

**VILLAGE OF SUNBURY**

**REGULAR AUDIT**

For the Years ended December 31, 2002 and December 31, 2003





**Auditor of State  
Betty Montgomery**

Village Council  
Village of Sunbury  
9 East Granville Road  
Sunbury, Ohio 43074

We have reviewed the Independent Auditor's Report of the Village of Sunbury, Delaware County, prepared by Wilson, Shannon & Snow, Inc., for the audit period January 1, 2002 through December 31, 2003. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Sunbury is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

March 29, 2004

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**Village of Sunbury  
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## INDEPENDENT AUDITORS' REPORT

Village Council  
Village of Sunbury  
Delaware County  
Nine East Granville Road  
Sunbury, Ohio 43074

We have audited the accompanying financial statements of the Village of Sunbury, Delaware County, Ohio (the "Village") as and for the years ended December 31, 2002 and December 31, 2003, as listed in the table of contents. 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. 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 described 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 accounting principles generally accepted in the United States of America.

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, 2002 and December 31, 2003, and the 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 February 25, 2004 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions or laws, regulations, contracts and grants. The 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, the Finance Committee, the Auditor of State, and the Village Council and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than those specified parties.

*Wilson, Shannon & Snow, Inc.*

Newark, Ohio  
February 25, 2004

*Wilson, Shannon & Snow, Inc.*  
CERTIFIED PUBLIC ACCOUNTANTS  
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**VILLAGE OF SUNBURY**  
**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND**  
**CASH BALANCES - ALL GOVERNMENTAL FUND TYPES**  
**FOR THE YEAR ENDED DECEMBER 31, 2003**

	General	Special Revenue	Capital Projects	Total (Memorandum Only)
Cash receipts:				
Local taxes	\$ 1,664,474	\$ -	\$ -	\$ 1,664,474
Intergovernmental	213,057	150,746	-	363,803
Charges for services	49,000	25,153	-	74,153
Fines, licenses, and permits	289,894	-	-	289,894
Earnings on investments	4,756	698	-	5,454
Miscellaneous	41,778	31,287	-	73,065
Total cash receipts	2,262,959	207,884	-	2,470,843
Cash disbursements:				
Current:				
Security of persons and property	818,886	-	-	818,886
Public health services	-	17,250	-	17,250
Leisure time activities	-	1,015	-	1,015
Community environment	91,271	-	-	91,271
Transportation	563,515	-	-	563,515
General government	406,787	-	-	406,787
Debt Service:				
Redemption of principal	230,000	75,000	-	305,000
Interest	4,347	2,019	-	6,366
Capital outlay	275,452	135,432	-	410,884
Total cash disbursements	2,390,258	230,716	-	2,620,974
Cash receipts (under) cash disbursements	(127,299)	(22,832)	-	(150,131)
Other financing sources (uses)				
Sale of notes	1,232,000	60,000	-	1,292,000
Other sources (uses)	(28,148)	-	-	(28,148)
Total other financing sources	1,203,852	60,000	-	1,263,852
Excess of cash receipts and other financing sources over cash disbursements	1,076,553	37,168	-	1,113,721
Fund cash balances at beginning of year	593,351	281,821	830	876,002
Fund cash balances at end of year	<u>\$ 1,669,904</u>	<u>\$ 318,989</u>	<u>\$ 830</u>	<u>\$ 1,989,723</u>
Reserve for encumbrances at the end of the year	<u>\$ 81,581</u>	<u>\$ 29,897</u>	<u>\$ -</u>	<u>\$ 111,478</u>

*The notes are an integral part of the financial statements.*



**VILLAGE OF SUNBURY**  
**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND**  
**CASH BALANCES - PROPRIETARY FUND TYPE AND FIDUCIARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	<u>Agency</u>	<u>Total (Memorandum Only)</u>
Cash receipts:				
Charges for service	\$ 1,449,776	\$ -	\$ -	\$ 1,449,776
Earnings on Investments	-	20	-	20
Miscellaneous	<u>2,309</u>	<u>-</u>	<u>206</u>	<u>2,515</u>
Total cash receipts	1,452,085	20	206	1,452,311
Cash disbursements:				
Personal service	479,473	-	-	479,473
Contractual service	278,622	-	-	278,622
Supplies and materials	337,488	-	328	337,816
Capital outlay	<u>311,381</u>	<u>-</u>	<u>-</u>	<u>311,381</u>
Total cash disbursements	<u>1,406,964</u>	<u>-</u>	<u>328</u>	<u>1,407,292</u>
Operating income (loss)	45,121	20	(122)	45,019
Non-operating revenues and expenses				
Sale of notes	1,180,000	-	-	1,180,000
Redemption of principal	(1,162,178)	-	-	(1,162,178)
Interest and other fiscal charges	<u>(51,464)</u>	<u>-</u>	<u>-</u>	<u>(51,464)</u>
Total non-operating expenses	<u>(33,642)</u>	<u>-</u>	<u>-</u>	<u>(33,642)</u>
Excess of cash receipts over (under) cash disbursements	11,479	20	(122)	11,377
Fund cash balances at beginning of year	<u>815,085</u>	<u>6,977</u>	<u>1,214</u>	<u>823,276</u>
Fund cash balances at end of year	<u>\$ 826,564</u>	<u>\$ 6,997</u>	<u>\$ 1,092</u>	<u>\$ 834,653</u>
Reserve for encumbrances at the end of the year	<u>\$ 291,312</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 291,312</u>

*The notes are an integral part of the financial statements.*

**VILLAGE OF SUNBURY**  
**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND**  
**CASH BALANCES - ALL GOVERNMENTAL FUND TYPES**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

	General	Special Revenue	Capital Projects	Total (Memorandum Only)
Cash receipts:				
Local taxes	\$ 1,370,543	\$ -	\$ -	\$ 1,370,543
Intergovernmental	195,106	127,654	-	322,760
Charges for services	12,000	20,659	-	32,659
Fines, licenses, and permits	297,014	-	-	297,014
Earnings on investments	9,789	5,355	-	15,144
Miscellaneous	149,085	31,516	-	180,601
Total cash receipts	2,033,537	185,184	-	2,218,721
Cash disbursements:				
Current:				
Security of persons and property	678,909		-	678,909
Leisure time activities	-	27,117	-	27,117
Community environment	120,182	-	-	120,182
Transportation	460,809	-	-	460,809
General government	455,581	-	-	455,581
Debt Service:				
Redemption of principal	133,000	89,000	-	222,000
Interest	4,362	2,480	-	6,842
Capital outlay	351,511	73,239	-	424,750
Total cash disbursements	2,204,354	191,836	-	2,396,190
Cash receipts (under) cash disbursements	(170,817)	(6,652)	-	(177,469)
Other financing sources (uses)				
Sale of notes	230,000	75,000	-	305,000
Transfers-in	60,192	-	-	60,192
Transfers-out	-	(60,187)	-	(60,187)
Other (uses)	(82,888)	-	-	(82,888)
Total other financing sources	207,304	14,813	-	222,117
Excess of cash receipts and other financing sources over cash disbursements	36,487	8,161	-	44,648
Fund cash balances at beginning of year	556,864	273,660	830	831,354
Fund cash balances at end of year	\$ 593,351	\$ 281,821	\$ 830	\$ 876,002
Reserve for encumbrances at the end of the year	\$ 97,352	\$ 41,218	\$ -	\$ 138,570

*The notes are an integral part of the financial statements.*

**VILLAGE OF SUNBURY**  
**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND**  
**CASH BALANCES - PROPRIETARY FUND TYPE AND FIDUCIARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	<u>Agency</u>	<u>Total (Memorandum Only)</u>
Cash receipts:				
Charges for services	\$1,616,757	\$ -	\$ -	\$ 1,616,757
Earnings on investments	-	121	-	121
Miscellaneous	<u>4,600</u>	<u>-</u>	<u>1,161</u>	<u>5,761</u>
Total cash receipts	1,621,357	121	1,161	1,622,639
Cash disbursements:				
Personal service	429,678	-	-	429,678
Contractual services	228,785	-	-	228,785
Supplies and materials	273,686	-	548	274,234
Capital outlay	<u>668,056</u>	<u>-</u>	<u>-</u>	<u>668,056</u>
Total cash disbursements	<u>1,600,205</u>	<u>-</u>	<u>548</u>	<u>1,600,753</u>
Operating income	21,152	121	613	21,886
Non-operating revenues and expenses				
Sale of notes	1,046,330	-	-	1,046,330
Redemption of principal	(1,180,754)	-	-	(1,180,754)
Interest and other fiscal charges	(67,800)	-	-	(67,800)
Transfers out	<u>-</u>	<u>-</u>	<u>(5)</u>	<u>(5)</u>
Total non-operating expenses	<u>(202,224)</u>	<u>-</u>	<u>(5)</u>	<u>(202,229)</u>
Excess of cash receipts over (under) cash disbursements	(181,072)	121	608	(180,343)
Fund cash balances at beginning of year	<u>996,157</u>	<u>6,856</u>	<u>606</u>	<u>1,003,619</u>
Fund cash balances at end of year	<u>\$ 815,085</u>	<u>\$ 6,977</u>	<u>\$ 1,214</u>	<u>\$ 823,276</u>
Reserve for encumbrances at the end of the year	<u>\$ 210,514</u>	<u>\$ -</u>	<u>\$ 155</u>	<u>\$ 210,669</u>

*The notes are an integral part of the financial statements.*

**VILLAGE OF SUNBURY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2002 AND 2003**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. DESCRIPTION OF THE ENTITY**

The Village of Sunbury, Delaware 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 (leisure time activities), 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 INVESTMENTS**

The Village invests in a money market account. Investments are valued at cost.

Investments are recorded as assets. 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.

**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:

**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 SUNBURY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2002 AND 2003**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. FUND ACCOUNTING (Continued)**

**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.

*Cemetery Fund* - This fund receives money from the sale of cemetery lots and burial fees.

**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 maintained only one Capital Projects Fund.

**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.

**Fiduciary Funds (Trust and Agency 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. Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant fiduciary funds:

*Bicycle Fund* - This fund receives donations from various sources and activities and is used for the purchase and maintenance of bicycles used by the Village Police Department.

*Cemetery Bequest* - This fund receives donations from estates in which the proceeds remain in the trust and the interest may be used by the Village.

**VILLAGE OF SUNBURY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2002 AND 2003**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. BUDGETARY PROCESS**

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

**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.

**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.

**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**

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the Village.

**VILLAGE OF SUNBURY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2002 AND 2003**

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

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

	<u>2003</u>	<u>2002</u>
Demand deposits	\$2,824,376	\$1,699,278

**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.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the year ended December 31, 2003 follows:

**2003 Budgeted vs. Actual Receipts**

<u>Fund Type</u>	<u>Budgeted</u> <u>Receipts</u>	<u>Actual</u> <u>Receipts</u>	<u>Variance</u>
General	\$2,288,726	\$3,494,959	\$1,206,233
Special Revenue	233,700	267,884	34,184
Non-Expendable Trust	-	20	20
Enterprise	<u>2,831,660</u>	<u>2,632,085</u>	<u>(199,575)</u>
Total	<u>\$5,354,086</u>	<u>\$6,394,948</u>	<u>\$1,040,862</u>

**2003 Budgeted vs. Actual Budgetary Basis Expenditures**

<u>Fund Type</u>	<u>Appropriation</u> <u>Authority</u>	<u>Budgetary</u> <u>Expenditures</u>	<u>Variance</u>
General	\$2,626,147	\$2,499,987	\$126,160
Special Revenue	322,200	260,613	61,587
Non-Expendable Trust	-	-	-
Enterprise	<u>3,200,550</u>	<u>2,911,918</u>	<u>288,632</u>
Total	<u>\$6,148,897</u>	<u>\$5,672,518</u>	<u>\$476,379</u>

**VILLAGE OF SUNBURY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2002 AND 2003**

**3. BUDGETARY ACTIVITY - CONTINUED**

Budgetary activity for the year ended December 31, 2002 follows:

**2002 Budgeted vs. Actual Receipts**

<u>Fund Type</u>	<u>Budgeted</u> <u>Receipts</u>	<u>Actual</u> <u>Receipts</u>	<u>Variance</u>
General	\$1,988,360	\$2,323,729	\$335,369
Special Revenue	214,950	260,184	45,234
Non-Expendable Trust	-	121	121
Enterprise	<u>2,677,660</u>	<u>2,667,687</u>	<u>(9,973)</u>
Total	<u>\$4,880,970</u>	<u>\$5,251,721</u>	<u>\$370,751</u>

**2002 Budgeted vs. Actual Budgetary Basis Expenditures**

<u>Fund Type</u>	<u>Appropriation</u> <u>Authority</u>	<u>Budgetary</u> <u>Expenditures</u>	<u>Variance</u>
General	\$2,395,762	\$2,384,594	\$11,168
Special Revenue	309,915	293,241	16,674
Non-Expendable Trust	-	-	-
Enterprise	<u>3,327,205</u>	<u>3,059,273</u>	<u>267,932</u>
Total	<u>\$6,032,882</u>	<u>\$5,737,108</u>	<u>\$295,774</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 SUNBURY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2002 AND 2003**

**5. LOCAL INCOME TAX**

The Village levies a municipal income tax of 1.0 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. The income is collected by the Regional Income Tax Agency (RITA).

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.

**6. DEBT**

Debt outstanding at December 31, 2003 was as follows:

	<u>Principal</u>	<u>Interest</u>
Ohio Water Development Authority Loan	\$258,349	7.65% - 9.99%
Ohio Public Works Commission Loan	438,134	0%
Bond Anticipation Notes	<u>2,472,000</u>	1.89% - 3.00%
Total	<u>\$3,168,483</u>	

The Ohio Water Development Authority (OWDA) loan relates to a water and sewer plant expansion project that was mandated by the Ohio Environmental Protection Agency. The loans will be repaid in semiannual installments over 25 years. The scheduled payment will be adjusted to reflect any revisions in amounts actually borrowed. The loan is collateralized by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Public Works Commission (OPWC) loaned money to the Village for various water and sewer projects in the Village limits. The loans will be repaid in semiannual installments over 20 years. The scheduled payment will be adjusted to reflect any revisions in amounts actually borrowed. The loan is collateralized by the Village's ability to tax the residents of the Village.

The Bond Anticipation Notes (BANs) relate to various projects including street paving and storm sewer improvements. These notes are repaid from ad valorem tax levies and mature at various times throughout the year.

**VILLAGE OF SUNBURY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2002 AND 2003**

**6. DEBT - CONTINUED**

Principal amortization of the above debt is scheduled as follows:

<u>Year ending</u> <u>December 31:</u>	<u>OWDA</u> <u>Loans</u>	<u>OPWC</u> <u>Loans</u>	<u>Notes</u>	<u>Total</u>
2004	\$38,637	\$63,200	\$2,472,000	\$2,573,837
2005	22,804	63,200	-	86,004
2006	24,549	63,200	-	87,749
2007	26,427	63,200	-	89,627
2008	28,449	21,306	-	49,755
Thereafter	<u>117,483</u>	<u>164,028</u>	<u>-</u>	<u>281,511</u>
Total	<u>\$258,349</u>	<u>\$438,134</u>	<u>\$2,472,000</u>	<u>\$3,168,483</u>

**7. RETIREMENT SYSTEMS**

The Village's law enforcement officers contribute to the Police & Firemen's Disability & Pension Funds (PFDPF). Other full-time employees contribute to the Public Employees Retirement System (PERS) of Ohio. PFDPF 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. PERS issues a stand-alone financial report that may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6705 or 1-880-PERS (7377).

Contribution rates are also prescribed by the Ohio Revised Code. For 2003, members of PFDPF contributed 10% of their wages to the PFDPF. The Village contributed an amount equal to 19.5% of their wages. PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 2003.

**8. RISK MANAGEMENT**

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles
- Errors and omissions under wrongful acts

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

**VILLAGE OF SUNBURY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2002 AND 2003**

**9. JOINTLY GOVERNED ORGANIZATION**

The Village of Sunbury Community Park Joint Venture is a jointly governed organization between the Big Walnut Board of Education and The Village of Sunbury. The joint venture agreement was entered into for the purpose of development of an elementary school and an adjacent community park. The legislative and advisory body is made up of one member appointed by the school, one member appointed by the Village and an agreed upon third member. The Village committed approximately 21 acres to the development of the school and park and the district has committed \$1.4 million to development of the park.

**10. CLOSE OUT OF FUNDS**

During 2002, the Village closed out the COPS fund and the Canine fund and transferred the remaining unencumbered total balance of \$60,192 to the General Fund. The ending balance in each fund was \$60,187 and \$5, respectively, upon closeout.



## **REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Village Council  
Village of Sunbury  
Delaware County  
Nine East Granville Road  
Sunbury, Ohio 43074

We have audited the accompanying financial statements of the Village of Sunbury, Delaware County, Ohio (the "Village") as and for the years ended December 31, 2002 and December 31, 2003 and have issued our report thereon dated February 25, 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 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* which are described in the accompanying Schedule of Findings as Items 2003-01 and 2003-02. We noted certain immaterial instances of noncompliance that we have reported to management of the Village, in a separate letter dated February 25, 2004.

### 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 operations that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or

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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. The reportable condition is described in the accompanying Schedule of Findings as Item 2003-003.

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 none of the reportable conditions described above is a material weakness. We also 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 25, 2004.

This report is intended solely for the information and use of the audit committee, management, the Auditor of State, others within the organization, and the Village of Sunbury Council, and is not intended to be and should not be used by anyone other than these specified parties.

*Wilson, Sherman & Sons, Inc.*

Newark, Ohio  
February 25, 2004

**VILLAGE OF SUNBURY  
SCHEDULE OF FINDINGS  
DECEMBER 31, 2003**

<b>1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**Water and Sewer Billing Cycle**

**Material Noncompliance**

**Finding 2003-001**

1. Village Ordinance Sections 925.08 and 929.02 state customers shall be billed monthly and statements shall be mailed on the last business day of each month. Prior to May 1, 2002 invoices were to be sent on the 10<sup>th</sup> day of each month. Bills are required to be paid on or before the 10<sup>th</sup> day of the following month. Any bill not paid when due shall incur a penalty of five percent of such charges, which will be added to the following month's bill.

If unpaid charges are not paid by the 10<sup>th</sup> of the month following the second billing, a letter by ordinary mail ("disconnect letter") requesting payment and indicating services will be disconnected on the 21<sup>st</sup> day of that month (or next business day of the month, whichever is later) will be sent to the customer. In addition, if charges remain unpaid after the 21<sup>st</sup>, service will be disconnected and water supply turned off. In addition, Section 929.02 states that a \$45 fee will be charged for the re-establishment of water and sewer services.

Twenty-five of the forty customers tested were not billed in accordance with the billing policy outlined in Section 929.02 during the period January 1, 2002 through April 30, 2003. During this period, 11 out of the 40 customers tested had a delinquent account balance.

No penalties were assessed during the period January 1, 2002 through April 30, 2003 on delinquent accounts. Village management decided to waive the assessment of penalties for the remainder of 2003 since the delinquent accounts were caused by Village personnel not sending out bills in a timely manner in compliance with Village policy.

The Village did not enforce the disconnect policy during the period January 1, 2002 through April 30, 2003 and; as a result, the reconnect fee was not charged.

Forty additional accounts were tested for the period May 1, 2003 through December 31, 2003 and all were billed in compliance with the Village's policy. In addition, penalties were assessed when necessary, and the Village followed the Disconnect policy for delinquent accounts.

### **Finding 2003-002**

2. Village Ordinance Section 929.02 states for purposes of establishing accounts and for collection, renters and other non-owner occupants must identify themselves to the Water Department and make a deposit in the amount of \$75 before the service start date. This deposit shall be held for one year and at the end of that year, if the account is current, the deposit shall be returned to the customer.

Deposits were collected from customers during from January 1, 2002 through April 30, 2003 regardless of renter or non-owner occupant status. In addition, 9 out of 40 tested customers during the period January 1, 2002 through April 30, 2003 made deposits after the service start date.

The only distinction for not making the initial deposit was if the customer was a resident of the Village and moved to a new residence within the Village. When this occurs, the customer was not required to make the deposit. However, this stipulation is not outlined in the Ordinance.

Beginning in June 2003, the Village followed the above Ordinance for each new customer account. Five new customer accounts were opened between June 1, 2003 and December 31, 2003 were tested and followed the above Ordinance.

We recommend the Village continue to enforce the water and sewer billing procedures as outlined in the Ordinances noted above. We also recommend the Village review the water and sewer ordinances to ensure the policies are in line with the desired practices of Village management.

### **Reportable Condition**

### **Finding 2003-003**

The following internal control weaknesses were noted:

- Management oversight and monitoring over the utility billing and collecting process was not sufficient. A significant number of errors related to this process occurred for a long period without being detected.
- Information and communication processes related to the utility cycle were not in place at a level to detect the errors and the non compliance with Village regulations.
- Control procedures related to the utility cycle were not in place to detect the non-compliance with Village policies and procedures in a timely manner.
- The utility clerk was not being evaluated on the execution of her job duties in compliance with Village policies and regulations.

- The Village utilizes an advanced Utility software package that offers automation to many of the processes the Village employees were completing on a manual basis during the majority of the audit period.

We recommend the Village enforce the water and sewer billing process as outlined in the Village ordinances. We also recommend the Village institute control procedures to ensure the water and sewer billing ordinances are being followed.

Beginning in July 2003, computer software used for water and sewer billing was fully integrated to allow for maximum utilization of the Utility software package. Village management has implemented controls and monitoring over the water and sewer billing cycle which included utilizing comparison and consumption reports generated by EZ Route and CMI. In addition, the Village has implemented monthly monitoring procedures designed to indicate obvious problems related to the billing process.

We recommend the Village enforce water and sewer billing procedures as outlined in the Village ordinances. We also recommend the Village institute control procedures to ensure the water and sewer ordinances are being followed.

Village Council may want to consider authorizing an individual to perform periodic internal audits of the water and sewer department billing and collection operations. The results of the internal audits should be reported directly to Village Council.



**VILLAGE OF SUNBURY  
CORRECTIVE ACTION PLAN  
DECEMBER 31, 2003**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2003-001	Village management realized there was a problem in March of 2003 and responded by having an Attestation engagement completed by an independent party. The Village has made efforts since June of 2003 to comply with all Village Regulations.	The Village is working daily to improve the system and train the new Utility Clerk.	John Lane, Village Fiscal Officer.
2003-002	Village management realized there was a problem in March of 2003 and responded by having an Attestation engagement completed by an independent party. The Village has made efforts since June of 2003 to comply with the Village regulations and to implement the recommended control procedures.	The Village is working daily to improve the system and train the new Utility Clerk.	John Lane, Village Fiscal Officer
2003-003	Village management realized there was a problem in March of 2003 and responded by having an Attestation engagement completed by an independent party. The Village has made efforts since June of 2003 to comply with the Village regulations and to implement the recommended control procedures.	The Village is working daily to improve the system and train the new Utility Clerk.	John Lane, Village Fiscal Officer

**VILLAGE OF SUNBURY  
SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2003**

Finding Number	Finding Summary	Fully Corrected	Explanation
2001-001	Ohio Rev. Code 5705.41 (D) – Goods ordered prior to certification	Yes	Due to an increase in monitoring, finding has been addressed by Village management.
2001-002	Council approval of advances	Yes	No advances made during the audit period. Village council and management are aware of the requirement.



**Auditor of State  
Betty Montgomery**

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**VILLAGE OF SUNBURY**

**DELAWARE 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  
APRIL 15, 2004**