



**Auditor of State
Betty Montgomery**

VILLAGE OF MILLERSPORT
FAIRFIELD COUNTY

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Village of Millersport
Fairfield County
2245 Refugee Street
P.O. Box 536
Millersport, Ohio 43046-0536

To the Village Council:

We have audited the accompanying financial statements of the Village of Millersport, Fairfield County, Ohio, (the Village) as of and for the years ended December 31, 2003, and December 31, 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.

The Village's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of the Village because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments.

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 of Millersport, Fairfield County, Ohio, as of December 31, 2003, and December 31, 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 June 4, 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.

Village of Millersport
Fairfield County
Independent Accountants' Report
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This report is intended solely for the information and use of management, the 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

June 4, 2004

**VILLAGE OF MILLERSPORT
FAIRFIELD COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE FUND
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<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	\$61,906	\$66,272	\$0	\$0	\$0	\$128,178
Intergovernmental Receipts	31,622	59,222	0	6,858	0	97,702
Charges for Services	0	238,549	0	0	0	238,549
Fines, Licenses, and Permits	6,454	0	0	0	0	6,454
Earnings on Investments	7,849	228	0	0	0	8,077
Miscellaneous	8,643	5,934	0	100	1,315	15,992
Total Cash Receipts	116,474	370,205	0	6,958	1,315	494,952
Cash Disbursements:						
Current:						
Security of Persons and Property	33,765	186,044	0	0	0	219,809
Public Health Services	4,489	0	0	0	0	4,489
Leisure Time Activities	0	31,374	0	0	0	31,374
Community Environment	193	0	0	0	0	193
Transportation	0	85,927	0	0	0	85,927
General Government	88,152	0	0	0	122	88,274
Debt Service:						
Principal Payments	4,070	31,268	10,262	0	0	45,600
Interest Payments	2,422	3,673	1,950	0	0	8,045
Capital Outlay	0	0	0	109,779	0	109,779
Total Cash Disbursements	133,091	338,286	12,212	109,779	122	593,490
Total Receipts Over/(Under) Disbursements	(16,617)	31,919	(12,212)	(102,821)	1,193	(98,538)
Other Financing Receipts and (Disbursements):						
Proceeds of Debt	0	0	0	97,356	0	97,356
Transfers-In	0	0	12,212	0	0	12,212
Transfers-Out	0	(12,212)	0	0	0	(12,212)
Total Other Financing Receipts	0	(12,212)	12,212	97,356	0	97,356
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(16,617)	19,707	0	(5,465)	1,193	(1,182)
Fund Cash Balances, January 1	36,587	213,657	9,159	6,250	198	265,851
Fund Cash Balances, December 31	\$19,970	\$233,364	\$9,159	\$785	\$1,391	\$264,669
Reserves for Encumbrances, December 31	\$3,174	\$15,085	\$0	\$0	\$0	\$18,259

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

**VILLAGE OF MILLERSPORT
FAIRFIELD COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY AND OTHER FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$556,774	\$0	\$556,774
Total Operating Cash Receipts	<u>556,774</u>	<u>0</u>	<u>556,774</u>
Operating Cash Disbursements:			
Personal Services	117,666	0	117,666
Fringe Benefits	34,036	0	34,036
Contractual Services	102,482	0	102,482
Supplies and Materials	119,995	0	119,995
Other	18,575	0	18,575
Capital Outlay	72,150	0	72,150
Total Operating Cash Disbursements	<u>464,904</u>	<u>0</u>	<u>464,904</u>
Operating Income	<u>91,870</u>	<u>0</u>	<u>91,870</u>
Non-Operating Cash Receipts:			
Special Assessments	2,991	0	2,991
Proceeds from Notes and Bonds	26,215	0	26,215
Other Non-Operating Receipts	689	0	689
Total Non-Operating Cash Receipts	<u>29,895</u>	<u>0</u>	<u>29,895</u>
Non-Operating Cash Disbursements:			
Debt Service:			
Principal Payments	76,430	0	76,430
Interest Payments	68,997	0	68,997
Total Non-Operating Cash Disbursements	<u>145,427</u>	<u>0</u>	<u>145,427</u>
Net Receipts (Under) Disbursements	(23,662)	0	(23,662)
Fund Cash Balances, January 1	<u>484,506</u>	<u>241</u>	<u>484,747</u>
Fund Cash Balances, December 31	<u>\$460,844</u>	<u>\$241</u>	<u>\$461,085</u>
Reserve for Encumbrances, December 31	<u>\$20,195</u>	<u>\$0</u>	<u>\$20,195</u>

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

**VILLAGE OF MILLERSPORT
FAIRFIELD COUNTY**

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

	<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	\$64,959	\$69,338	\$0	\$0	\$0	\$134,297
Intergovernmental Receipts	36,946	52,726	0	0	0	89,672
Charges for Services		245,852	0	0	0	245,852
Fines, Licenses, and Permits	3,895	0	0	0	0	3,895
Earnings on Investments	12,227	418	0	0	0	12,645
Miscellaneous	5,836	4,500	0	0	0	10,336
	<u>123,863</u>	<u>372,834</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>496,697</u>
Total Cash Receipts						
Cash Disbursements:						
Current:						
Security of Persons and Property	28,771	236,434	0	0	0	265,205
Public Health Services	4,237	0	0	0	0	4,237
Leisure Time Activities	0	37,914	0	0	0	37,914
Community Environment	193	0	0	0	0	193
Transportation	0	65,536	0	0	0	65,536
General Government	91,647	0	0	0	90	91,737
Debt Service:						
Principal Payments	4,020	30,346	9,684	0	0	44,050
Interest Payments	2,677	4,052	2,528	0	0	9,257
Capital Outlay	0	0	0	837	0	837
	<u>131,545</u>	<u>374,282</u>	<u>12,212</u>	<u>837</u>	<u>90</u>	<u>518,966</u>
Total Cash Disbursements						
Total Receipts Over/(Under) Disbursements	<u>(7,682)</u>	<u>(1,448)</u>	<u>(12,212)</u>	<u>(837)</u>	<u>(90)</u>	<u>(22,269)</u>
Other Financing Receipts and (Disbursements):						
Transfers-In	360	0	12,212	0	0	12,572
Transfers-Out		(12,572)	0	0	0	(12,572)
	<u>360</u>	<u>(12,572)</u>	<u>12,212</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Other Financing Receipts/(Disbursements)						
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(7,322)	(14,020)	0	(837)	(90)	(22,269)
Fund Cash Balances, January 1	43,909	227,677	9,159	7,087	288	288,120
Fund Cash Balances, December 31	<u>\$36,587</u>	<u>\$213,657</u>	<u>\$9,159</u>	<u>\$6,250</u>	<u>\$198</u>	<u>\$265,851</u>
Reserves for Encumbrances, December 31	<u>\$420</u>	<u>\$1,710</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$2,130</u>

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

**VILLAGE OF MILLERSPORT
FAIRFIELD COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY AND OTHER FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$577,896	\$0	\$577,896
Miscellaneous	1,019		1,019
Total Operating Cash Receipts	578,915	0	578,915
Operating Cash Disbursements:			
Personal Services	132,703		132,703
Fringe Benefits	35,067		35,067
Contractual Services	129,167		129,167
Supplies and Materials	119,152		119,152
Other	2,319		2,319
Capital Outlay	204,752		204,752
Total Operating Cash Disbursements	623,160	0	623,160
Operating (Loss)	(44,245)	0	(44,245)
Non-Operating Cash Receipts:			
Special Assessments	4,302		4,302
Intergovernmental Receipts	71,762		71,762
Proceeds from Loan	125,130		125,130
Sale of Fixed Assets	12,501		12,501
Total Non-Operating Cash Receipts	213,695	0	213,695
Non-Operating Cash Disbursements:			
Debt Service:			
Principal Payments	78,213		78,213
Interest Payments	73,994		73,994
Total Non-Operating Cash Disbursements	152,207	0	152,207
Net Receipts Over Disbursements	17,243	0	17,243
Fund Cash Balances, January 1	467,263	241	467,504
Fund Cash Balances, December 31	\$484,506	\$241	\$484,747
Reserve for Encumbrances, December 31	\$22,578	\$0	\$22,578

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

**VILLAGE OF MILLERSPORT
FAIRFIELD 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 Millersport, Fairfield 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, and emergency 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

Investments are reported 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.

Certificates of deposits are valued at cost. The investment in STAR Ohio is valued at amounts reported by the State Treasurer.

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:

Fire Fund -This fund receives funds through a contractual agreement with Walnut Township for fire protection and emergency medical services. The Village received 60% of a 3 mill levy upon property of Walnut Township.

**VILLAGE OF MILLERSPORT
FAIRFIELD COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

Street Fund – This fund receives real and personal property taxes for street related expenditures.

3. Debt Service Fund

Fire Debt Service – This fund is used to accumulate resources for the payment of debt for a vehicle purchased for the fire department.

4. Capital Projects Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant Capital Project Fund:

Storm Sewer Project Fund - This fund received an Ohio Public Works Commission grant for a storm sewer project.

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

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

6. Fiduciary Funds (Trust and Agency Funds)

Trust funds are used to account for resources restricted by legally binding trust agreements and for which the Village is acting in an agency capacity. If the agreement requires the Village to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. Other trust funds are classified as expendable. Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant Fiduciary Fund:

Christmas Fund – This fund receives donations from residents to cover the cost of Christmas decorations in the Village.

**VILLAGE OF MILLERSPORT
FAIRFIELD 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 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 as required by Ohio law.

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.

**VILLAGE OF MILLERSPORT
FAIRFIELD COUNTY**

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

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:

	2003	2002
Demand deposits	\$367,455	\$395,633
Certificates of deposit	55,152	55,152
Total deposits	422,607	450,785
STAR Ohio	303,147	299,813
Total investments	303,147	299,813
Total deposits and investments	\$725,754	\$750,598

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

Investments: Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

3. BUDGETARY ACTIVITY

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

2003 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$111,391	\$116,474	\$5,083
Special Revenue	359,958	370,205	10,247
Debt Service	12,212	12,212	0
Capital Projects	208,000	104,314	(103,686)
Enterprise	1,058,716	586,669	(472,047)
Fiduciary	0	1,315	1,315
Total	\$1,750,277	\$1,191,189	(\$559,088)

2003 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$148,975	\$136,265	\$12,710
Special Revenue	517,201	365,583	151,618
Debt Service	12,212	12,212	0
Capital Projects	214,349	109,779	104,570
Enterprise	1,442,568	630,526	812,042
Fiduciary	438	122	316
Total	\$2,335,743	\$1,254,487	\$1,081,256

**VILLAGE OF MILLERSPORT
FAIRFIELD COUNTY**

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

3. BUDGETARY ACTIVITY (Continued)

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$117,507	\$124,223	\$6,716
Special Revenue	368,593	372,834	4,241
Debt Service	12,212	12,212	0
Enterprise	1,136,541	792,610	(343,931)
Total	<u>\$1,634,853</u>	<u>\$1,301,879</u>	<u>(\$332,974)</u>

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$162,414	\$131,965	\$30,449
Special Revenue	596,331	388,564	207,767
Debt Service	12,212	12,212	0
Capital Projects	7,086	837	6,249
Enterprise	1,570,758	797,945	772,813
Fiduciary	528	90	438
Total	<u>\$2,349,329</u>	<u>\$1,331,613</u>	<u>\$1,017,716</u>

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the 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.

**VILLAGE OF MILLERSPORT
FAIRFIELD COUNTY**

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

5. DEBT

Debt outstanding at December 31, 2003 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Mortgage Revenue Bond 91-01	\$38,600	4.00%
Mortgage Revenue Bond 91-02	509,000	5.00%
Mortgage Revenue Bond 91-03	68,000	7.375%
Ohio Water Development Authority Loan 2805	88,104	2.00%
Ohio Water Development Authority Loan 1751	89,125	7.65%
Ohio Water Development Authority Loan 2050	181,456	6.04%
Ohio Water Development Authority Loan 2051	17,650	5.66%
Ohio Water Development Authority Loan 3401	102,048	3.64%
Ohio Water Development Authority Loan 3504	201,237	1.50%
Ohio Water Development Authority Loan 3701	13,205	5.64%
Ohio Water Development Authority Loan 3983	15,588	2.00%
Ohio Public Works Commission Loan CT61C	203,515	2.00%
Ohio Public Works Commission Loan CT80F	97,356	2.00%
Fire Truck Loan	22,395	5.97%
Fire Squad Loan	8,942	5.90%
Building Addition Loan	33,916	6.55%
Street Truck Loan	9,123	6.46%
Leaf Vacuum Loan	6,766	6.00%
Total	<u><u>\$1,706,026</u></u>	

The United States Department of Agriculture-Farmers Home Administration (FHA) Mortgage Revenue Bonds relate to the constructing, enlarging, improving, and expansion of the Village's waste water system. The bonds are collateralized by the Village's water and sewer revenues. The bonds will be repaid in annual installments, including interest, over 40 years.

The Ohio Water Development Authority (OWDA) loans 2805 and 1751 relate to constructing certain wastewater treatment and sewage collection facilities. Loans 2050 and 2051 relate to the construction of a 300,000 gallon elevated water storage tank. Loans 3401 and 3504 relate to the sewer rehabilitation project. The loans are collateralized by the Village's water and sewer revenues. The loans will be repaid in semi-annual installments, including interest, over 20-30 years. Loan 3701 relates to planning a water system expansion project. The OWDA has approved up to \$517,400 in loans to the Village for this project. The planning loan will be repaid in a balloon payment and subsequently included in the construction project costs. The planning is not completed and thus, the loan is not included in the scheduled payment amounts below. Loan 3983 relates to a wastewater treatment plant improvement construction project. The OWDA has approved up to \$165,532 in loans to the Village for this project. The loans will be repaid in semi-annual installments, including interest, over 30 years. The construction is not completed and thus, the loan is not included in the scheduled payment amounts below.

In 2001, the Village entered into a loan agreement with Ohio Public Works Commission for waste water collection system improvements, and in 2003 for storm sewer improvements. The loans will be repaid in semi-annual installments, including interest, over 20 years.

**VILLAGE OF MILLERSPORT
FAIRFIELD COUNTY**

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

5. DEBT (Continued)

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

Year ending December 31:	Mortgage Revenue Bonds	OWDA Loans	Ohio Public Works Commission	Loans and Leases
2004	\$0	\$38,902	\$9,725	\$40,354
2005	67,509	68,849	19,449	23,711
2006	68,018	68,849	19,449	6,492
2007	66,923	68,849	19,449	6,492
2008	53,546	68,849	19,449	6,492
2009 - 2013	267,171	318,212	97,245	9,736
2014 - 2018	267,539	214,080	97,245	0
2019 - 2023	126,684	153,941	76,900	0
2024 - 2028	6,657	44,785	2,965	0
2029 - 2033	0	26,671	0	0
Total	<u>\$924,047</u>	<u>\$1,071,987</u>	<u>\$361,876</u>	<u>\$93,277</u>

6. RETIREMENT SYSTEMS

All full-time employees and part-time law enforcement officers belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. The plan provides 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, 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.

7. SOCIAL SECURITY

The Village's fire-fighters belong to the Social Security Administration and pay FICA taxes.

FICA contribution rates are approved by the United States Congress. Members of FICA contributed 6.2% of their wages to FICA. The Village also contributed an amount equal to 6.2% of their wages.

The Village has paid all contributions required through December 31, 2003.

**VILLAGE OF MILLERSPORT
FAIRFIELD COUNTY**

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

8. RISK MANAGEMENT

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 insurance coverage to full-time employees through a private carrier.

9. CONTINGENT LIABILITIES

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



**Auditor of State
Betty Montgomery**

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

Village of Millersport
Fairfield County
2245 Refugee Street
P.O. Box 536
Millersport, Ohio 43046-0536

To the Village Council:

We have audited the accompanying financial statements of the Village of Millersport, Fairfield County, Ohio, (the Village) as of and for the years ended December 31, 2003, and December 31, 2002, and have issued our report thereon dated June 4, 2004, wherein we noted that the Village's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of the Village because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. 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 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 2003-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated June 4, 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 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 2003-002.

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

This report is intended solely for the information and use of management and the 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

June 4, 2004

**VILLAGE OF MILLERSPORT
FAIRFIELD COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002**

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

Ohio Rev. Code Section 5705.41 (D) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates and super blanket certificates, which are provided for in sections 5705.41 (D)(1) and 5705.41 (D)(3), respectively, of the Ohio Revised Code.

If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts less than \$3,000 (\$1,000 prior to April 7, 2003) may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of the expenditures by the Village.

Fiscal officers may prepare "blanket" certificates against any specific line item account and not extending beyond the current year. (Prior to September 26, 2003, blanket certificates were limited to \$5,000 and three months.) The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

The Village may also make expenditures and contracts for any amount from a specific line item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonable predictable operation expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The Village did not certify the availability of funds prior to the purchase commitment for twenty-nine percent of purchase orders tested and there was no evidence that the Village followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend the Fiscal Officer certify that the funds are or will be available prior to obligation by the Village. When prior certification is not possible, "then and now" certification should be used.

**VILLAGE OF MILLERSPORT
FAIRFIELD COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002
(Continued)**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

FINDING NUMBER 2003-002

Material Weakness - Swimming Pool Receipts

The Village did not have established procedures for collecting and reconciling swimming pool receipts and did not maintain adequate source documentation to support swimming pool receipt activity. There were no records detailing daily attendance numbers and concessions, and limited records for pool memberships. This information was, therefore, not reconciled with cash records.

These weaknesses could result in errors in swimming pool receipts or theft without timely detection by management.

The Village should establish procedures to be used in collecting swimming pool receipt activity, including a description of the fees charged and reconciliation of cash collected with attendance, membership, or concession records. We recommend the Village consider the use of internal control procedures such as cash register tapes, tickets, membership ledgers, etc. These items should be reconciled daily with cash collected, using a pool activity report. The pool activity report should be completed by those individuals collecting swimming pool receipts and reviewed/approved by the Pool Manager. The pool activity report should then be submitted to the Fiscal Officer for review and posting.



**Auditor of State
Betty Montgomery**

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800-282-0370

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VILLAGE OF MILLERSPORT

FAIRFIELD COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 27, 2004**