

VILLAGE OF ANNA
SHELBY COUNTY, OHIO

AUDITED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2002 AND 2001



**Auditor of State
Betty Montgomery**

Village Council
Village of Anna
PO Box 140
Anna, Ohio 45302

We have reviewed the Independent Auditor's Report of the Village of Anna, Shelby County, prepared by E. S. Evans & Company, for the audit period January 1, 2001 to December 31, 2002. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

July 24, 2003

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VILLAGE OF ANNA
SHELBY COUNTY, OHIO

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E.S. Evans and Company

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Robert E. Wendel, CPA • Dan F. Clifford, CPA • E.S. Evans, CPA, PFS (1930-1999)

June 13, 2003

INDEPENDENT AUDITOR'S REPORT

Village of Anna
Shelby County, Ohio

and

Auditor of State of Ohio
Columbus, Ohio

We have audited the accompanying combined financial statements of the Village of Anna, as of and for the years ended December 31, 2002 and 2001. These combined financial statements are the responsibility of the Village of Anna's management. Our responsibility is to express an opinion on these combined 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 combined 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 of Anna prepares its combined 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 combined financial statements referred to above present fairly, in all material respects, the combined cash, investments, and combined fund cash balances of the Village of Anna, as of December 31, 2002 and 2001, and its combined cash receipts and disbursements and its 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 1.

In accordance with Government Auditing Standards, we have also issued a report dated June 13, 2003 on our consideration of the Village of Anna's internal control over financial reporting and on 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 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 specific parties.

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VILLAGE OF ANNA
SHELBY COUNTY, OHIO

COMBINED STATEMENT OF CASH, INVESTMENTS,
AND FUND CASH BALANCES - ALL FUND TYPES

December 31, 2002 and 2001

	<u>2002</u>	<u>2001</u>
<u>POOLED CASH AND INVESTMENTS</u>		
Cash	\$ <u>1,891,753</u>	\$ <u>1,736,192</u>

POOLED CASH AND INVESTMENT BALANCES BY FUND TYPE

Governmental Funds:

General Fund	\$ 236,273	\$ 185,495
Special Revenue Funds	385,134	314,121
Capital Projects Funds	211,064	169,207

Proprietary Funds:

Enterprise Funds	1,041,505	1,052,718
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Fiduciary Funds:

Expendable Trust Funds	15,426	14,651
Agency Funds	<u>2,351</u>	<u>-</u>

Total	\$ <u>1,891,753</u>	\$ <u>1,736,192</u>
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The accompanying notes are an integral part
of these financial statements.

VILLAGE OF ANNA
SHELBY COUNTY, OHIO

COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES -
GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUNDS

For the Year Ended December 31, 2002

	Governmental Fund Type		
	General	Special Revenue	Capital Project
<u>Revenue Receipts:</u>			
Local Taxes	\$ 26,633	\$ 14,947	\$ -
Intergovernmental Revenues	83,934	32,470	116,000
Special Assessments	-	-	43,087
Charges for Services	-	41,246	-
Fines, Licenses, and Permits	21,263	1,428	-
Interest Income	32,267	975	-
Miscellaneous	15,783	10,837	18,756
Total Revenue Receipts	179,880	101,903	177,843
<u>Expenditure Disbursements:</u>			
Current -			
Security of Persons and Property	124,190	81,672	31,166
Public Health and Welfare	2,962	-	-
Leisure Time Activities	1,200	13,795	-
Community Environment	173	5	-
Transportation	48,898	25,075	469
General Government	62,531	1,700	-
Capital Outlay	-	-	332,131
Debt Service - Principal Retirements	-	45,727	-
Debt Service - Interest Charges	-	46,287	-
Total Expenditure Disbursements	239,954	214,261	363,766
Total Revenue Receipts Over/(Under)			
Expenditure Disbursements	(60,074)	(112,358)	(185,923)
<u>Other Financing Sources (Uses):</u>			
Operating Transfers-In	138,003	183,371	62,774
Operating Transfers-Out	(27,151)	-	-
Proceeds from Loan	-	-	165,006
Other Uses	-	-	-
Total Other Financing Sources (Uses)	110,852	183,371	227,780
Excess of Receipts and Other Sources Over/ (Under) Disbursements and Other Uses	50,778	71,013	41,857
Fund Cash Balance - January 1, 2002	185,495	314,121	169,207
<u>Fund Cash Balance - December 31, 2002</u>	\$ 236,273	\$ 385,134	\$ 211,064

The accompanying notes are an integral part
of these financial statements.

<u>Fiduciary Fund</u> <u>Expendable</u> <u>Trust</u>	<u>Totals</u> <u>(Memorandum</u> <u>Only)</u>
\$ 404,443	\$ 446,023
-	232,404
-	43,087
-	41,246
-	22,691
-	33,242
-	45,376
<u>404,443</u>	<u>864,069</u>
-	237,028
-	2,962
-	14,995
-	178
-	74,442
12,035	76,266
-	332,131
-	45,727
-	46,287
<u>12,035</u>	<u>830,016</u>
<u>392,408</u>	<u>34,053</u>
-	384,148
(379,572)	(406,723)
-	165,006
<u>(12,061)</u>	<u>(12,061)</u>
<u>(391,633)</u>	<u>130,370</u>
775	164,423
<u>14,651</u>	<u>683,474</u>
<u>\$ 15,426</u>	<u>\$ 847,897</u>

VILLAGE OF ANNA
SHELBY COUNTY, OHIO

COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES -
GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUNDS
For the Year Ended December 31, 2001

	<u>Governmental Fund Type</u>		
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Project</u>
<u>Revenue Receipts:</u>			
Local Taxes	\$ 26,629	\$ 13,819	\$ -
Intergovernmental Revenues	72,208	53,627	37,200
Special Assessments	-	-	42,923
Charges for Services	44	37,723	-
Fines, Licenses, and Permits	7,668	1,140	-
Interest Income	50,250	924	-
Miscellaneous	15,400	9,330	-
Total Revenue Receipts	<u>172,199</u>	<u>116,563</u>	<u>80,123</u>
<u>Expenditure Disbursements:</u>			
Current -			
Security of Persons and Property	127,770	162,442	30,249
Public Health and Welfare	2,881	-	-
Leisure Time Activities	1,200	8,888	-
Community Environment	528	50	-
Transportation	47,028	51,982	532
General Government	111,399	-	-
Capital Outlay	-	-	131,230
Debt Service - Principal Retirements	-	43,491	-
Debt Service - Interest Charges	-	48,535	-
Total Expenditure Disbursements	<u>290,806</u>	<u>315,388</u>	<u>162,011</u>
Total Revenue Receipts Over/(Under)			
Expenditure Disbursements	<u>(118,607)</u>	<u>(198,825)</u>	<u>(81,888)</u>
<u>Other Financing Sources (Uses):</u>			
Operating Transfers-In	196,038	197,165	84,017
Sale of Fixed Assets	3,200	-	-
Operating Transfers-Out	(25,726)	-	-
Other Uses	-	-	-
Total Other Financing Sources (Uses)	<u>173,512</u>	<u>197,165</u>	<u>84,017</u>
Excess of Receipts and Other Sources Over/ (Under) Disbursements and Other Uses	54,905	(1,660)	2,129
<u>Fund Cash Balance - January 1, 2001</u>	<u>130,590</u>	<u>315,781</u>	<u>167,078</u>
<u>Fund Cash Balance - December 31, 2001</u>	<u>\$ 185,495</u>	<u>\$ 314,121</u>	<u>\$ 169,207</u>

The accompanying notes are an integral part
of these financial statements.

<u>Fiduciary Fund</u> <u>Expendable</u> <u>Trust</u>	<u>Totals</u> <u>(Memorandum</u> <u>Only)</u>
\$ 428,040	\$ 468,488
-	163,035
-	42,923
-	37,767
-	8,808
-	51,174
-	24,730
<u>428,040</u>	<u>796,925</u>
-	320,461
-	2,881
-	10,088
-	578
-	99,542
11,920	123,319
-	131,230
-	43,491
-	48,535
<u>11,920</u>	<u>780,125</u>
<u>416,120</u>	<u>16,800</u>
-	477,220
-	3,200
(468,442)	(494,168)
<u>(9,787)</u>	<u>(9,787)</u>
<u>(478,229)</u>	<u>(23,535)</u>
(62,109)	(6,735)
76,760	690,209
<u>\$ 14,651</u>	<u>\$ 683,474</u>

VILLAGE OF ANNA
SHELBY COUNTY, OHIO

**COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND CASH BALANCE - PROPRIETARY FUND TYPES AND SIMILAR FIDUCIARY FUNDS**

For the Years Ended December 31, 2002

	Proprietary Fund Enterprise	Fiduciary Fund Agency	Totals (Memorandum Only)
<u>Operating Receipts:</u>			
Charges for Services	\$ 474,221	\$ -	\$ 474,221
Subsidy Payments	56,000	-	56,000
Miscellaneous	4,413	-	4,413
Total Operating Receipts	534,634	-	534,634
<u>Operating Disbursements:</u>			
Personnel Services	165,298	-	165,298
Contractual Services	134,016	-	134,016
Material and Supplies	39,235	-	39,235
Capital Outlay	142,869	80,289	223,158
Other	2,191	-	2,191
Total Operating Disbursements	483,609	80,289	563,898
Excess of Cash Operating Receipts Over/ (Under) Operating Disbursements	51,025	(80,289)	(29,264)
<u>Non-Operating Receipts/(Disbursements):</u>			
Contributions	-	82,250	82,250
Fines, Licenses, and Permits	865	-	865
Debt Service - Principal Retirements	(51,541)	-	(51,541)
Debt Service - Interest Charges	(34,137)	-	(34,137)
Other Non-Operating Revenues	-	390	390
Total Non-Operating Receipts/(Disbursements)	(84,813)	82,640	(2,173)
Excess of Cash Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	(33,788)	2,351	(31,437)
Operating Transfers-In	22,715	-	22,715
Operating Transfers-Out	(140)	-	(140)
Total Transfers and Advances	22,575	-	22,575
Excess of Net Cash Receipts Over/(Under) Disbursements	(11,213)	2,351	(8,862)
<u>Fund Cash Balance</u> - January 1, 2002	1,052,718	-	1,052,718
<u>Fund Cash Balance</u> - December 31, 2002	\$ 1,041,505	\$ 2,351	1,043,856

The accompanying notes are an integral part
of these financial statements.

VILLAGE OF ANNA
SHELBY COUNTY, OHIO

**COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND CASH BALANCE - PROPRIETARY FUND TYPES AND SIMILAR FIDUCIARY FUNDS**

For the Years Ended December 31, 2001

	Proprietary Fund Enterprise	Fiduciary Fund Agency	Totals (Memorandum Only)
<u>Operating Receipts:</u>			
Charges for Services	\$ 464,690	\$ -	\$ 464,690
Subsidy Payments	67,000	-	67,000
Miscellaneous	1,417	-	1,417
Total Operating Receipts	533,107	-	533,107
<u>Operating Disbursements:</u>			
Personnel Services	108,695	-	108,695
Travel Transportation	22,272	-	22,272
Contractual Services	155,156	-	155,156
Material and Supplies	30,799	-	30,799
Capital Outlay	70,565	-	70,565
Other	1,831	-	1,831
Total Operating Disbursements	389,318	-	389,318
Excess of Cash Operating Receipts Over/ (Under) Operating Disbursements	143,789	-	143,789
<u>Non-Operating Receipts/(Disbursements):</u>			
Fines, Licenses, and Permits	840	-	840
Debt Service - Principal Retirements	(45,800)	-	(45,800)
Debt Service - Interest Charges	(32,674)	-	(32,674)
Total Non-Operating Receipts/(Disbursements)	(77,634)	-	(77,634)
Excess of Cash Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	66,155	-	66,155
Operating Transfers-In	16,948	-	16,948
Operating Transfers-Out	-	-	-
Total Transfers and Advances	16,948	-	16,948
Excess of Net Cash Receipts Over/(Under) Disbursements	83,103	-	83,103
<u>Fund Cash Balance</u> - January 1, 2001	969,615	-	969,615
<u>Fund Cash Balance</u> - December 31, 2001	\$ 1,052,718	\$ -	1,052,718

The accompanying notes are an integral part
of these financial statements.

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VILLAGE OF ANNA
SHELBY COUNTY, OHIO

COMBINED STATEMENT OF RECEIPTS - BUDGET AND ACTUAL

For the Years Ended December 31, 2002 and 2001

<u>Fund Types/Funds:</u>	2002		Variance Favorable (Unfavorable)
	Budget	Actual	
<u>Governmental:</u>			
General	\$ 1,131,480	\$ 317,883	\$ (813,597)
Special Revenue	1,218,022	285,274	(932,748)
Capital Projects	1,032,372	405,623	(626,749)
<u>Fiduciary:</u>			
Expendable Trust	872,142	404,443	(467,699)
Agency	-	82,640	82,640
<u>Proprietary:</u>			
Enterprise	2,694,200	558,214	(2,135,986)
<u>Total (Memorandum Only)</u>	\$ 6,948,216	\$ 2,054,077	\$ (4,894,139)

<u>Fund Types/Funds:</u>	2001		Variance Favorable (Unfavorable)
	Budget	Actual	
<u>Governmental:</u>			
General	\$ 612,744	\$ 371,437	\$ (241,307)
Special Revenue	834,058	313,728	(520,330)
Capital Projects	597,101	164,140	(432,961)
<u>Fiduciary:</u>			
Expendable Trust	615,446	428,040	(187,406)
Agency	-	-	-
<u>Proprietary:</u>			
Enterprise	1,480,282	550,895	(929,387)
<u>Total (Memorandum Only)</u>	\$ 4,139,631	\$ 1,828,240	\$ (2,311,391)

The accompanying notes are an integral part
of these financial statements.

VILLAGE OF ANNA
SHELBY COUNTY, OHIO

**COMBINED STATEMENT OF DISBURSEMENTS AND
ENCUMBRANCES COMPARED WITH EXPENDITURE AUTHORITY**

For the Years Ended December 31, 2002 and 2001

<u>Fund Types/Funds:</u>	<u>Prior Year Carryover Appropriation</u>	<u>2002 Appropriation</u>	<u>Total</u>
<u>Governmental:</u>			
General	\$ 3,132	\$ 461,768	\$ 464,900
Special Revenue	6,154	571,667	577,821
Capital Projects	-	560,413	560,413
<u>Fiduciary:</u>			
Expendable Trust	1,080	440,250	441,330
Agency	-	-	-
<u>Proprietary:</u>			
Enterprise	<u>12,120</u>	<u>808,673</u>	<u>820,793</u>
<u>Total (Memorandum Only)</u>	<u>\$ 22,486</u>	<u>\$ 2,842,771</u>	<u>\$ 2,865,257</u>

<u>Fund Types/Funds:</u>	<u>Prior Year Carryover Appropriation</u>	<u>2001 Appropriation</u>	<u>Total</u>
<u>Governmental:</u>			
General	\$ 828	\$ 453,255	\$ 454,083
Special Revenue	6,311	408,828	415,139
Capital Projects	-	366,517	366,517
<u>Fiduciary:</u>			
Expendable Trust	-	396,786	396,786
Agency	-	-	-
<u>Proprietary:</u>			
Enterprise	<u>4,210</u>	<u>1,393,871</u>	<u>1,398,081</u>
<u>Total (Memorandum Only)</u>	<u>\$ 11,349</u>	<u>\$ 3,019,257</u>	<u>\$ 3,030,606</u>

The accompanying notes are an integral part
of these financial statements.

<u>2002 Actual Disbursements</u>	<u>Encumbrances Outstanding at 12-31-02</u>	<u>Total</u>	<u>Variance Favorable (Unfavorable)</u>
\$ 267,105	\$ 16,517	\$ 283,622	\$ 181,278
214,261	2,286	216,547	361,274
363,766	178,846	542,612	17,801
403,668	2,044	405,712	35,618
80,289	-	80,289	(80,289)
<u>569,427</u>	<u>46,573</u>	<u>616,000</u>	<u>204,793</u>
<u>\$ 1,898,516</u>	<u>\$ 246,266</u>	<u>\$ 2,144,782</u>	<u>\$ 720,475</u>

<u>2001 Actual Disbursements</u>	<u>Encumbrances Outstanding at 12-31-01</u>	<u>Total</u>	<u>Variance Favorable (Unfavorable)</u>
\$ 316,532	\$ 3,132	\$ 319,664	\$ 134,419
315,388	6,154	321,542	93,597
162,011	-	162,011	204,506
490,149	1,080	491,229	(94,443)
-	-	-	-
<u>467,792</u>	<u>12,120</u>	<u>479,912</u>	<u>918,169</u>
<u>\$ 1,751,872</u>	<u>\$ 22,486</u>	<u>\$ 1,774,358</u>	<u>\$ 1,256,248</u>

VILLAGE OF ANNA
SHELBY COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS
December 31, 2002 and 2001

Note 1 - Summary of Significant Accounting Policies

Description of the Entity

The Village of Anna is a political and corporate body 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: public safety, street maintenance, water and sewer facilities, and general administrative services.

The Village's management believes the financial statements included in this report represent all of the funds of the Village over which the Village has the ability to exercise direct operating control.

Basis of Accounting

The Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Consequently, revenues are recognized when received rather than when earned, and expenditures are recognized when paid rather than when the obligation is incurred. A general fixed asset group and long-term debt group of accounts are not recorded on the financial statements by the Village under the basis of accounting used. 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.

Fund Accounting

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations or limitations. The Village uses the following major fund types:

Governmental Funds

General Fund

The General Fund accounts for all the revenues and expenditures of the Village that are not required to be accounted for in other funds.

VILLAGE OF ANNA
SHELBY COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS
December 31, 2002 and 2001

Note 1 - Summary of Significant Accounting Policies - (continued)

Fund Accounting - (continued)

Special Revenue Fund

The Special Revenue Fund is used to account for the proceeds of specific revenue sources (other than capital projects and expendable trusts), the expenditures for which are legally restricted to for specific purposes.

The Village had the following significant special revenue funds:

Street Construction, Maintenance and Repair Fund – The fund receives gasoline tax and motor vehicle tax money for construction, maintaining and repairing Village streets.

Fire Fund – This fund receives money from Franklin Township to provide fire fighting services to local residents

Capital Project Fund

The Capital Project Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary and Trust Funds).

The Village had the following significant capital projects funds:

Capital Improvement Fund – This fund receives money for various capital improvements within the Village.

Water Tower Construction Fund – This fund receives money to construct a new water tower in the Village.

VILLAGE OF ANNA
SHELBY COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS
December 31, 2002 and 2001

Note 1 - Summary of Significant Accounting Policies - (continued)

Proprietary Funds

Enterprise Funds

Enterprise Funds are used to account for the operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purpose.

The Village had the following significant Enterprise funds:

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

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

Fiduciary Funds (Trust and Agency Funds)

Expendable Trust Funds

Expendable Trust Funds are trust funds that are used to account for resources restricted by legally binding trust agreements in which the Village is not required to maintain the corpus of the trust.

Agency Funds

Funds for which the Village is acting in an agency capacity are classified as agency funds.

Income Tax Fund – This fund receives monies from collections on the Village's income tax imposed.

VILLAGE OF ANNA
SHELBY COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS
December 31, 2002 and 2001

Note 1 - Summary of Significant Accounting Policies - (continued)

Budgets

The Village is required by state law to adopt annual budgets for all funds. Each budget is presented on the cash basis of accounting. The tax budget of estimated cash receipts and disbursements is required to be submitted to the County Auditor, as secretary of the County Budget Commission, by July 15 of each year, for the following year.

Estimated Resources

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, this certificate is amended to include any unencumbered balances from the preceding year. 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. Budget receipts as shown in the accompanying financial statements do not include January 1, 2001 or January 1, 2002 unencumbered fund balances. However, those fund balances are available for appropriations.

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. An annual appropriation measure must be passed by April 1 of each year for the period January 1 to December 31. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.

Encumbrances

The Village is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, 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.

VILLAGE OF ANNA
SHELBY COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS
December 31, 2002 and 2001

Note 1 - Summary of Significant Accounting Policies - (continued)

Property, Plant and Equipment

Fixed assets acquired or constructed for general governmental service are recorded as expenditures. Depreciation is not recorded for these fixed assets.

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.

Note 2 - Cash and Investments

The Village maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the Combined Statement of Cash and Investments as "Pooled Cash and Investments Balances By Fund Type".

Legal Requirements

Statutes require the classification of moneys held by the Village into three categories:

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

Category 2 - consists of "inactive" moneys, those moneys not required for use within the current two year period of designation of depositories. Inactive moneys may be deposited or invested only as certificates of deposit maturing not later than the end of the current period of designation of depositories.

VILLAGE OF ANNA
SHELBY COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS
December 31, 2002 and 2001

Note 2 - Cash and Investments – (continued)

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

1. Bonds, notes, or other obligations of or guaranteed by the United States, or those for which the faith of the United States is pledged for the payment of principal and interest;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency, or the Export-Import Bank of Washington;
3. Repurchase agreements in the securities enumerated above;
4. Interim deposits in the eligible institutions applying for interim moneys;
5. Bonds and other obligations of the State of Ohio; and
6. The State Treasurer's investment pool.

Deposits

At December 31, 2002 and 2001, the carrying amount of the Village of Anna's deposits were \$1,890,743 and \$1,735,822, and the bank balances were \$1,901,398 and \$1,753,995, respectively. The Village was insured for \$134,646 and \$100,285 by the federal depository insurance at December 31, 2002 and 2001, respectively. The remaining balance was covered by collateral deposit of securities with qualified trustee as pledged to the Village. In addition to the deposits, the Village had \$1,010 and \$370 of petty cash on hand at December 31, 2002 and 2001, respectively.

Note 3 - Property Tax

Real property taxes become a lien on all non-exempt real property located in the county on January 1. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20 of the following year. Under certain circumstances, state statute permits later payment dates to be established.

VILLAGE OF ANNA
SHELBY COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS
December 31, 2002 and 2001

Note 3 - Property Tax – (continued)

The full tax rate applied to real property for the calendar year ended December 31, 2002 was \$52.10 per \$1,000 of assessed valuation for both Dinsmore and Franklin Townships, and for the calendar year ended December 31, 2001 was \$48.90 per \$1,000 of assessed valuation for Dinsmore Township and \$48.70 per \$1,000 of assessed valuation for Franklin Township. After adjustment of the rate for inflationary increases in property values, the effective tax rate for the calendar year ended December 31, 2002 was \$43.1882 (Franklin Township) and \$43.2895 (Dinsmore Township) per \$1,000 of assessed valuation for real property classified as residential/agricultural and \$45.7697 (Franklin Township) and \$45.7879 (Dinsmore Township) per \$1,000 of assessed valuation for all other real property. After adjustment of the rate for inflationary increases in property values, the effective tax rate for the calendar year ended December 31, 2001 was \$40.5769 (Franklin Township) and \$40.8798 (Dinsmore Township) per \$1,000 of assessed valuation for real property classified as residential/agricultural and \$42.2287 (Franklin Township) and \$42.4472 (Dinsmore Township) per \$1,000 of assessed valuation for all other real property. Real property owners' tax bills are further reduced by homestead and rollback deductions, when applicable. The amount of these homestead and rollback reductions is reimbursed to the Village by the State of Ohio, and are reflected in the financial statements as intergovernmental receipts.

Owners of tangible personal property are required to file a list of such property including costs, by April 30 of each year. The property is assessed for tax purposes at varying statutory percentages of cost. The tax rate applied to tangible personal property for the calendar year ended December 31, 2000 was \$52.10 for both Dinsmore and Franklin Townships, and for the calendar year ended December 31, 2001 was \$48.90 for Dinsmore Township and \$48.70 for Franklin Township.

	2002	2001
Real Property - Valuation		
Residential/Agricultural	\$ 12,619,930	\$ 11,764,940
Commercial/Industrial	1,450,200	1,357,290
Public Utilities	4,350	4,110
Tangible Personal Property		
General - Valuation	1,106,360	972,275
Public Utilities	548,060	572,150
Total Valuation	\$ 15,728,900	\$ 14,670,765

The Shelby County Treasurer collects property tax on behalf of all taxing districts within the County. The Shelby County Auditor periodically remits to the taxing districts their portions of the taxes collected.

Note 4 - Local Income Tax

The Village of Anna levies income taxes of one and three-quarters percent of gross salaries, wages and other personal service compensation earned by residents and to earnings of nonresidents employed within the Village. The income tax also applies to net income of businesses operating within the Village.

VILLAGE OF ANNA
SHELBY COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS
December 31, 2002 and 2001

Note 5 - Debt Obligations

Debt outstanding at December 31, 2002 and 2001 consisted of the following:

	2001	2002
Water Mortgage Revenue Bonds – 6% -payable monthly over a 20 year term -final payment due 9/1/2016	\$ 411,587	\$ 381,254
Ohio Water Development Authority Loan – 6.85% -payable semi-annually over a 40 year term -final payment due 1/1/2012	88,512	81,890
Water Meter Master Lease-Purchase – 6.25% -payable monthly over a 5 year term -final payment due 6/5/2005	53,731	39,146
Fire Truck Master Lease-Purchase – 4.79% -payable semi-annually over a 10 year term -final payment due 6/15/2009	167,976	148,874
Fire Station Building Improvement Bonds – 5.25% -payable semi-annually over a 20 year term -final payment due 6/15/2019	739,172	712,546
Water Tower Loan – Interest Free - drawn to date -total loan available \$324,000	-	165,006

The annual requirements to amortize all debt outstanding as of December 31, 2002, including interest payments of \$575,063 are as follows:

Year Ending December 31,	Water Mortgage Bonds	OWDA Loan	Water Meter Master Lease	Fire Truck Master Lease	Fire Station Building Improve Bond	Water Tower Loan
2003	\$ 49,840	\$ 12,154	\$ 16,956	\$ 26,923	\$ 65,087	\$ 8,100
2004	48,176	12,154	16,956	26,923	65,087	8,100
2005	46,513	12,154	7,065	26,923	65,087	8,100
2006	44,849	12,154	-	26,923	65,087	8,100
2007	43,186	12,154	-	26,923	65,087	8,100
Thereafter	306,910	48,616	-	40,385	748,501	124,506
	\$ 539,474	\$ 109,386	\$ 40,977	\$ 175,000	\$ 1,073,936	\$ 165,006

VILLAGE OF ANNA
SHELBY COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS
December 31, 2002 and 2001

Note 6 - Pension and Retirement Plans

Public Employees Retirement System (PERS)

The Public Employees Retirement System of Ohio (PERS) is a state operated cost sharing, multiple employer public employee retirement system. Full-time permanent employees of the Village of Anna belong to Public Employees Retirement System. Public Employees Retirement System provides retirement benefits to employees who are eligible to retire based upon years of service. Public Employees Retirement System also provides survivor and disability benefits to vested employees.

Employees contribute 8.5 percent of gross salary. The employer matching share was 8.13 percent. The pension contribution requirement for the Village, for the year ended December 31, 2002, was \$38,807 which consisted of \$14,960 from employees and \$23,847 from the employer, and for the year ended December 31, 2001, the Village contribution was \$42,411 which consisted of \$16,771 from employees and \$25,640 from the employer. The Village has paid all required contributions through December 31, 2002.

Police and Firemen's Disability and Pension Fund

The Village of Anna uniformed full-time police employees participating in the police and firemen's disability and pension fund is a multi-employer cost sharing public employees retirement system created by the State of Ohio. The fund provides pension disability and health care to qualified police personnel and survivors and death benefits to qualified spouses, children and dependent parents.

Employees contribute 10% of gross salaries and the employer contributes 19.5% of gross salaries. The required contribution for the Village for the year ended December 31, 2002 was \$19,810 which consisted of \$6,715 from the employees and \$13,095 from the employer. For the year ended December 31, 2001, the required contribution was \$22,877 of which \$7,755 was from the employees and \$15,122 was from the employer. The Village has paid all required contributions through December 31, 2002.

Note 7 - Accrued Vacation and Sick Pay

Accumulated unpaid vacation and sick pay is not accrued under the cash basis of accounting described in Note 1. At December 31, 2002 and 2001, management estimated that the accrued vacation and sick pay was \$7,843 and \$5,134, respectively. All leave will either be absorbed by time off from work, or within certain limitations, be paid to employees. It is not practical to determine the actuarial value of the benefits at December 31, 2002 or 2001.

VILLAGE OF ANNA
SHELBY COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS
December 31, 2002 and 2001

Note 8 - Risk Management

The Village maintains comprehensive insurance coverage with private insurers for all real and personal property, including automobile coverage for the following risks: general liability, auto liability, wrongful acts, uninsured motorists, property coverage, wrongful acts coverage, law enforcement, inland marine, EDP coverage, fire vehicle RC, public officials liability, and employee benefits company coverage.

The Village also provides medical, dental and life insurance coverage for full-time employees through a commercial insurer.

Note 9 – Commitments and Contingencies

Real Estate Installment Purchase Agreement

The Village entered into a Real Estate Purchase Agreement on January 23, 2002 to purchase a property located adjacent to Village Hall. The agreement calls for equal payment of \$17,000 per year for the next five years due on January 23rd of each year. Upon receipt of the final payment on January 23, 2006, the seller will then transfer ownership of the property to the Village.

Pending Litigation

The Village is a defendant in a lawsuit. In this action, the plaintiffs allege, among other things, numerous violations of the Federal Clean Water Act in connection with the Village's operation of its' wastewater treatment plant. The Village has retained a legal firm to vigorously represent the interests of the Village in this litigation.

Plaintiffs have alleged damages against the Village in excess of ten million dollars and have also requested attorney fees. There is presently no trial date set in this matter. If the outcome is unfavorable to the Village, the amount of penalties imposed upon the Village could exceed one million and has the potential to exceed ten million dollars. The Village is vigorously defending the federal litigation.

Although the outcome of this suit is not presently determinable, the resolution of these matters could have a material effect on the Village's financial statements, should the Courts rule against the Village.

In connection with the above actions, other parties may have the right to similar claims as the Plaintiffs did against the Village under the Federal Clean Water Act.

VILLAGE OF ANNA
SHELBY COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS
December 31, 2002 and 2001

Note 10 – Subsidy Payments

The Village of Anna entered into an agreement with Honda of America Mfg., Inc. on March 28, 1995 regarding wastewater treatment matters. This agreement, among other things, calls for an annual payment from Honda to the Village to be used to reduce the rates and charges otherwise applicable for the treatment of wastewater by the Village's wastewater treatment system for users (other than Honda) of the Village's wastewater treatment system. This annual payment is due April 1st of each year upon written request from the Village. Remaining subsidy payments as of December 31, 2002 under this agreement are as follows:

April 1, 2003	\$	45,000
April 1, 2004		34,000
April 1, 2005		23,000
April 1, 2006		12,000



E.S. Evans and Company

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Robert E. Wendel, CPA • Dan F. Clifford, CPA • E.S. Evans, CPA, PFS (1930-1999)

June 13, 2003

**REPORT ON COMPLIANCE AND ON INTERNAL
CONTROL OVER FINANCIAL REPORTING BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Village of Anna
Shelby County, Ohio

and

Auditor of State of Ohio
Columbus, Ohio

We have audited the combined financial statements of the Village of Anna, Shelby County, Ohio as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated June 13, 2003. 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 Anna'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 no instances of noncompliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance, which we have reported to management of the Village of Anna in a separate letter dated June 13, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of Anna'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 that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to management of the Village of Anna in a separate letter dated June 13, 2003.

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

A handwritten signature in red ink, appearing to read "E. J. ...", is located in the lower right quadrant of the page.

VILLAGE OF ANNA
SHELBY COUNTY, OHIO

SCHEDULE OF FINDINGS
December 31, 2002 and 2001

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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NONE

VILLAGE OF ANNA
SHELBY COUNTY, OHIO

SCHEDULE OF PRIOR AUDIT FINDINGS
December 31, 2002 and 2001

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
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NONE



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VILLAGE OF ANNA

SHELBY 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
AUGUST 19, 2003**