

**VILLAGE OF PROSPECT  
MARION COUNTY, OHIO**

*Financial Statements*  
*(Audited)*

For The Years Ended  
December 31, 2000 and 1999

**TERI DUPREY, CLERK/TREASURER**





**STATE OF OHIO**  
**OFFICE OF THE AUDITOR**

JIM PETRO, AUDITOR OF STATE

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Honorable Mayor and Members of Council  
Village of Prospect

We have reviewed the Independent Auditor's Report of the Village of Prospect, Marion County, prepared by Trimble, Julian & Grube, Inc. for the audit period January 1, 1999 through December 31, 2000. Based upon this review, we have accepted this report 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 Prospect is responsible for compliance with these laws and regulations.

JIM PETRO  
Auditor of State

June 21, 2001

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**VILLAGE OF PROSPECT  
MARION COUNTY, OHIO**

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# TRIMBLE, JULIAN & GRUBE, INC.

"SERVING OHIO LOCAL GOVERNMENTS"

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## Independent Auditor's Report

Members of Council and Mayor  
Village of Prospect  
139 N. Main Street  
Prospect, Ohio 43342

We have audited the accompanying financial statements of the Village of Prospect, Marion County, Ohio as of and for the years ended December 31, 2000 and 1999. These financial statements are the responsibility of the Village of Prospect'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 2, the Village of Prospect prepares its financial statements on the basis of accounting prescribed or permitted by 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 cash balances and fund balances of the Village of Prospect, as of December 31, 2000 and 1999, and its combined cash receipts and disbursements, combined budgeted and actual receipts and budgeted and actual disbursements and encumbrances for the years then ended on the basis of accounting described in Note 2.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 10, 2001, on our consideration of the Village of Prospect's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the Village of Prospect's management 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 these parties.

Trimble, Julian & Grube, Inc.  
May 10, 2001

**VILLAGE OF PROSPECT  
MARION COUNTY, OHIO**

COMBINED STATEMENT OF CASH FUND BALANCES  
ALL FUND TYPES  
DECEMBER 31, 2000 AND 1999

<u>Cash and Investments:</u>	<u>2000</u>	<u>1999</u>
Cash and Cash Equivalents	\$ 135,021	\$ 71,215
Investments	<u>1,136,588</u>	<u>1,208,381</u>
Total Cash and Investments	<u><u>\$ 1,271,609</u></u>	<u><u>\$ 1,279,596</u></u>
 <u>Fund Balances:</u>		
<u>Governmental Fund Types:</u>		
General Fund	\$ 191,051	\$ 194,254
Special Revenue Funds	18,276	18,527
Debt Service Funds	<u>149,328</u>	<u>125,711</u>
Total Governmental Fund Types	<u>358,655</u>	<u>338,492</u>
 <u>Proprietary Fund Type:</u>		
Enterprise Funds	<u>912,954</u>	<u>941,104</u>
Total Fund Balances	<u><u>\$ 1,271,609</u></u>	<u><u>\$ 1,279,596</u></u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.



**VILLAGE OF PROSPECT  
MARION COUNTY, OHIO**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN CASH FUND BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2000

	Governmental Fund Types			Total (Memorandum Only)
	General	Special Revenue	Debt Service	
Cash receipts:				
Local taxes	\$ 36,833	\$ 15,465	\$ -	\$ 52,298
Intergovernmental	47,241	57,374	-	104,615
Charges for services	-	-	186,064	186,064
Fines, licenses, and permits	8,077	-	-	8,077
Interest	75,736	279	-	76,015
Miscellaneous	1,482	20	-	1,502
Total cash receipts	<u>169,369</u>	<u>73,138</u>	<u>186,064</u>	<u>428,571</u>
Cash disbursements:				
Current:				
Security of persons and property	22,402	-	-	22,402
Public health services	5,322	-	-	5,322
Transportation	-	154,389	-	154,389
General government	63,848	-	-	63,848
Debt service:				
Principal retirement	-	-	482,164	482,164
Interest charges	-	-	36,283	36,283
Total cash disbursements	<u>91,572</u>	<u>154,389</u>	<u>518,447</u>	<u>764,408</u>
Total cash receipts over/(under) cash disbursements	<u>77,797</u>	<u>(81,251)</u>	<u>(332,383)</u>	<u>(335,837)</u>
Other financing receipts/(disbursements):				
Proceeds from sale of notes	-	-	356,000	356,000
Operating transfers in	-	81,000	-	81,000
Operating transfers out	(81,000)	-	-	(81,000)
Total other financing receipts/(disbursements)	<u>(81,000)</u>	<u>81,000</u>	<u>356,000</u>	<u>356,000</u>
Excess of cash receipts and other financing receipts over/(under) cash disbursements and other financing disbursements	(3,203)	(251)	23,617	20,163
Cash fund balances, January 1, 2000	<u>194,254</u>	<u>18,527</u>	<u>125,711</u>	<u>338,492</u>
Cash fund balances, December 31, 2000	<u>\$ 191,051</u>	<u>\$ 18,276</u>	<u>\$ 149,328</u>	<u>\$ 358,655</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF PROSPECT  
MARION COUNTY, OHIO**

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH  
FUND BALANCES - PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2000

	Proprietary Fund Type
	Enterprise
Operating cash receipts:	
Charges for services	\$ 733,984
Other miscellaneous	14,422
Total operating cash receipts	748,406
Operating cash disbursements:	
Personal services	237,383
Contractual services	339,702
Supplies and material	39,123
Capital outlay	164,258
Miscellaneous	1,101
Total operating cash disbursements	781,567
Operating loss	(33,161)
Nonoperating cash receipts/(disbursements):	
Sale of fixed assets	31,651
Debt service:	
Principal	(21,090)
Interest	(5,550)
Total nonoperating cash receipts/(disbursements)	5,011
Net loss	(28,150)
Cash fund balances, January 1, 2000	941,104
Cash fund balances, December 31, 2000	\$ 912,954

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF PROSPECT  
MARION COUNTY, OHIO**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND ENCUMBRANCES COMPARED WITH EXPENDITURE  
AUTHORITY - BUDGET AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2000

Fund Types	Receipts				Disbursements					Variance Favorable (Unfavorable)	
	County Certified Unencumbered Cash	Budget	Total Estimated Resources	Actual 2000 Receipts	Variance Favorable (Unfavorable)	Prior Year Carryover Appropriations	2000 Appropriations	Total	Actual 2000 Disbursements		Encumbrances Outstanding at 12/31/00
Governmental:											
General	\$ 188,776	\$ 166,484	\$ 355,260	\$ 169,369	\$ 2,885	\$ -	\$ 355,260	\$ 355,260	\$ 172,572	\$ 368	\$ 182,320
Special Revenue	17,097	152,730	169,827	154,138	1,408	-	169,827	169,827	154,389	349	15,089
Debt Service	125,711	483,000	608,711	542,064	59,064	-	608,711	608,711	518,447	-	90,264
Proprietary:											
Enterprise	947,764	738,500	1,686,264	780,057	41,557	-	1,686,264	1,686,264	808,207	4,660	873,397
Total	\$ 1,279,348	\$ 1,540,714	\$ 2,820,062	\$ 1,645,628	\$ 104,914	\$ -	\$ 2,820,062	\$ 2,820,062	\$ 1,653,615	\$ 5,377	\$ 1,161,070
(Memorandum Only)											

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF PROSPECT  
MARION COUNTY, OHIO**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES  
IN CASH FUND BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 1999

	Governmental Fund Types			Total (Memorandum Only)
	General	Special Revenue	Debt Service	
Cash receipts:				
Local taxes	\$ 36,011	\$ 15,145	\$ -	\$ 51,156
Intergovernmental	52,201	39,878	-	92,079
Special assessments	-	466	176,138	176,604
Fines, licenses, and permits	7,517	-	-	7,517
Interest	60,494	1,229	-	61,723
Miscellaneous	4,038	186	-	4,224
Total cash receipts	<u>160,261</u>	<u>56,904</u>	<u>176,138</u>	<u>393,303</u>
Cash disbursements:				
Current:				
Security of persons and property	24,003	-	-	24,003
Public health services	3,883	-	-	3,883
Transportation	-	49,589	-	49,589
General government	59,306	-	-	59,306
Capital outlay	26,510	528	-	27,038
Debt service				
Principal retirement	-	-	538,865	538,865
Interest charges	-	-	31,814	31,814
Total cash disbursements	<u>113,702</u>	<u>50,117</u>	<u>570,679</u>	<u>734,498</u>
Total cash receipts over cash disbursements	<u>46,559</u>	<u>6,787</u>	<u>(394,541)</u>	<u>(341,195)</u>
Other financing receipts/(disbursements):				
Proceeds from sale of notes	-	-	422,000	422,000
Operating transfers in	-	-	18,000	18,000
Proceeds from sale of assets	3,500	-	-	3,500
Total other financing receipts/(disbursements)	<u>3,500</u>	<u>-</u>	<u>440,000</u>	<u>443,500</u>
Excess of cash receipts and other financing receipts over cash disbursements and other financing disbursements	50,059	6,787	45,459	102,305
Cash fund balances, January 1, 1999	<u>144,195</u>	<u>11,740</u>	<u>80,252</u>	<u>236,187</u>
Cash fund balances, December 31, 1999	<u>\$ 194,254</u>	<u>\$ 18,527</u>	<u>\$ 125,711</u>	<u>\$ 338,492</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF PROSPECT  
MARION COUNTY, OHIO**

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES  
IN CASH FUND BALANCES - PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 1999

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
Operating cash receipts:	
Charges for services	\$ 746,084
Other miscellaneous	12,416
Total operating cash receipts	<u>758,500</u>
Operating cash disbursements:	
Personal services	241,213
Contractual services	497,304
Supplies and material	27,920
Capital outlay	140,717
Total operating cash disbursements	<u>907,154</u>
Operating loss	<u>(148,654)</u>
Nonoperating cash receipts/(disbursements):	
Proceeds of notes	116,000
Debt service:	
Principal	(5,339)
Interest	(1,321)
Total nonoperating cash receipts/(disbursements)	<u>109,340</u>
Loss before operating transfers	(39,314)
Transfers in	41
Transfers out	(18,041)
Total transfers	<u>(18,000)</u>
Net loss	(57,314)
Cash fund balances, January 1, 1999	<u>998,418</u>
Cash fund balances, December 31, 1999	<u>\$ 941,104</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

VILLAGE OF PROSPECT  
MARION COUNTY, OHIO

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND ENCUMBRANCES COMPARED WITH EXPENDITURE  
AUTHORITY - BUDGET AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 1999

Fund Types	Receipts				Disbursements					Variance Favorable (Unfavorable)	
	County Certified Unencumbered Cash	Budget	Total Estimated Resources	Actual 1999 Receipts	Variance Favorable (Unfavorable)	Prior Year Carryover Appropriations	1999 Appropriations	Total	Actual 1999 Disbursements		Encumbrances Outstanding at 12/31/99
Governmental:											
General	\$ 144,195	\$ 176,877	\$ 321,072	\$ 163,761	\$ (13,116)	\$ -	\$ 320,972	\$ 320,972	\$ 113,702	\$ -	\$ 207,270
Special Revenue	11,740	45,894	57,634	56,904	11,010	-	62,532	62,532	50,117	-	12,415
Debt Service	80,252	613,000	693,252	616,138	3,138	-	693,252	693,252	570,679	-	122,573
Proprietary:											
Enterprise	998,418	735,500	1,733,918	874,541	139,041	-	1,736,848	1,736,848	931,855	-	804,993
Total	\$ 1,234,605	\$ 1,571,271	\$ 2,805,876	\$ 1,711,344	\$ 140,073	\$ -	\$ 2,813,604	\$ 2,813,604	\$ 1,666,353	\$ -	\$ 1,147,251

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF PROSPECT  
MARION COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999

**NOTE 1 - DESCRIPTION OF THE ENTITY**

The Village of Prospect (the “Village”) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The Village operates under a council-mayor form of government and provides the following services: utilities, park operations, police and general government services . The Village contracts with the Marion County Sheriff’s department to provide police services.

Management believes the financial statements included in this report represent all of the funds of the Village over which the Village officials have direct operating control.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The most significant of the Village’s accounting policies are described below.

**A. BASIS OF PRESENTATION - FUND ACCOUNTING**

The accounts of the Village are maintained on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts. The following fund types are used by the Village.

**General Fund**

The general fund is used to account for all activities of the Village not required to be included in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

**Special Revenue Funds**

These funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditure for specific purposes.

The Village had the following significant special revenue fund:

*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 PROSPECT  
MARION COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

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 funds:

*Bond Retirement Fund (Utility Improvement)* - This fund receives a percentage of monthly collections from the Electric Fund for the purpose of retiring related debt.

*Bond Retirement Fund (Waste Water Treatment Plant)* - This fund receives a percentage of monthly collections from the Sewer Fund for the purpose of retiring related debt.

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:

*Electric Fund and Sewer Fund* - These individual funds receive charges for services from residents to cover the cost of providing their respective utilities.

**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.



**VILLAGE OF PROSPECT  
MARION COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**C. BUDGETARY PROCESS**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds are legally required to be budgeted and appropriated. The primary level of budgetary control is at the item level within each fund. Any budgetary modifications at this level may only be made by resolution of the Village's Council.

*Tax Budget:*

A budget of estimated cash receipts and disbursements is submitted to the County Auditor, as secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year. All funds are legally required to be budgeted. The expressed purpose of the tax budget is to reflect the need for existing (or increased) tax rates.

*Estimated Resources:*

The County Budget Commission determines if the budget substantiates a need to levy the full amount of authorized property tax rates and reviews receipt estimates. The County Budget Commission certifies its actions to the Village by September 1. As part of this certification, the Village receives the official certificate of estimated resources, which states the projected receipts of each fund. On or about January 1, the certificate is amended to include unencumbered fund balances at December 31 of the preceding year. Further amendments may be made during the year if the Village determines that receipts collected will be greater than or less than the prior estimates, and the Budget Commission finds the revised estimates to be reasonable. Prior to December 31, the Village must revise its budget so that the total contemplated expenditures from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure.

**VILLAGE OF PROSPECT  
MARION COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

*Appropriations:*

A temporary appropriation measure to control cash disbursements may be passed on or about January 1 of each year for the period January to March 31. An annual appropriation measure must be passed by April 1 of each year for the period January 1 to December 31. The appropriations measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources. The Village legally adopted several supplemental appropriations during the year.

*Encumbrances:*

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation.

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated. The Village had no outstanding encumbrances at December 31, 1999.

**D. CASH AND INVESTMENTS**

For reporting purposes, the Village considers "Cash and Investments" to be cash on hand, demand deposits, and all investments held by the Village with a maturity date less than or equal to three months from the date of purchase. Interest earned on investments held by the treasurer is credited to its respective funds. Interest income earned and received by the Village totaled \$76,015 and \$61,723 for the years ended December 31, 2000 and 1999, respectively.

**E. PROPERTY, PLANT AND EQUIPMENT**

Fixed assets are not capitalized in any of the Village's funds. Instead, capital acquisition and construction costs are reflected as expenditures in the fund in the year expended. The costs of normal maintenance and repairs are also expended, along with improvements. Depreciation is not recorded.

**VILLAGE OF PROSPECT  
MARION COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

F. INTERGOVERNMENTAL REVENUES

Intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursable basis are recorded when received in accordance with the Village's cash basis method of accounting.

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 basis of accounting used by the Village.

H. INTERFUND TRANSACTIONS

During the course of normal operations, the Village had transactions between funds. The most significant include:

Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers.

I. TOTAL COLUMNS ON FINANCIAL STATEMENTS

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

**VILLAGE OF PROSPECT  
MARION COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999

**NOTE 3 - COMPLIANCE**

The following funds had appropriations in excess of resources for the year ended December 31, 1999, in noncompliance with Ohio Revised Code Section 5705.39:

<u>Fund Type/Fund</u>	<u>Resources</u>	<u>Appropriations</u>	<u>Excess</u>
<u>SPECIAL REVENUE FUND:</u>			
Street Construction, Maintenance, and Repair	\$44,778	\$49,676	\$4,898
<u>ENTERPRISE FUND:</u>			
Pool	32,283	35,213	2,930

**NOTE 4 - CASH AND INVESTMENT**

The Village maintains individual cash balances in bank accounts and short-term cash equivalents classified as “Cash and Investments” on the “Combined Statement of Cash Fund Balances”.

**A. LEGAL REQUIREMENTS**

Statutes require the classifications of funds held by the Village into three categories:

Category 1 consists of active funds - those funds required to be kept in a cash or cash equivalent status for immediate use by the Village. Such funds must be maintained either as cash in the Village treasury or in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts.

Category 2 consists of inactive funds - those funds not required for use within the current two year period of designation of depositories. Inactive funds may be deposited or invested only as certificates of deposit maturing no later than the end of the current period of designation of depositories.

Category 3 consists of interim funds - those funds which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim funds may be invested or deposited in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;

**VILLAGE OF PROSPECT  
MARION COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999

**NOTE 4 - DEPOSITS - (Continued)**

2. Bonds, notes, debentures, or any other obligations or securities issued by any Federal government agency, or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio).

The Village may also invest any monies not required to be used for a period of six months or more in the following:

1. Bonds of the State of Ohio;
2. Bonds of any municipal corporation, village, county, township, or other political subdivision of this State, as to which there is no default principal, interest or coupons;
3. Obligations to the Village.

**VILLAGE OF PROSPECT  
MARION COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999

**NOTE 4 - DEPOSITS - (Continued)**

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Historically, the Village has not purchased these types of investments or issued these types of notes. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Village and must be purchased with the expectation that it will be held to maturity.

**B. 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:

	2000	1999
Demand deposits	\$ 134,621	\$ 70,815
Petty cash on hand	400	400
Total deposits	135,021	71,215
STAR Ohio	1,136,588	1,208,381
Total investments	1,136,588	1,208,381
Total deposits and investments	\$1,271,609	\$1,279,596

**C. DEPOSITS**

For the years ended December 31, 2000 and 1999, the carrying amount of the Village's deposits, were \$135,021 and \$71,215, respectively, and the bank balances were \$191,389 and \$83,662, respectively. Of the bank balances:

1. \$100,000 and \$34,621 was covered by federal depository insurance for 2000 and 1999 respectively.
2. \$91,389 and \$49,041 was covered by collateral held by third party trustees pursuant to section 135.181, revised code, in collateral pools securing all public funds on deposit with specific depository institutions for 2000 and 1999, respectively.

**VILLAGE OF PROSPECT  
MARION COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999

**NOTE 4 - DEPOSITS - (Continued)**

At December 31, 2000 and December 31, 1999, the Village maintained petty cash on hand in the amount of \$400 and \$400, respectively.

**D. INVESTMENTS**

Investments are categorized as follows:

Category 1 - Insured or registered, or securities held by the Village or its agent in the Village's name.

Category 2 - Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Village's name.

Category 3 - Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Village's name.

The Village invested in STAR Ohio in 2000 and 1999. Investments in STAR Ohio are not evidenced by securities that exist in physical or book entry form and therefore are not categorized as to the level of risk assumed by the Village. The Village's investments at December 31, 2000 and December 31, 1999 are summarized below:

	2000		1999	
	Carrying Amount	Market Value	Carrying Amount	Market Value
STAR Ohio	<u>\$1,136,588</u>	<u>\$1,136,588</u>	<u>\$1,208,381</u>	<u>\$1,208,381</u>
Total Investments	<u>\$1,136,588</u>	<u>\$1,136,588</u>	<u>\$1,208,381</u>	<u>\$1,208,381</u>

Ohio Revised Code Chapter 135, Uniform Depository Act, authorizes pledging of pooled securities in lieu of pledging specific securities. Specifically, a designated public depository may pledge a single pool of eligible securities to secure the repayment of all public monies deposited in the financial institution, provided that at all times the total value of the securities so pledged is at least equal to 110% of the total amount of all public deposits secured by the pool, including the portion of such deposits covered by any federal deposit insurance.

**VILLAGE OF PROSPECT  
MARION COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999

**NOTE 5 - DEBT OBLIGATIONS**

At December 31, 2000, debt obligations consisted of the following issuances:

<u>Description</u>	<u>Balance at December 31, 2000</u>
1999 Note with United Bank, for acquisition of a new bucket truck, due in quarterly installments of \$6,657 through 2004, bearing interest of 5.45%.	\$ 89,924
2000 AMP-Ohio Bond Anticipation Note, for acquisition and installation of a backup power generator, due in one annual payment on December 9, 2001, bearing interest at 4.85%.	356,000
1976 Farmers Home Administration Sewerage System First Mortgage Revenue Bond, for sewer system improvements, due in annual installments of various amounts on May 1 through 2015, bearing interest at 5.00%.	<u>408,159</u>
Total debt obligations at December 31, 2000	<u><u>\$854,083</u></u>

Transactions for the year ended December 31, 2000 are summarized as follows:

	<u>Balance at December 31, 1999</u>	<u>Proceeds</u>	<u>Payments</u>	<u>Balance at December 31, 2000</u>
2000 Bond Anticipation Note	\$ 0	\$356,000	\$ 0	\$356,000
1999 Bond Anticipation Note	422,000	0	422,000	0
1976 Mortgage Revenue Bonds	468,323	0	60,164	408,159
1999 Electric Bucket Truck Note	<u>111,014</u>	<u>0</u>	<u>21,090</u>	<u>89,924</u>
Total	<u><u>\$1,001,337</u></u>	<u><u>\$356,000</u></u>	<u><u>\$503,254</u></u>	<u><u>\$854,083</u></u>



**VILLAGE OF PROSPECT  
MARION COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999

**NOTE 5 - DEBT OBLIGATIONS - (Continued)**

The principal and interest requirements to retire the debt obligations outstanding at December 31, 2000, are as follows:

Year Ending December 31,	<u>Bond Anticipation Note</u>		<u>Mortgage Revenue Bond</u>		<u>Bucket Truck Note</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2001	\$ 22,000	\$ 23,859	\$356,000	\$17,266	\$22,376	\$4,262
2002	23,000	27,759			23,626	3,011
2003	24,000	21,609			24,947	1,691
2004	25,000	20,409			18,975	357
2005	27,000	19,159				
2006-2010	154,000	74,395				
2011-2015	<u>133,159</u>	<u>32,154</u>				
Totals	<u>\$408,159</u>	<u>\$219,344</u>	<u>\$356,000</u>	<u>\$17,266</u>	<u>\$89,924</u>	<u>\$9,321</u>

**NOTE 6 - JOINT VENTURES WITH EQUITY INTEREST**

During the years December 31, 2000, and December 31, 1999, the Village was part of the following joint venture:

*Ohio Municipal Electric Generation Agency Joint Venture 5 (OMEGA JV 5)* - A group of forty-two municipalities have entered into a joint venture for constructing, installing, and operating a 42 megawatts (MW) hydroelectric generator and related facilities at the Belleville locks and dam on the Ohio River. The Village has a .27 percent participant ownership interest in OMEGA JV 5. For the year ended December 31, 1999, (the most current available financial information), the Village's equity in the joint venture was \$6,477. Bonds issued by the joint venture are retired through the municipalities' payments for the monthly energy usage. Complete separate financial statements may be obtained from OMEGA JV 5, C/O Robert Trippe, Vice President and CEO, AMP-Ohio, 2600 Airport Drive, Columbus, Ohio, 43219.

**VILLAGE OF PROSPECT  
MARION COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999

**NOTE 7 - COMMITMENT**

*Gorsuch Station Sales Contract* - The Village has entered into a power sales contract to purchase .888 MW of capacity from AMP-Ohio until current and subsequent Gorsuch Station bond issues have been retired. The bonds are retired through user fees charged by the municipalities. Forty-five other municipalities are also participating in this contract at varying amounts of purchase commitments. Under this contract, the Village is obligated to purchase power at a rate determined by AMP-Ohio as long as power is being delivered.

**NOTE 8 - 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 annually. However, the property owner may elect to make semiannual payments.

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.

**NOTE 9 - RETIREMENT SYSTEM**

Employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including post-retirement 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 2000 and 1999, members of PERS contributed 8.5% of their wages to the plan. The Village contributed an amount equal to 13.5% of their wages. As of December 31, 2000, the Village has paid all contributions required for the years ended December 31, 2000 and December 31, 1999.

**VILLAGE OF PROSPECT  
MARION COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999

**NOTE 10 - RISK MANAGEMENT**

The Village has obtained commercial insurance for the following risks:

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

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

**NOTE 11 - CONTINGENT LIABILITY**

LITIGATION

The Village is currently not involved in litigation that management or its legal counsel anticipates a loss.

# TRIMBLE, JULIAN & GRUBE, INC.

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

Members of Council and Mayor  
Village of Prospect  
139 N. Main Street  
Prospect, Ohio 43342

We have audited the financial statements of the Village of Prospect as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated May 10, 2001. 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 of Prospect'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-VOP-001. We also noted certain immaterial instances of noncompliance that we have reported to the management of the Village of Prospect in a separate letter dated May 10, 2001.

Members of Council and Mayor  
Village of Prospect

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of Prospect's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to the management of the Village of Prospect in a separate letter dated May 10, 2001.

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

Trimble, Julian & Grube, Inc.  
May 10, 2001

**VILLAGE OF PROSPECT  
MARION COUNTY, OHIO  
DECEMBER 31, 2000 AND 1999**

**SCHEDULE OF FINDINGS**

**1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

Finding Number	2000-VOP-001
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Ohio Revised Code Section 5705.39 requires that no subdivision is to appropriate more monies than estimated resources.

It was noted during the audit that the Village had appropriations in excess of estimated resources in the following funds:

<u>Fund Type/Fund</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Excess</u>
<u>SPECIAL REVENUE FUND :</u>			
Street Construction, Maintenance, and Repair	\$44,778	\$49,676	\$4,898
 <u>ENTERPRISE FUND :</u>			
Pool	32,283	35,213	2,930

With appropriations exceeding estimated resources, the Village is potentially spending money that is not expected to become available and thus could cause fund deficits.

We recommend that the Village comply with the Ohio Revised Code and Auditor of State Bulletin 97-010 by keeping more accurate appropriations versus estimated resources records and amending the budget prior to year end. If it is determined that estimated revenues will be greater than initially anticipated, the Village should amend its official estimate in order to provide for any additional appropriations; however, appropriations should not exceed estimated resources.



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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800-282-0370  
Facsimile 614-466-4490

**VILLAGE OF PROSPECT**

**MARION 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 3, 2001**