



**Auditor of State
Betty Montgomery**

VILLAGE OF DOYLESTOWN
WAYNE COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental and Similar Fiduciary Fund Types For the Year Ended December 31, 2003.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Proprietary and Similar Fiduciary Fund Types For the Year Ended December 31, 2003.....	4
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental and Similar Fiduciary Fund Types For the Year Ended December 31, 2002.....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Proprietary and Similar Fiduciary Fund Types For the Year Ended December 31, 2002.....	6
Notes to the Financial Statements.....	7
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	17
Schedule of Findings.....	19
Schedule of Prior Audit Findings.....	23

This page intentionally left blank.



**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Village of Doylestown
Wayne County
24 South Portage Street
Doylestown, Ohio 44230

To the Village Council:

We have audited the accompanying financial statements of the Village of Doylestown, Wayne County, Ohio, (the Village) as of and for the years ended December 31, 2003 and 2002. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village as of December 31, 2003 and 2002, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2004 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Village of Doylestown
Wayne County
Independent Accountants' Report
Page 2

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

October 15, 2004

VILLAGE OF DOYLESTOWN
WAYNE COUNTY

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

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Cash Receipts:						
Property Tax and Other Local Taxes	\$284,405					\$284,405
Municipal Income Taxes		\$499,057				499,057
Intergovernmental Receipts	319,179	147,571				466,750
Charges for Services	39,006	31,952				70,958
Fines, Licenses, and Permits	48,900	2,966				51,866
Earnings on Investments	16,053				\$8,420	24,473
Miscellaneous	48,174	7,688		\$21,101		76,963
Total Cash Receipts	755,717	689,234		21,101	8,420	1,474,472
Cash Disbursements:						
Current:						
Security of Persons and Property	370,792	4,592				375,384
Public Health Services	48,895	19,143				68,038
Leisure Time Activities	76,831					76,831
Community Environment	66,486					66,486
Transportation		214,252				214,252
General Government	140,329	11,443				151,772
Debt Service:						
Principal Payments				15,388		15,388
Interest Payments				3,490		3,490
Capital Outlay		45,687		120,840		166,527
Total Cash Disbursements	703,333	295,117		139,718		1,138,168
Total Receipts Over/(Under) Disbursements	52,384	394,117		(118,617)	8,420	336,304
Other Financing Receipts/(Disbursements):						
Transfers-In	292,568	100,000		195,045		587,613
Transfers-Out	(117,127)	(487,613)				(604,740)
Total Other Financing Receipts/(Disbursements)	175,441	(387,613)		195,045		(17,127)
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	227,825	6,504		76,428	8,420	319,177
Fund Cash Balances, January 1	449,479	66,988	\$1,101	311,616	262,526	1,091,710
Residual Equity Transfer			(1,101)	1,101		0
Fund Cash Balances, December 31	\$677,304	\$73,492	\$0	\$389,145	\$270,946	\$1,410,887
Reserves for Encumbrances, December 31	\$2,307	\$4,170	\$0	\$0	\$0	\$6,477

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

**VILLAGE OF DOYLESTOWN
WAYNE COUNTY**

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

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$832,919	\$32,879	\$865,798
Total Operating Cash Receipts	<u>832,919</u>	<u>32,879</u>	<u>865,798</u>
Operating Cash Disbursements:			
Personal Services	249,810		249,810
Travel Transportation	7,946		7,946
Contractual Services	85,288		85,288
Mayor's Court Distributions		32,879	32,879
Supplies and Materials	115,788		115,788
Capital Outlay	210,111		210,111
Total Operating Cash Disbursements	<u>668,943</u>	<u>32,879</u>	<u>701,822</u>
Operating Income	163,976		163,976
Non-Operating Cash Receipts:			
Special Assessments	7,912		7,912
Total Non-Operating Cash Receipts	<u>7,912</u>		<u>7,912</u>
Non-Operating Cash Disbursements:			
Debt Service			
Principal	207,729		207,729
Interest	95,633		95,633
Total Non-Operating Cash Disbursements	<u>303,362</u>		<u>303,362</u>
Excess of Receipts (Under) Disbursements Before Interfund Transfers	(131,474)		(131,474)
Transfers-In	17,127		17,127
Net Receipts (Under) Disbursements	(114,347)		(114,347)
Fund Cash Balances, January 1	595,227		595,227
Fund Cash Balances, December 31	<u>\$480,880</u>	<u>\$0</u>	<u>\$480,880</u>
Reserves for Encumbrances, December 31	<u>\$814</u>	<u>\$0</u>	<u>\$814</u>

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

**VILLAGE OF DOYLESTOWN
WAYNE COUNTY**

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

	<u>Governmental Fund Types</u>				<u>Fiduciary Fund Type</u>	Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
Cash Receipts:						
Property Tax and Other Local Taxes	\$250,278					\$250,278
Municipal Income Taxes		\$489,788				489,788
Intergovernmental Receipts	115,954	140,328		\$29,190		285,472
Charges for Services	34,594	31,031				65,625
Fines, Licenses, and Permits	30,443	2,006				32,449
Earnings on Investments	22,620				\$8,785	31,405
Miscellaneous	97,908	4,370		10,000		112,278
Total Cash Receipts	<u>551,797</u>	<u>667,523</u>		<u>39,190</u>	<u>8,785</u>	<u>1,267,295</u>
Cash Disbursements:						
Current:						
Security of Persons and Property	359,860	3,375				363,235
Public Health Services	39,387	24,447				63,834
Leisure Time Activities	150,757					150,757
Community Environment	62,019					62,019
Transportation		197,927				197,927
General Government	149,453	8,159				157,612
Capital Outlay		55,937		157,199		213,136
Total Cash Disbursements	<u>761,476</u>	<u>289,845</u>		<u>157,199</u>		<u>1,208,520</u>
Total Receipts Over/(Under) Disbursements	<u>(209,679)</u>	<u>377,678</u>		<u>(118,009)</u>	<u>8,785</u>	<u>58,775</u>
Other Financing Receipts/(Disbursements):						
Sale of Bonds or Notes				84,000		84,000
Transfers-In	286,032	105,550		190,688		582,270
Transfers-Out	(156,643)	(476,720)				(633,363)
Other Financing Uses		(4,908)				(4,908)
Total Other Financing Receipts/(Disbursements)	<u>129,389</u>	<u>(376,078)</u>		<u>274,688</u>		<u>27,999</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(80,290)	1,600		156,679	8,785	86,774
Fund Cash Balances, January 1	529,769	65,388	\$1,101	154,937	253,741	1,004,936
Fund Cash Balances, December 31	<u>\$449,479</u>	<u>\$66,988</u>	<u>\$1,101</u>	<u>\$311,616</u>	<u>\$262,526</u>	<u>\$1,091,710</u>
Reserves for Encumbrances, December 31	<u>\$1,990</u>	<u>\$4,087</u>	<u>\$0</u>	<u>\$58,540</u>	<u>\$0</u>	<u>\$64,617</u>

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

**VILLAGE OF DOYLESTOWN
WAYNE COUNTY**

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

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$749,627	\$24,497	\$774,124
Miscellaneous	94,000		94,000
Total Operating Cash Receipts	<u>843,627</u>	<u>24,497</u>	<u>868,124</u>
Operating Cash Disbursements:			
Personal Services	237,909		237,909
Travel Transportation	10,921		10,921
Contractual Services	87,148		87,148
Mayor's Court Distributions		24,497	24,497
Supplies and Materials	67,359		67,359
Capital Outlay	244,518		244,518
Total Operating Cash Disbursements	<u>647,855</u>	<u>24,497</u>	<u>672,352</u>
Operating Income	195,772		195,772
Non-Operating Cash Receipts:			
Special Assessments	8,142		8,142
Proceeds from Notes and Bonds	22,500		22,500
Total Non-Operating Cash Receipts	<u>30,642</u>		<u>30,642</u>
Non-Operating Cash Disbursements:			
Debt Service			
Principal	207,316		207,316
Interest	105,321		105,321
Total Non-Operating Cash Disbursements	<u>312,637</u>		<u>312,637</u>
Excess of Receipts (Under) Disbursements Before Interfund Transfers	(86,223)		(86,223)
Transfers-In	51,093		51,093
Net Receipts (Under) Disbursements	(35,130)		(35,130)
Fund Cash Balances, January 1	630,357		630,357
Fund Cash Balances, December 31	<u>\$595,227</u>	<u>\$0</u>	<u>\$595,227</u>
Reserves for Encumbrances, December 31	<u>\$8,927</u>	<u>\$0</u>	<u>\$8,927</u>

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

**VILLAGE OF DOYLESTOWN
WAYNE COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Doylestown, Wayne County, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general governmental services, including street maintenance, water and sewer utilities, park operations (leisure time activities), cemetery operations (public health services) and police services. Chippewa Township provides fire protection and emergency medical services to the Village.

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

B. Basis of Accounting

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

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

C. Cash and Investments

Investments are included in the fund cash balances. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

Certificates of deposit, overnight repurchase agreements, money market funds and Federal Securities are valued at cost.

D. Fund Accounting

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village has the following significant Special Revenue Funds:

**VILLAGE OF DOYLESTOWN
WAYNE COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

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

Income Tax Fund - This fund receives all income tax collections of the Village taxpayers. These monies are then distributed to the General and Capital Projects Funds.

3. Debt Service Fund

This fund is used to accumulate resources for the payment of bonds and note indebtedness. The Village has the following significant Debt Service Fund:

Capital Escrow Gates Street Fund – This fund carried an unexpended balance which was no longer needed to service the retired debt.

4. Capital Projects Funds

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

Capital Improvement Fund - This fund receives a portion of income tax revenue transferred in which is used for the payment of capital improvements to the Village, including related debt payments.

5. Enterprise Funds

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

Wastewater Treatment Plant Fund - This fund received loan proceeds from the Ohio Water Development Authority to finance a utility plant expansion. This loan is being repaid from this fund.

Water Field Fund - This fund receives a portion of revenues generated from the water fund and is used towards the replacement of water lines, water tower and water plant improvements.

**VILLAGE OF DOYLESTOWN
WAYNE COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

6. Fiduciary Funds (Trust and Agency Funds)

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

Cemetery Expendable Trust Fund - This fund accounts for the resources that are restricted to capital improvements of the Chestnut Hill Cemetery.

Mayor's Court Agency Fund - This fund accounts for all revenue received from traffic violations within the Village limits. These monies are then distributed to the appropriate governmental agency and to the Village's General Fund.

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) 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 the appropriation measure 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 2003 and 2002 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as capital outlay disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

**VILLAGE OF DOYLESTOWN
WAYNE COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2003	2002
Demand deposits	\$180,273	\$419,050
Certificates of deposit	800,000	600,000
Total deposits	980,273	1,019,050
Repurchase Agreements	640,548	405,361
Money Market Funds	90,792	90,792
Treasury Note(s)	114,503	81,444
Federal Home Loan Mortgage Corporation	65,651	40,321
Federal Home Loan Bank		49,969
Total investments	911,494	667,887
Total deposits and investments	\$1,891,767	\$1,686,937

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

Investments: Money Market Funds, U.S. Treasury Notes, Federal Home Loan Mortgage Corporation and Federal Home Loan Bank investments are held in book-entry form by the Federal Reserve, in the name of the Village's financial institution. The financial institution maintains records identifying the Village as owner of these securities. The Village's agent holds securities collateralizing repurchase agreements. The securities are not in the Village's name.

3. BUDGETARY ACTIVITY

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

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,048,028	\$1,048,285	\$257
Special Revenue	789,234	789,234	0
Capital Projects	217,247	216,146	(1,101)
Enterprise	859,308	857,958	(1,350)
Fiduciary	41,379	41,299	(80)
Total	\$2,955,196	\$2,952,922	(\$2,274)

**VILLAGE OF DOYLESTOWN
WAYNE COUNTY**

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

3. BUDGETARY ACTIVITY (Continued)

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$858,440	\$822,767	\$35,673
Special Revenue	787,104	786,900	204
Capital Projects	145,075	139,718	5,357
Enterprise	973,531	973,119	412
Fiduciary	32,879	32,879	0
Total	<u>\$2,797,029</u>	<u>\$2,755,383</u>	<u>\$41,646</u>

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$837,642	\$837,829	\$187
Special Revenue	772,597	773,073	476
Capital Projects	313,878	313,878	0
Enterprise	1,070,006	925,362	(144,644)
Fiduciary	33,282	33,282	0
Total	<u>\$3,027,405</u>	<u>\$2,883,424</u>	<u>(\$143,981)</u>

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,038,323	\$920,109	\$118,214
Special Revenue	775,560	775,560	0
Capital Projects	215,739	215,739	0
Enterprise	1,147,340	969,419	177,921
Fiduciary	24,497	24,497	0
Total	<u>\$3,201,459</u>	<u>\$2,905,324</u>	<u>\$296,135</u>

4. NONCOMPLIANCE

Contrary to Ohio Rev. Code Section 5705.41(D), during 2003 and 2002, the Village did not always certify the availability of funds for its expenditures.

Contrary to Ohio Rev. Code Section 5705.14, 5705.15 and 5705.16, the Village made illegal transfers within Enterprise Funds.

**VILLAGE OF DOYLESTOWN
WAYNE COUNTY**

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

5. 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.

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.

6. LOCAL INCOME TAX

The Village levies a municipal income tax of 1.5 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

7. DEBT

Debt outstanding at December 31, 2003 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan I	\$1,672,691	5.00%
Ohio Water Development Authority Loan II	15,694	7.51%
Ohio Public Works Commission	204,661	0.00%
General Obligation Bond	68,612	4.35%
General Obligation Notes	<u>47,484</u>	6.75%
Total	<u>\$2,009,142</u>	

The Ohio Water Development Authority (OWDA) Loan I relates to a wastewater treatment plant constructed by the Village. The OWDA has provided \$3,591,943 in loans to the Village for this project. The loans will be repaid in semiannual installments of \$143,073, including interest of 5.00%, over 20 years. The final payment is due on July 1, 2010. Property and revenue of the utility facilities have been pledged to repay this debt.

The Ohio Water Development Authority (OWDA) Loan II is for the cost associated with the rearrangement of Village owned utility facilities as part of a Ohio Department of Transportation highway improvement project. The loans will be repaid in semiannual installments of \$1,571, including interest of 7.51%, over 20 years. The final payment is due on January 1, 2010.

**VILLAGE OF DOYLESTOWN
WAYNE COUNTY**

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

7. DEBT (Continued)

The Ohio Public Works Commission (OPWC) Loan #CP08A relates to the elevated water tank replacement project. The zero percent interest loan is being repaid in semiannual installments of \$5,763, over 20 years. The final payment is due on July 1, 2019.

The Ohio Public Works Commission (OPWC) Loan #CP35E relates to a water supply well replacement project. The zero percent interest loan is being repaid in semiannual installments of \$2,250 over five years. The final payment is due on January 1, 2008.

The General Obligation Note relates to the construction and installation of water and sewer lines. The notes will be repaid in semiannual installments of \$3,031, including interest of 6.75%, over 17 years. The final payment is due on April 5, 2015.

The General Obligation Bonds relate to the purchase of real estate for parking improvements. The bonds will be repaid in semiannual installments of \$9,439, including interest of 4.35%, over five years. The final payment is due on August 15, 2007.

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

	<u>OWDA Loans</u>	<u>OPWC Loans</u>	<u>General Obligation Notes</u>	<u>General Obligation Bond</u>
Year ending December 31:				
2004	\$289,288	\$16,026	\$6,061	\$18,878
2005	289,289	16,026	6,061	18,878
2006	289,288	16,026	6,061	18,878
2007	289,288	16,025	6,061	18,878
2008	289,289	13,776	6,060	
2009 - 2013	577,007	57,628	30,304	
2014 - 2018		57,628	8,223	
2019		11,526		
	<u>\$2,023,449</u>	<u>\$204,661</u>	<u>\$68,831</u>	<u>\$75,512</u>
Total				

8. RETIREMENT SYSTEMS

The Village's full time law enforcement officers belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees and part time law enforcement officers belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2003 and 2002, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant wages. OPERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2003 and 2002. The Village has paid all contributions required through December 31, 2003.

**VILLAGE OF DOYLESTOWN
WAYNE COUNTY**

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

9. RISK MANAGEMENT

Risk Pool Membership

The Village belongs to the Ohio Municipal Joint Self-Insurance Pool, (the "Pool"), an unincorporated non-profit association available to municipal corporations and their instrumentalities. The Plan is a separate legal entity per Section 2744.081 of the Ohio Revised Code. The Pool provides property and casualty insurance for its members. The Plan pays judgments, settlements and other expenses resulting for covered claims that exceed the members' deductibles.

The Pool cedes certain premiums to reinsurers or excess reinsurers. The Pool is contingently liable should any reinsurer be unable to meet its reinsurance obligations.

The Pool's financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained deficit at December 31, 2003 and 2002:

	<u>2003</u>	<u>2002</u> <u>(Restated)</u>
Assets	\$1,811,340	\$1,852,060
Liabilities	<u>(3,653,152)</u>	<u>(3,858,213)</u>
Retained deficit	<u>(\$1,841,812)</u>	<u>(\$2,006,153)</u>

The Pool assumes the risk of loss up to the limits of the Village's policy. The following risks are covered by the Pool:

- General liability and casualty;
- Commercial inland marine coverage;
- Public official's liability;
- Police professional liability;
- Employee benefits liability; and
- Automobile liability.

The Village also provides health insurance and dental coverage to full-time employees through the Wayne County Insurance Pool.

10. CONTINGENT LIABILITIES

The Village is defendant or plaintiff in several lawsuits. Although the outcome of these suits is not presently determinable, management believes that the resolution of these matters will not materially adversely affect the Village's financial condition.

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

**VILLAGE OF DOYLESTOWN
WAYNE COUNTY**

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

11. RESIDUAL EQUITY TRANSFER

During fiscal year 2003, the Village carried an unexpended balance in the Capital Escrow Gates Street Debt Service Fund. This balance was no longer needed to service the retired debt. As a result, the fund balance of \$1,101 was transferred to a Capital Projects Fund and is reflected as a residual equity transfer on the Village's accompanying financial statements.

This page intentionally left blank.



Auditor of State Betty Montgomery

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

Village of Doylestown
Wayne County
24 South Portage Street
Doylestown, Ohio 44230

To the Village Council:

We have audited the accompanying financial statements of the Village of Doylestown, Wayne County, Ohio, (the Village) for the years ended December 31, 2003 and 2002, and have issued our report thereon dated October 15, 2004. 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 2003-001 through 2003-004.

We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated October 15, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting 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 management's assertions in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings as items 2003-005 and 2003-006.

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 do not believe the reportable conditions described above are material weaknesses. 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 the Village's management in a separate letter dated October 15, 2004

This report is intended solely 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.

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 15, 2004

**VILLAGE OF DOYLESTOWN
WAYNE COUNTY**

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

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
--

FINDING NUMBER 2003-001

Noncompliance

Ohio Rev. Code Section 5705.41(D) requires 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 purposes 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 certificate should 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 Certificate - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time the certificate, appropriated and free of any previous encumbrances, the Village Council may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.
- B) If the amount involved is less than \$1,000 (increased to \$3,000 after April 7, 2003), the Clerk-Treasurer may authorize it to be paid without the affirmation of the Village Council, upon completion of the "then and now" certificate, if such expenditure is otherwise valid.

During 2002 and 2003, 43% of expenditures tested were not certified by the Clerk/Treasurer prior to incurring the obligation. It was also found that neither of the two exceptions above were properly utilized for the items found to be in noncompliance. The Village should inform all Village employees of the requirements of Ohio Rev. Code Section 5705.41(D) and certify the availability of funds prior to entering the obligation. The Village should also consider implementing the use of so-called "Then and Now Certificates" and "Blanket Certificates" as further permitted by Ohio Rev. Code Section 5705.41.

FINDING NUMBER 2003-002

Noncompliance - Finding for Recovery Repaid Under Audit

Ohio Rev. Code Sections 2743.70 and 2949.091 require courts, in which any person is convicted of or pleads guilty to any offense other than a traffic offense that is not a moving violation, shall impose a specified amount of costs in addition to any other court costs that the court is required by law to impose upon the offender. Ohio Rev. Code Section 2743.70 requires the amounts to be transmitted on the first business day of the following month, while Ohio Rev. Code Section 2949.091 requires the amounts to be transmitted on the 20th day of the following month.

Costs collected during June, 2003 in the amount of \$695 were not distributed to the Treasurer of State, but were credited to the Village's General Fund.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money not distributed to the State is hereby issued against the Village of Doylestown in the amount \$695 and in favor of the State of Ohio's Reparations and General Funds in the amounts of \$311 and \$384, respectively.

The Village repaid the finding on July 16, 2004.

FINDING NUMBER 2003-003

Noncompliance - Finding for Recovery Repaid Under Audit

Ohio Rev. Code Sections 4513.263(E) provides that all fines collected for violations of division (B) of this section, or for violations of any ordinance or resolution of a political subdivision that is substantively comparable to that division, shall be forwarded to the treasurer of state for deposit as follows:

- a. Eight per cent shall be deposited into the seat belt education fund, as created in the state treasury and shall be used by the department of public safety to establish a seat belt education program.
- b. Eight per cent shall be deposited into the elementary school program fund, as created in the state treasury, and shall be used by department of public safety to establish and administer elementary school programs that encourage seat safety belt use.
- c. Two per cent shall be deposited into the Ohio medical transportation trust fund, as created by Ohio Rev. Code Section 4766.05.
- d. Twenty-eight per cent shall be deposited into the trauma and emergency medical services fund, as created in the state treasury, and shall be used by the department of public safety for the administration of the division of emergency medical services and the state board of emergency medical services.
- e. Fifty-four percent shall be deposited into the trauma and emergency medical services grants fund, as created in the state treasury, and shall be used by the state board of emergency medical services to make grants, in accordance with section 4765.07 of the Revised Code and rules the board adopts under section 4765.11 of the Revised Code.

Costs collected during June, 2003, in the amount of \$120 in accordance with the aforementioned section were not disbursed to the treasurer of state, but were credited to the Village's General Fund.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code 117.28, a Finding for Recovery for public money not distributed to the State is hereby issued against the Village of Doylestown's General Fund in the amount of \$120 and in favor of the State of Ohio's Seat Belt Education; State of Ohio's Elementary School Program; Ohio Medical Transportation Trust Fund; and the State of Ohio's Trauma and Emergency Medical Services Fund in the amounts of \$10; \$10; \$2; and \$98, respectively.

This Village repaid the finding on July 16, 2004.

FINDING NUMBER 2003-004

Noncompliance – Finding for Adjustment

Ohio Rev. Code Sections 5705.14, 5705.15 and 5705.16 provide guidelines pertaining to allowable inter-fund transfers. Transfers from the General Fund require a resolution passed by a majority of the Council members of the taxing authority. See also 1989 Op. Atty. Gen. No. 89-075 (Ohio Rev. Code Section 5705.14(E) has been interpreted to require a resolution passed by a simple majority when transferring funds from the general revenue fund to specific funds). In certain circumstances, which are detailed in Ohio Rev. Code Section 5705.14, transfers from funds other than the General Fund may be made by a resolution passed by a two-thirds vote of the taxing authority. In addition to transfers from the General Fund and those permitted by Ohio Rev. Code Section 5705.14, the taxing authority of any political subdivision, with the approval of the Tax Commissioner and the Court of Common Pleas, may transfer from one fund to any other public funds under its supervision, with certain exceptions, which are detailed in Ohio Rev. Code Sections 5705.15 and 5705.16.

FINDING NUMBER 2003-004 (Continued)

The following transfers were made contrary to these Ohio Rev. Code Sections:

	<u>Transfers Out of Fund</u>	<u>Transfers Into Fund</u>	<u>Amount</u>
2003	Special Revenue - Income Tax Fund	General Fund Capital Improvements Fund	\$96,078 64,053
2002	Income Tax Fund	General Fund Capital Improvements Fund	286,032 190,688
	Enterprise – Sewer Fund	Enterprise - Capital Wastewater Treatment Plant Fund	143,073
	Enterprise – Special Water and Sewer Fund	Enterprise – Capital Homan and Gates Streets Fund	1,571

The transfers in 2002 and 2003 from the Income Tax Fund to the General and Capital Improvements Funds were not approved by Council. However, Section 99.17 (B) of the Village Income Tax Ordinance #88.17 allows for the annual allocation of all net income tax proceeds to these funds,

The 2002 transfers within Enterprise Funds were not approved by Council nor were they approved by the Tax Commissioner and the Court of Common Pleas. (The effects of the transfer of \$1,571 resulted in negative fund balances).

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Sections 5705.14, 5705.15, and 5705.16, Findings for Adjustment for improper transfer of funds are hereby issued against the Capital Wastewater Treatment Plant Enterprise Fund and in favor of the Sewer Enterprise Fund in the amount of \$143,073 and against the Capital Homan and Gates Street Enterprise Fund and in favor of the Special Water and Sewer Enterprise Fund in the amount of \$1,571. The accompanying financial statements and the Village's books have been adjusted for these adjustments.

FINDING NUMBER 2003-005

Reportable Condition

During our test of nonpayroll disbursements within the Village, we noted the following:

- Some voucher packets lacked supporting documentation, such as vendor invoices.
- An expenditure was paid from a fax and there was no evidence the Clerk-Treasurer researched the item to determine if it was already paid.
- There are several occasions in which the check register did not agree to the name on the actual check. Although the actual checks went to the appropriate vendor (manually), they were recorded in the check register as "Miscellaneous Vendor" to avoid entering new vendors into the system.
- Vouchers packets did not always indicate from what fund the disbursement was posted.
- An expenditure for computer equipment was posted to Vehicle Liability and Ins. and Administrative Books and Publications account codes.
- A check in excess of \$59,000 was replaced by another check and no documentation existed that the initial check was voided. The Village's Check Report (by check number) indicated the initial check was cashed, however, our review of the bank statements did not confirm it had ever cleared the bank.

FINDING NUMBER 2003-005 (Continued)

We recommend that the Clerk-Treasurer maintain complete and accurate records of all Village disbursements. Each voucher packet should include a copy of the purchase order and the actual vendor invoice. Furthermore, each purchase order should include the proper account code charged and a description of the transaction. In addition, we recommend that the Clerk-Treasurer use the same data, such as vendor names, fund numbers and dates, throughout all records.

Implementation of these procedures will enable management to effectively monitor spending and assist the Village with budget management decisions.

FINDING NUMBER 2003-006

Reportable Condition

The following significant errors were noted in the preparation of the Cash Basis Annual Financial Reports.

For 2003:

- Ending Fund Balances on the Combined Statement of Receipts Disbursements, and Changes in Fund Balance did not agree in total to the Year-end Cash Reconciliation;
- General Fund - Intergovernmental Revenues were overstated by \$87,906. A reclassification was made to reflect the revenues as Charges for Services (\$39,006) and Fines, Licenses and Permits (\$48,900). In addition, a Transfer-Out of \$117,127 was incorrectly reflected as a General Government Expenditure;
- Special Revenue – An Income Tax Fund Transfer-Out of \$487,613 was incorrectly reflected as a General Government Expenditure;
- Capital Projects – A Transfer-in of \$195,045 was incorrectly reflected as Miscellaneous Revenue. In addition, Capital Outlay Expenditures of \$139,717 were incorrectly reflected as Community Environment Expenditures;
- Enterprise Funds – Several transactions were not reflected on the Combined Statement, thus ending fund balances were not accurate.

For 2002:

- Ending Fund Balances on the Combined Statement of Receipts Disbursements, and Changes in Fund Balance did not agree to the Year-end Cash Reconciliation. This was mainly due to the purchase of chemical supplies within the Water Fund being reflected as revenues.
- Enterprise Funds - Debt Proceeds were incorrectly reflected as Charges for Services.

Although transactions appear to be entered correctly on the Village's Revenue and Expense Audit Trail reports and the Detailed Trial Balance, the Clerk-Treasurer should exercise proper due care in the preparation of the Annual Cash Basis Financial Report. This can be accomplished by comparing total fund revenues and expenditures to the year-end Statement of Cash Position Report. Once these amounts have been accurately entered on the Combined Statement of Receipts Disbursements, and Changes in Fund Balance, the Clerk-Treasurer should compare ending fund balances to the year-end cash reconciliation.

Implementation of the aforementioned procedures will help ensure that all financial activity is complete and reasonably accurate prior to submitting the final report to the Auditor of State.

**VILLAGE OF DOYLESTOWN
WAYNE COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2001-30985-001	Ohio Rev. Code Section 5705.41(D), expenditures were not properly certified.	No	Not Corrected; See Finding Number 2003-001.
2001-30985-002	Ohio Admin. Code Section 117-2-02 (C)(2), Village did not utilize purchase orders.	No	Not Corrected; Admin. Code no longer valid. See Finding Number 2003-005 for a similar comment.



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

VILLAGE OF DOYLESTOWN

WAYNE 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
DECEMBER 14, 2004**