



**VILLAGE OF LEWISBURG
PREBLE COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 1999-1998



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**VILLAGE OF LEWISBURG
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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Lewisburg, Preble County, Ohio (the Village), as of and for the years ended December 31, 1999 and 1998. 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 generally accepted auditing standards 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, 1999 and 1998, 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 September 27, 2000, 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.

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

A handwritten signature in black ink, appearing to read "Jim Petro".

Jim Petro
Auditor of State

September 27, 2000

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**VILLAGE OF LEWISBURG
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGES IN FUND CASH BALANCES
 ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 1999**

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Cash Receipts:						
Property Tax and Other Local Taxes	\$413,946	\$204,770	\$0	\$126,901	\$0	\$745,617
Intergovernmental Receipts	99,676	157,121		26,833		283,630
Charges for Services	32,291				23,250	55,541
Fines, Licenses, and Permits	3,374	823				4,197
Earnings on Investments	21,279					21,279
Miscellaneous	1,395	37,987				39,382
Total Cash Receipts	571,961	400,701	0	153,734	23,250	1,149,646
Cash Disbursements:						
Current:						
Security of Persons and Property	323,359	30,903				354,262
Public Health Services	3,126					3,126
Leisure Time Activities	2,500	25,312				27,812
Community Environment	20,915					20,915
Basic Utility Services		3,144				3,144
Transportation		127,145				127,145
General Government	151,989	86,387				238,376
Debt Service		29,640				29,640
Capital Outlay	82,255	68,074		770,854		921,183
Total Disbursements	584,144	370,605	0	770,854	0	1,725,603
Total Receipts Over/(Under) Disbursements	(12,183)	30,096	0	(617,120)	23,250	(575,957)
Other Financing Receipts/(Disbursements):						
Proceeds of Loan				600,490		600,490
Transfers-In				14,429		14,429
Other Sources	16,765			10,000		26,765
Transfers-Out	(14,429)					(14,429)
Total Other Financing Receipts/(Disbursements)	2,336	0	0	624,919	0	627,255
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(9,847)	30,096		7,799	23,250	51,298
Fund Cash Balances January 1	293,445	47,833	47,277	61,933	29,881	480,369
Fund Cash Balances, December 31	\$283,598	\$77,929	\$47,277	\$69,732	\$53,131	\$531,667
Reserves for Encumbrances, December 31	\$5,427	\$26,673	\$4,336	\$14,204	\$32,836	\$83,476

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

**VILLAGE OF LEWISBURG
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGES IN FUND CASH BALANCES
 ALL ENTERPRISE FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 1999**

Operating Cash Receipts:	
Charges for Services	<u>\$580,985</u>
Total Operating Cash Receipts	<u>580,985</u>
Operating Cash Disbursements:	
Personal Services	274,742
Contractual Services	105,058
Supplies and Materials	114,390
Capital Outlay	<u>42,449</u>
Total Operating Cash Disbursements	<u>536,639</u>
Operating Income/(Loss)	<u>44,346</u>
Non-Operating Cash Receipts:	
Property Tax and Other Local Taxes	40,657
Other Non-Operating Receipts	<u>359</u>
Total Non-Operating Cash Receipts	<u>41,016</u>
Non-Operating Cash Disbursements:	
Debt Service	71,200
Other Non-Operating Cash Disbursements	<u>3,274</u>
Total Non-Operating Cash Disbursements	<u>74,474</u>
Net Receipts Over/(Under) Disbursements	10,888
Fund Cash Balances, January 1	<u>150,188</u>
Fund Cash Balances, December 31	<u><u>\$161,076</u></u>
Reserve for Encumbrances, December 31	<u><u>\$40,711</u></u>

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

**VILLAGE OF LEWISBURG
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGES IN FUND CASH BALANCES
 ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 1998**

	<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 Taxes	\$410,474	\$204,845	\$0	\$122,658	\$5,500	\$743,477
Intergovernmental Receipts	97,638	140,071	60,846	101,240		399,795
Charges for Services	38,046				16,000	54,046
Fines, Licenses, and Permits	1,791	164				1,955
Earnings on Investments	37,315					37,315
Miscellaneous	802	1,190	4,336			6,328
	<u>586,066</u>	<u>346,270</u>	<u>65,182</u>	<u>223,898</u>	<u>21,500</u>	<u>1,242,916</u>
Cash Disbursements:						
Current:						
Security of Persons and Property	319,856	29,896				349,752
Public Health Services	3,126					3,126
Leisure Time Activities	2,500	15,285				17,785
Community Environment	16,839					16,839
Transportation		113,387				113,387
General Government	143,099	102,486				245,585
Debt Service		12,309	60,846			73,155
Capital Outlay	95,319	209,790		226,654	41,750	573,513
	<u>580,739</u>	<u>483,153</u>	<u>60,846</u>	<u>226,654</u>	<u>41,750</u>	<u>1,393,142</u>
Total Receipts Over/(Under) Disbursements	<u>5,327</u>	<u>(136,883)</u>	<u>4,336</u>	<u>(2,756)</u>	<u>(20,250)</u>	<u>(150,226)</u>
Other Financing Receipts/(Disbursements):						
Sale of Bonds or Notes		100,000				100,000
Sale of Fixed Asstes		2,501				2,501
Other Sources	75,153	268		10,000		85,421
	<u>75,153</u>	<u>102,769</u>	<u>0</u>	<u>10,000</u>	<u>0</u>	<u>187,922</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	80,480	(34,114)	4,336	7,244	(20,250)	37,696
Fund Cash Balances January 1	<u>212,965</u>	<u>81,947</u>	<u>42,941</u>	<u>54,689</u>	<u>50,131</u>	<u>442,673</u>
Fund Cash Balances, December 31	<u>\$293,445</u>	<u>\$47,833</u>	<u>\$47,277</u>	<u>\$61,933</u>	<u>\$29,881</u>	<u>\$480,369</u>
Reserves for Encumbrances, December 31	<u>\$13,603</u>	<u>\$1,508</u>	<u>\$0</u>	<u>\$6,239</u>	<u>\$0</u>	<u>\$21,350</u>

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

**VILLAGE OF LEWISBURG
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGES IN FUND CASH BALANCES
 ALL ENTERPRISE FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 1998**

Operating Cash Receipts:	
Charges for Services	<u>\$579,685</u>
Total Operating Cash Receipts	<u>579,685</u>
Operating Cash Disbursements:	
Personal Services	262,873
Contractual Services	105,888
Supplies and Materials	92,901
Capital Outlay	<u>67,180</u>
Total Operating Cash Disbursements	<u>528,842</u>
Operating Income/(Loss)	<u>50,843</u>
Non-Operating Cash Receipts:	
Property Tax and Other Local Taxes	49,026
Other Non-Operating Receipts	<u>2,348</u>
Total Non-Operating Cash Receipts	<u>51,374</u>
Non-Operating Cash Disbursements:	
Debt Service	89,200
Other Non-Operating Cash Disbursements	<u>4,800</u>
Total Non-Operating Cash Disbursements	<u>94,000</u>
Net Receipts Over/(Under) Disbursements	8,217
Fund Cash Balances, January 1	<u>141,971</u>
Fund Cash Balances, December 31	<u><u>\$150,188</u></u>
Reserve for Encumbrances, December 31	<u><u>\$11,636</u></u>

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

**VILLAGE OF LEWISBURG
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Lewisburg, Preble 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 general governmental services, including water and sewer utilities, park operations (leisure time activities), fire services, and police services.

Prior to April 1, 1999, the Village's utilities were governed by a three-member Board of Public Affairs. Effective April 1, 1999, the Village abolished its Board of Public Affairs and created the position of Village Administrator. The Village Administrator manages any public utilities, supervises the maintenance of public places, streets, and sidewalks, and has all powers of the board of public affairs and street commissioner, plus other powers and duties set by ordinance of village council.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Deposits

Certificates of deposit are valued at cost.

D. Fund Accounting

The Village uses fund accounting to segregate cash and deposits 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 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 Funds:

Street Construction, Maintenance and Repair Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village streets.

VILLAGE OF LEWISBURG
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Local Income Tax Fund - This fund receives income tax receipts from residents and business located within the Village. Receipts are then allocated to the capital projects fund for capital improvements and the general fund for police, fire, ambulance, and operating expenses.

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

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:

Note FSW 8/25/95 Fund - This fund received a state grant for the construction of a footbridge.

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 Funds:

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

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

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

5. Enterprise Funds

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

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

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

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

VILLAGE OF LEWISBURG
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

6. Fiduciary Funds (Expendable Trust Funds)

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

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

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over and need not be reappropriated. The Village did not encumber all commitments required by Ohio law.

A summary of 1999 and 1998 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. Unpaid Vacation and Sick 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 LEWISBURG
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Total Columns on Financial Statements

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund-type eliminations have not been made in the aggregation of this data.

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. The carrying amount of cash and investments at December 31 was as follows:

	<u>1999</u>	<u>1998</u>
Demand deposits	\$ 392,543	\$ 330,357
Certificates of deposit	300,000	300,000
Cash on Hand	200	200
Total deposits and investments	\$ 692,743	\$ 630,557

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 years ending December 31, 1999 and 1998 follows:

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 394,211	\$ 588,726	\$ 194,515
Special Revenue	562,824	400,701	(162,123)
Debt Service	0	0	0
Capital Projects	834,195	778,653	(55,542)
Enterprise	564,842	622,001	57,159
Fiduciary	15,000	23,250	8,250
Total	\$ 2,371,072	\$ 2,413,331	\$ 42,259

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 688,316	\$ 604,000	\$ 84,316
Special Revenue	609,996	397,278	212,718
Debt Service	47,278	4,336	42,942
Capital Projects	896,128	785,058	111,070
Enterprise	715,028	651,824	63,204
Fiduciary	44,881	32,836	12,045
Total	\$ 3,001,627	\$ 2,475,332	\$ 526,295

VILLAGE OF LEWISBURG
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)

3. BUDGETARY ACTIVITY (Continued)

1998 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 413,924	\$ 661,219	\$ 247,295
Special Revenue	652,262	449,039	(203,223)
Debt Service	75,846	65,182	(10,664)
Capital Projects	78,083	233,898	155,815
Enterprise	55,090	631,059	575,969
Fiduciary	16,000	21,500	5,500
Total	\$ 1,291,205	\$ 2,061,897	\$ 770,692

1998 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 610,710	\$ 594,342	\$ 16,368
Special Revenue	561,654	484,661	76,993
Debt Service	42,941	60,846	(17,905)
Capital Projects	117,932	232,893	(114,961)
Enterprise	693,956	634,478	59,478
Fiduciary	66,131	41,750	24,381
Total	\$ 2,093,324	\$ 2,048,970	\$ 44,354

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.

5. DEBT

Debt outstanding at December 31, 1999 was as follows:

VILLAGE OF LEWISBURG
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)

5. DEBT (Continued)

	Principal	Interest Rate
Wastewater Treatment First Mortgage Revenue Refunding Bonds	\$ 275,000	5.88%
Water Revenue Bonds	240,000	6.75%
OPWC Loan	600,490	0.00%
Total	\$ 1,115,490	

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

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

The Village was awarded a loan from the Ohio Public Works Commission in the amount of \$600,490. This loan is to be used to finance a water system improvements project. The Village completed the project in 1999. The first payment of principal is due January 1, 2000.

During 1998, the Village paid off the \$35,000 Water Systems Improvements Notes which covered the engineering and other related costs of a water system improvement project. In addition, the Village paid off the \$36,000 Dump Truck Notes during 1998. Finally, the Village borrowed \$100,000 at an interest rate of 4.44% in June of 1998 for the engineering and other related costs of constructing a footbridge at the Village Park. This loan was paid off during 1998 and 1999.

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
2000	\$ 42,500	\$ 26,200	\$ 30,025
2001	41,031	30,525	30,025
2002	39,531	29,513	30,025
2003	43,000	28,500	30,025
2004	41,050	27,488	30,025
Subsequent	163,725	225,350	450,365
Total	\$ 370,837	\$ 367,576	\$ 600,490

6. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Police and Firemen's Disability and Pension Funds (PFDPF). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. PFDPF and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including post-retirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

VILLAGE OF LEWISBURG
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)

6. RETIREMENT SYSTEMS (Continued)

Contribution rates are also prescribed by the Ohio Revised Code. For 1998 and 1999, 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, 1999.

7. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

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

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

8. DEBT SERVICE TRUSTEED FUNDS

The Village's Wastewater Treatment First Mortgage Revenue Refunding Bonds are held by individuals with Firststar Bank as the paying agent/trustee. An annual fee of \$1,680 is paid to Firststar in two installments as payment for providing this service. The Village makes monthly payments of \$3,600 to Firststar Bank for the retirement of the bonds with a total annual remittance of \$43,200. This is paid from the Wastewater Operating Account. The payments are deposited into a Firststar Money Market Account which has a fluctuating rate of interest based in the market. The money market is used to pay for the retirement of the bonds plus interest. Payments are made on March 1 and September 1 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, 1999, the custodian held \$4.88 in Village assets. These assets, and the related receipts and disbursements, are not reflected in the accompanying financial statements.

The Village's Water Revenue Bonds are held by individuals with Firststar Bank as the paying agent/trustee. The Village makes quarterly payments to Firststar Bank for the retirement of the bonds. The amount of the payments is determined by both the Debt Reserve Fund and the Repair and Replacement Fund which was established by Firststar. If the combined balance of these two funds total \$48,000 or more, the quarterly payment is \$7,000; however, if the combined balance of these two funds is less than \$48,000, the quarterly payment is \$7,500 until the minimum balance is achieved. The quarterly payments are deposited into a Firststar Money Market Account which has a fluctuating rate of interest based on the market. The money market account is used to pay for the retirement of the bonds plus interest. Payments are made on May 15 and November 15 of each year. Upon the retirement of these bonds, any remaining balance in the Firststar Money Market Account will be returned to the Village. At December 31, 1999, the custodian held \$35,848 in the Debt Reserve Fund and \$42,447 in the Replacement and Repair Fund which are Village assets. These assets, and the related receipts and disbursements, are not reflected in the accompanying financial statements.

9. SUBSEQUENT EVENT

In January 2000, the Village received the proceeds of \$200,000 from the issuance of Fire Truck Bonds. The purpose of these bonds is for acquiring a new fire truck and related equipment.

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

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Lewisburg, Preble County, Ohio (the Village), as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated September 27, 2000. We conducted our audit in accordance with generally accepted auditing standards 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 1999-30368-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated September 27, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 1999-30368-001.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness.

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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 September 27, 2000.

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

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

Jim Petro
Auditor of State

September 27, 2000

**VILLAGE OF LEWISBURG
SCHEDULE OF FINDINGS
DECEMBER 31, 1999 AND 1998**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 1999-30368-001

Noncompliance and Reportable Condition (Certification of Purchase Orders)

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

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

- A. Then and Now Certificates - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Council may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.

- B. If the amount involved is less than \$1,000 dollars, the Clerk may authorize payment through a Then and Now Certificate without affirmation of the Council, if such expenditure is otherwise valid.

The Village did not properly certify the availability of funds for purchase commitments for eighty percent of expenditures tested. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

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



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OFFICE OF THE AUDITOR

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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
OCTOBER 10, 2000**