DEBT

Debt outstanding at December 31, 2003 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Wastewater Treatment First Mortgage Revenue Refunding Bonds	\$170,000	5.88% to 6.5%
Water Revenue Bonds	185,000	6.75%
OPWC Loan (Main St.)	127,500	0.00%
OPWC Loan (Sludge)	474,256	0.00%
OPWC Loan (Water Tower)	465,380	0.00%
Total	<u>\$1,422,136</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 municipality 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 St. improvement project. The project was completed in 2001. The interest rate of zero percent is in effect for the loan repayment term unless the Village does not make a payment in accordance to the OPWC agreement.

The Village was originally awarded a loan from the Ohio Public Works Commission in the amount of \$514,500. However, in 2004 the amount of the loan was reduced to \$474,256. This loan is to be used to finance a sludge management facilities remodel project. The first payment of principal is due July 1, 2004.

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.

**VILLAGE OF LEWISBURG
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(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)
2004	\$41,050	\$27,488	\$15,012
2005	39,100	26,475	30,025
2006	42,150	30,463	30,025
2007	39,875	29,113	30,025
2008	42,600	27,763	30,025
2009-2013		111,538	150,122
2014-2018			150,122
2019-2021			30,024
Total	<u>\$204,775</u>	<u>\$252,840</u>	<u>\$465,380</u>

Year ending December 31:	OWPC (Main St. Project)	OPWC (Sludge Maintenance Project)
2004	\$3,750	\$11,856
2005	7,500	23,713
2006	7,500	23,713
2007	7,500	23,713
2008	7,500	23,713
2009-2013	37,500	118,564
2014-2018	37,500	118,564
2019-2023	18,750	118,564
2024		11,856
Total	<u>\$127,500</u>	<u>\$474,256</u>

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 postretirement 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 2003 and 2002, 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. PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 2003

**VILLAGE OF LEWISBURG
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

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

U.S. Bank is the paying agent/trustee for the Village's Water Revenue Bonds. The village makes quarterly payments to U.S. Bank to both the Debt Reserve fund and the Repair and Replacement Fund. If the combined balance of these two funds equals at least \$48,000, 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 of \$48,000 is achieved. The quarterly payments are deposited into a U.S. Bank 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, 2003, the custodian held \$33,986 in the Debt Reserve Fund and \$54,446 in the Repair and Replacement Fund which are Village assets. These assets and the related receipts and disbursements are not reflected in the accompanying financial statements.

10. CONTINGENT LIABILITIES

The Village is defendant in several lawsuits. Although the outcome of these suits is not presently determinable, management believes that 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.

11. RELATED ORGANIZATION

The Brown Memorial Library is a related organization to the Village. The Village Council is responsible for appointing the trustees of the Library Board; however, the Village Council cannot influence the Library's operation nor does the Library represent a potential financial benefit or burden on the Village.

**VILLAGE OF LEWISBURG
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

12. SUBSEQUENT EVENTS

On April 1, 2004, the Village approved Ordinance #2004-17, authorizing an early call, retirement, and payoff of Village Water Revenue Bonds issued in 1977 and to borrow up to \$50,000 to accomplish the payoff.

On May 6, 2004, the Village authorized the issuance of up to \$75,000 for Water Works Bond Anticipation Notes. The notes will retire on May 12, 2005 and bear an interest rate of 2.25 percent.

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT 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 financial statements of the Village of Lewisburg, Preble County, Ohio (the Village), as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated October 8, 2004. 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 tested its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could directly and materially affect 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 we must report under *Government Auditing Standards* and which are described in the accompanying schedule of findings as items 2003-001 through 2003-003.

We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated October 8, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting 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 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 October 8, 2004.

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.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

October 8, 2004

**VILLAGE OF LEWISBURG
PREBLE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2003**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2003-001

Finding for Recovery – Repaid under Audit

During 2002, Stephen William Jackson submitted his October 10, 2002 time sheet. He was approved for two hours of overtime pay, as evidenced by the Mayor's signature on the overtime approval form, but was paid for eight hours of overtime in error. Mr. Jackson should have been paid \$39.39 but was paid \$157.56. Therefore, he was overpaid \$118.17. Mr. Jackson repaid the entire amount in a deduction from his September 10, 2004 paycheck.

FINDING NUMBER 2003-002

Material Noncompliance

Ohio Rev. Code, Section 135.18, requires that the treasurer of a political subdivision must require a depository to provide a 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 in excess of pledged collateral and FDIC coverage ranged from a low of \$78,705 in January 2002 to a high of \$213,064 in May 2002.

Failure to adequately collateralized 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.

FINDING NUMBER 2003-003

Material Noncompliance

Ohio Rev. Code, Section 5705.09, states each subdivision is required to establish a special fund for each class of revenues derived from a source other than the general property tax, which the law requires to be used for a particular purpose.

The Village received a Community Development Block Grant award in FY2002 for the Ackton Street project (a 2003-2004 project) in the amount of \$40,573, which was paid to the vendors on behalf of the Village. The Village did not post the revenues and expenditures associated with this award and did not establish the required fund. We adjusted the accompanying financial statements for this amount. We recommend the Village establish the required funds in order to properly account for all revenues and expenditures and reduce the risk of fraud and misuse of funds.

Village management should refer to Auditor of State Bulletin 2000-08 for accounting and budgetary guidance regarding on-behalf payments.

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**VILLAGE OF LEWISBURG
PREBLE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FISCAL YEAR END DECEMBER 31, 2003 AND 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2001-30368-001	A finding for recovery was issued against the former Village Administrator for overpayment of unused vacation upon resignation.	Yes	
2001-30368-002	Revised Code 5705.41 (D), failure to certify funds.	No.	Partially corrected. Reissued as a management letter citation.
2001-30368-003	Revised Code 135.18, failure to adequately collateralize Village deposits	No	Partially corrected. Reissued as Finding No. 2003-002



**Auditor of State
Betty Montgomery**

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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
NOVEMBER 4, 2004**