



**Auditor of State
Betty Montgomery**

VILLAGE OF SUGAR GROVE
FAIRFIELD COUNTY

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Village of Sugar Grove
Fairfield County
101 Bridge Street, PO Box 7
Sugar Grove, Ohio 43155-0007

To the Village Council:

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

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

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

We believe that our audit provides a reasonable basis for our opinion.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 14, 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 Sugar Grove
Fairfield County
Independent Accountants' Report

This report is intended solely for the information and use of the finance committee, 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

May 14, 2004

**VILLAGE OF SUGAR GROVE
FAIRFIELD COUNTY**

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

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$18,671	\$2,729	\$0	\$21,400
State Shared Taxes and Permits	76,291	0	0	76,291
Intergovernmental Receipts	24,232	22,749	61,766	108,747
Fines, Licenses, and Permits	6,454	990	0	7,444
Earnings on Investments	1,943	290	0	2,233
Miscellaneous	11,644	0	0	11,644
	<u>139,235</u>	<u>26,758</u>	<u>61,766</u>	<u>227,759</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	46,221	0	0	46,221
Public Health Services	1,250	0	0	1,250
Leisure Time Activities	20	421	0	441
Community Environment	3,514	0	0	3,514
Transportation		37,017	0	37,017
General Government	77,434	580	0	78,014
Capital Outlay	0	0	71,598	71,598
	<u>128,439</u>	<u>38,018</u>	<u>71,598</u>	<u>238,055</u>
Total Receipts Over/(Under) Disbursements	<u>10,796</u>	<u>(11,260)</u>	<u>(9,832)</u>	<u>(10,296)</u>
Other Financing Receipts and (Disbursements):				
Transfers-In	0	0	6,500	6,500
Transfers-Out	(6,500)	0	0	(6,500)
	<u>(6,500)</u>	<u>0</u>	<u>6,500</u>	<u>0</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	4,296	(11,260)	(3,332)	(10,296)
Fund Cash Balances, January 1	<u>94,791</u>	<u>30,120</u>	<u>4,131</u>	<u>129,042</u>
Fund Cash Balances, December 31	<u>\$99,087</u>	<u>\$18,860</u>	<u>\$799</u>	<u>\$118,746</u>
Reserves for Encumbrances, December 31	<u>\$0</u>	<u>\$0</u>	<u>\$32,305</u>	<u>\$32,305</u>

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

**VILLAGE OF SUGAR GROVE
FAIRFIELD COUNTY**

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

	Proprietary Fund Type	Fiduciary Fund Types		Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	Agency	
Operating Cash Receipts:				
Charges for Services	\$84,561	\$0	\$0	\$84,561
Total Operating Cash Receipts	84,561	0	0	84,561
Operating Cash Disbursements:				
Personal Services	13,235	0	0	13,235
Fringe Benefits	1,710	0	0	1,710
Contractual Services	71,035	0	0	71,035
Supplies and Materials	7,389	0	0	7,389
Capital Outlay	3,681	0	0	3,681
Total Operating Cash Disbursements	97,050	0	0	97,050
Operating Income/(Loss)	(12,489)	0	0	(12,489)
Non-Operating Cash Receipts:				
Other Non-Operating Receipts	0	0	6,507	6,507
Total Non-Operating Cash Receipts	0	0	6,507	6,507
Non-Operating Cash Disbursements:				
Debt Service	4,730	0	0	4,730
Other Non-Operating Cash Disbursements	0	0	6,522	6,522
Total Non-Operating Cash Disbursements	4,730	0	6,522	11,252
Net Receipts Over/(Under) Disbursements	(17,219)	0	(15)	(17,234)
Fund Cash Balances, January 1	67,329	5,057	15	72,401
Fund Cash Balances, December 31	\$50,110	\$5,057	\$0	\$55,167

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

**VILLAGE OF SUGAR GROVE
FAIRFIELD 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>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$19,741	\$2,840	\$0	\$22,581
State Shared Taxes and Permits	80,322	0	0	80,322
Intergovernmental Receipts	20,164	21,670	0	41,834
Fines, Licenses, and Permits	1,398	320	0	1,718
Earnings on Investments	2,944	520	0	3,464
Miscellaneous	3,653	386	0	4,039
	<u>128,222</u>	<u>25,736</u>	<u>0</u>	<u>153,958</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
Security of Persons and Property	34,020	0	0	34,020
Public Health Services	1,167	0	0	1,167
Leisure Time Activities	2,544	375	0	2,919
Community Environment	281	0	0	281
Transportation	0	19,508	0	19,508
General Government	75,919	960	0	76,879
Capital Outlay		1,596	3,573	5,169
	<u>113,931</u>	<u>22,439</u>	<u>3,573</u>	<u>139,943</u>
Total Cash Disbursements				
Total Receipts Over/(Under) Disbursements	<u>14,291</u>	<u>3,297</u>	<u>(3,573)</u>	<u>14,015</u>
Other Financing Receipts and (Disbursements):				
Transfers-In	0	0	5,000	5,000
Transfers-Out	(5,000)	0		(5,000)
	<u>(5,000)</u>	<u>0</u>	<u>5,000</u>	<u>0</u>
Total Other Financing Receipts/(Disbursements)				
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	9,291	3,297	1,427	14,015
Fund Cash Balances, January 1	<u>85,500</u>	<u>26,823</u>	<u>2,704</u>	<u>115,027</u>
Fund Cash Balances, December 31	<u><u>\$94,791</u></u>	<u><u>\$30,120</u></u>	<u><u>\$4,131</u></u>	<u><u>\$129,042</u></u>
Reserves for Encumbrances, December 31	<u><u>\$149</u></u>	<u><u>\$224</u></u>	<u><u>\$3,270</u></u>	<u><u>\$3,643</u></u>

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

**VILLAGE OF SUGAR GROVE
FAIRFIELD COUNTY**

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

	Proprietary Fund Type	Fiduciary Fund Types		Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	Agency	
Operating Cash Receipts:				
Charges for Services	\$87,940	\$0	\$0	\$87,940
Total Operating Cash Receipts	87,940	0	0	87,940
Operating Cash Disbursements:				
Personal Services	12,063	0	0	12,063
Fringe Benefits	1,402	0	0	1,402
Contractual Services	55,126	0	0	55,126
Supplies and Materials	6,150	0	0	6,150
Capital Outlay	207	0	0	207
Total Operating Cash Disbursements	74,948	0	0	74,948
Operating Income/(Loss)	12,992	0	0	12,992
Non-Operating Cash Receipts:				
Other Non-Operating Receipts	0	0	1,620	1,620
Total Non-Operating Cash Receipts	0	0	1,620	1,620
Non-Operating Cash Disbursements:				
Debt Service	4,799	0	0	4,799
Other Non-Operating Cash Disbursements	0	0	1,635	1,635
Total Non-Operating Cash Disbursements	4,799	0	1,635	6,434
Net Receipts Over/(Under) Disbursements	8,193	0	(15)	8,178
Fund Cash Balances, January 1	59,136	5,057	30	64,223
Fund Cash Balances, December 31	\$67,329	\$5,057	\$15	\$72,401

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

**VILLAGE OF SUGAR GROVE
FAIRFIELD COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Sugar Grove, Fairfield County, Ohio, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides water and sewer utilities, park operations, and police services.

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

B. Basis of Accounting

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

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

C. Cash and Investments

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

The U.S. Treasury Bond is 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 had the following significant Special Revenue Funds:

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 SUGAR GROVE
FAIRFIELD COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

Permissive Motor Vehicle License Fund – This fund receives permissive motor vehicle tax money for constructing, maintaining and repairing Village streets.

3. Capital Projects Funds

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

Grant Improvement Fund - This fund received an Ohio Public Works Commission grant for sanitary sewer improvements.

4. Enterprise Funds

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

Water 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.

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

5. 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 had the following significant Fiduciary Funds:

Non-Expendable Trust Fund – This fund was created from a bequeath of a Village resident. The interest is to be used for the cemetery.

Agency Fund – This fund receives money collected by the Mayor's Court as fines and forfeitures.

**VILLAGE OF SUGAR GROVE
FAIRFIELD COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the function level of control in 2003 and the object level of control in 2002, 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.

A summary of 2003 and 2002 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

G. Accumulated Leave

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

**VILLAGE OF SUGAR GROVE
FAIRFIELD COUNTY**

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2003	2002
Demand deposits	\$168,913	196,443
Total deposits	168,913	196,443
U.S. Treasury Bond	5,000	5,000
Total investments	5,000	5,000
Total deposits and investments	\$173,913	\$201,443

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

Investments: The U.S. Treasury Bond is 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.

3. BUDGETARY ACTIVITY

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

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$132,960	\$139,235	\$6,275
Special Revenue	24,756	26,758	2,002
Capital Projects	102,245	68,266	(33,979)
Enterprise	82,500	84,561	2,061
Fiduciary	5,052	6,507	1,455
Total	\$347,513	\$325,327	(\$22,186)

**VILLAGE OF SUGAR GROVE
FAIRFIELD 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	\$186,863	\$134,939	\$51,924
Special Revenue	48,462	38,018	10,444
Capital Projects	105,076	103,903	1,173
Enterprise	132,433	101,780	30,653
Fiduciary	1,615	6,522	(4,907)
Total	<u>\$474,449</u>	<u>\$385,162</u>	<u>\$89,287</u>

2002 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$122,292	\$128,222	\$5,930
Special Revenue	24,528	25,736	1,208
Capital Projects	16,600	5,000	(11,600)
Enterprise	87,736	87,940	204
Fiduciary	1,000	1,620	620
Total	<u>\$252,156</u>	<u>\$248,518</u>	<u>(\$3,638)</u>

2002 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$151,622	\$119,080	\$32,542
Special Revenue	46,425	22,663	23,762
Capital Projects	7,704	6,843	861
Enterprise	122,901	79,747	43,154
Fiduciary	1,000	1,635	(635)
Total	<u>\$329,652</u>	<u>\$229,968</u>	<u>\$99,684</u>

**VILLAGE OF SUGAR GROVE
FAIRFIELD COUNTY**

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

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

5. LOCAL INCOME TAX

The Village levies a municipal income tax of .75 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 Oatney & Wasem, CPAs, the Village's tax administrator, either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

6. DEBT

Debt outstanding at December 31, 2003 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan	\$2,178	10.16%

The Ohio Water Development Authority (OWDA) loan was used to install a 70,000 gallon per day extended aeration sewage treatment system and service building. The loans will be repaid in semiannual installments of \$2,399, including interest, over 20 years. The loan is collateralized by water and sewer receipts.

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

	<u>OWDA Loan</u>
Year ending December 31: 2004	\$2,399

**VILLAGE OF SUGAR GROVE
FAIRFIELD COUNTY**

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

7. RETIREMENT SYSTEM

The Village's employees, some elected officials, and law enforcement officers belong to Public Employees Retirement System (PERS) of Ohio. PERS is cost-sharing, multiple-employer plan. The plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

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

8. SOCIAL SECURITY

Some of the Village's elected officials and Board of Public Affairs members belong to the Social Security Administration and pay FICA taxes.

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

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

9. RISK MANAGEMENT

The Village belongs to the Public Entities Pool of Ohio ("PEP"), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty insurance for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

PEP retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. Claims exceeding \$250,000 are reinsured with APEEP up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000, from the General Reinsurance Corporation.

If losses exhaust PEP's retained earnings, APEEP covers PEP losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

PEP retains property risks, including automobile physical damage, up to \$10,000 on any specific loss with an annual aggregate of \$700,000 for 2001 and \$1,250,000 for 2002. The Travelers Indemnity Company reinsures losses exceeding \$10,000 if the annual aggregate is reached and all specific losses exceeding \$100,000. APEEP's Operating Fund and Guarantee Fund pay for losses and loss adjustment expenses should they exceed operating contributions.

The aforementioned casualty and property reinsurance agreements do not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

VILLAGE OF SUGAR GROVE
FAIRFIELD COUNTY

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

9. RISK MANAGEMENT (Continued)

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, for the most recent information available:

<u>Casualty Coverage</u>	<u>2002</u>	<u>2001</u>
Assets	\$20,174,977	\$19,358,458
Liabilities	<u>(8,550,749)</u>	<u>(8,827,588)</u>
Retained earnings	<u>\$11,624,228</u>	<u>\$10,530,870</u>

<u>Property Coverage</u>	<u>2002</u>	<u>2001</u>
Assets	\$2,565,408	\$1,890,323
Liabilities	<u>(655,318)</u>	<u>(469,100)</u>
Retained earnings	<u>\$1,910,090</u>	<u>\$1,421,223</u>



Auditor of State Betty Montgomery

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

Village of Sugar Grove
Fairfield County
101 Bridge Street, P.O. Box 7
Sugar Grove, Ohio 43155-0007

To the Village Council:

We have audited the accompanying financial statements of the Village of Sugar Grove (the Village), Fairfield County, Ohio, as of and for the years ended December 31, 2003, and December 31, 2002, and have issued our report thereon dated May 14, 2004, wherein we noted that the Village's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of the Village because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the Village in a separate letter dated May 14, 2004.

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Village of Sugar Grove
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Required by *Government Auditing Standards*
Page 2

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

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

Betty Montgomery
Auditor of State

May 14, 2004

**VILLAGE OF SUGAR GROVE
FAIRFIELD COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?
2001-10623-001	SAS 70 - Income Tax return processing	Yes

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**Auditor of State
Betty Montgomery**

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800-282-0370

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VILLAGE OF SUGAR GROVE

FAIRFIELD COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 8, 2004**