



**Auditor of State
Betty Montgomery**

VILLAGE OF LEWISVILLE
MONROE COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Village of Lewisville
Monroe County
46089 SR 145
Lewisville, Ohio 43754

To the Village Council:

We have audited the accompanying financial statements of the Village of Lewisville, Monroe County, Ohio (the Village), as of and for the years ended December 31, 2002 and 2001. 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. 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 Lewisville, Monroe County, as of December 31, 2002 and 2001, 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 October 31, 2003, 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 Lewisville
Monroe County
Independent Accountants' Report
Page 2

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

October 31, 2003

**VILLAGE OF LEWISVILLE
MONROE COUNTY**

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

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$9,098	\$	\$9,098
Intergovernmental Receipts	8,440	7,622	16,062
Miscellaneous	6,077		6,077
Total Cash Receipts	<u>23,615</u>	<u>7,622</u>	<u>31,237</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	4,694		4,694
Public Health Services	6,456		6,456
Basic Utility Services	491		491
Transportation		8,312	8,312
General Government	9,089		9,089
Total Cash Disbursements	<u>20,730</u>	<u>8,312</u>	<u>29,042</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>2,885</u>	<u>(690)</u>	<u>2,195</u>
Other Financing Receipts:			
Other Financing Sources		575	575
Total Other Financing Receipts	<u>0</u>	<u>575</u>	<u>575</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	2,885	(115)	2,770
Fund Cash Balances, January 1	<u>12,215</u>	<u>6,640</u>	<u>18,855</u>
Fund Cash Balances, December 31	<u>\$15,100</u>	<u>\$6,525</u>	<u>\$21,625</u>
Reserves for Encumbrances, December 31	<u>\$339</u>	<u>\$0</u>	<u>\$339</u>

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

**VILLAGE OF LEWISVILLE
MONROE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$8,986	\$	\$8,986
Intergovernmental Receipts	5,207	7,216	12,423
	<u>14,193</u>	<u>7,216</u>	<u>21,409</u>
Total Cash Receipts			
	<u>14,193</u>	<u>7,216</u>	<u>21,409</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	3,756		3,756
Basic Utility Services	732		732
Transportation		8,796	8,796
General Government	11,453		11,453
	<u>15,941</u>	<u>8,796</u>	<u>24,737</u>
Total Cash Disbursements			
	<u>15,941</u>	<u>8,796</u>	<u>24,737</u>
Total Cash Receipts (Under) Cash Disbursements	<u>(1,748)</u>	<u>(1,580)</u>	<u>(3,328)</u>
Fund Cash Balances, January 1	<u>13,963</u>	<u>8,220</u>	<u>22,183</u>
Fund Cash Balances, December 31	<u>\$12,215</u>	<u>\$6,640</u>	<u>\$18,855</u>

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

**VILLAGE OF LEWISVILLE
MONROE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Lewisville, Monroe County (the Village), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides road maintenance, police services, and fire protection. The Village contracts with the Monroe County Sheriff's department to provide security of persons and property. The Village contracts with the Lewisville Volunteer Fire Department to provide fire protection 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. Fund Accounting

The Village uses fund accounting to segregate cash that is 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 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 LEWISVILLE
MONROE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2002 and 2001 budgetary activity appears in Note 3.

E. 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.

2. EQUITY IN POOLED CASH

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

	2002	2001
Demand deposits	<u>\$21,625</u>	<u>\$18,855</u>

Deposits: Deposits are insured by the Federal Deposit Insurance Corporation.

**VILLAGE OF LEWISVILLE
MONROE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2002 and 2001, follows:

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$15,037	\$23,615	\$8,578
Special Revenue	11,219	8,197	(3,022)
Total	\$26,256	\$31,812	\$5,556

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$31,220	\$21,069	\$10,151
Special Revenue	15,750	8,312	7,438
Total	\$46,970	\$29,381	\$17,589

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$11,252	\$14,193	\$2,941
Special Revenue	5,500	7,216	1,716
Total	\$16,752	\$21,409	\$4,657

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$20,340	\$15,941	\$4,399
Special Revenue	10,100	8,796	1,304
Total	\$30,440	\$24,737	\$5,703

Contrary to Ohio law, appropriations exceeded estimated resources in the General Fund by \$4,728 for the year ended December 31, 2002.

**VILLAGE OF LEWISVILLE
MONROE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual 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.

5. RETIREMENT SYSTEMS

The Village's elected officials and part-time 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 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 2002 and 2001, 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, 2002.

6. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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



**Auditor of State
Betty Montgomery**

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

Village of Lewisville
Monroe County
46089 SR 145
Lewisville, Ohio 43754

To the Village Council:

We have audited the accompanying financial statements of the Village of Lewisville, Monroe County, Ohio (the Village), as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated October 31, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2002-001 through 2002-003. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated October 31, 2003.

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 certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. 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. Reportable conditions are described in the accompanying Schedule of Findings as items 2002-004 and 2002-005.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated October 31, 2003.

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



Betty Montgomery
Auditor of State

October 31, 2003

**VILLAGE OF LEWISVILLE
MONROE COUNTY**

**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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FINDING NUMBER 2002-001

Noncompliance Citation

Ohio Rev. Code Section 5705.41(D) states that no subdivision or taxing unit shall make any contract or order any expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the same has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund, free from any previous encumbrances. Every such contract made without such a certificate shall be null and void and no warrant shall be issued in payment of any amount due thereon. This section also provides two "exceptions" to the above requirements:

- A. Then and Now Certificates – This exception provides that, if the fiscal officer can certify that both at the time the contract or order was made and at the time that she is completing her certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any encumbrance, the taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

- B. If the amount involved is less than \$1,000 (which was increased to \$3,000 on April 7, 2003), the fiscal officer may authorize it to be paid without the affirmation of the Village Council upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful.

Forty-three percent of expenditures tested for 2002 and 2001 were not certified prior to incurring the obligation.

We recommend the Clerk/Treasurer certify the availability of funds prior to incurring obligations.

FINDING NUMBER 2002-002

Noncompliance Citation

Ohio Rev. Code Section 5705.10 requires all revenue derived from a specific source to be credited to a special fund for the purpose for which the monies were received.

In 2001, the Village Clerk/Treasurer posted December 2000, and April, September, and October 2001, Local Government and Local Government Revenue Assistance monies from the County Auditor to the Street Construction, Maintenance and Repair Fund and State Highway Fund in the amount of \$703 and \$57, respectively, instead of crediting the monies to the General Fund.

The above adjustment, with which Village management agrees, has been posted to the Village's records and is reflected in the accompanying financial statements.

**VILLAGE OF LEWISVILLE
MONROE COUNTY**
**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2002-003

Noncompliance Citation

Ohio Rev. Code Section 5705.39 states that total appropriations from each fund shall not exceed the total estimated revenue. No appropriation measure is to become effective until the County Auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

At December 31, 2002, the General Fund appropriations exceeded estimated resources as follows:

<u>Estimated Resources</u> \$26,492	<u>Appropriations</u> \$31,220	<u>Excess</u> (\$4,728)
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We recommend the Village develop internal control procedures to ensure that appropriations do not exceed the total estimated revenue as certified by the County Budget Commission.

FINDING NUMBER 2002-004

Reportable Condition - Posting of Receipts

Receipts should be posted to the fund and line item accounts as established by the Ohio Administrative Code Section 117-9-01.

Intergovernmental and miscellaneous receipts were not posted into the correct receipt classification, based on the source of receipt. As a result, reclassification entries to the accompanying financial statements were made to properly reflect the receipt activity.

We recommend the Village Clerk/Treasurer consult the Ohio Administrative Code Section 117-9-01 and/or the Ohio Village Officer's Handbook (updated March 2003) when monies are received, to help ensure these transactions are posted to the correct receipt classifications.

FINDING NUMBER 2002-005

Reportable Condition - Posting of Estimated Receipts and Appropriations

Estimated receipts as approved by the County Budget Commission and appropriations as approved by Village Council should be entered into the Village's computer system.

The Village Clerk/Treasurer did not accurately post estimated receipts and appropriations to the Uniform Accounting Network computer system. Because the information posted to the computer system was inaccurate, Village management was unable to effectively monitor budget versus actual activity. Adjustments were made to the budgetary activity reported in Note 3 to the financial statements in order to accurately present estimated receipts as certified by the County Budget Commission and appropriations as approved by Village Council.

**VILLAGE OF LEWISVILLE
MONROE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001
(Continued)**

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

FINDING NUMBER 2002-005 (Continued)

Reportable Condition - Posting of Estimated Receipts and Appropriations (Continued)

To help ensure more useful comparisons of budget versus actual activity, we recommend the Village Clerk/Treasurer post estimated receipts to the computer system as certified by the County Budget Commission and appropriations as approved by Village Council.

**VILLAGE OF LEWISVILLE
MONROE COUNTY**

**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; <i>Explain:</i>
2000-31056-001	Ohio Rev. Code Section 5705.41(D) states no subdivision shall make any expenditure unless there is attached a certificate of the fiscal officer that the amount required to meet the obligation has been appropriated.	No	Not corrected. Reissued as finding number 2002-001.
2000-31056-002	Ohio Rev. Code Section 5705.38 states that, on or about the first day of each year, the taxing authority of each subdivision or other taxing unit shall pass an appropriation measure.	Yes	Fully corrected.
2000-31056-003	Ohio Rev. Code Section 5705.41(B) prohibits a subdivision from making an expenditure unless it has been properly appropriated.	Yes	Fully corrected.
2000-31056-004	Ohio Rev. Code Section 5705.39 provides that appropriations from each fund shall not exceed the estimated revenue plus unencumbered balances available for expenditure as certified by the county budget commission.	No	Not corrected. Reissued as finding number 2002-003.



**Auditor of State
Betty Montgomery**

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VILLAGE OF LEWISVILLE

MONROE 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
NOVEMBER 18, 2003**