



**Auditor of State
Betty Montgomery**

VILLAGE OF ASHVILLE
PICKAWAY COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Village of Ashville
Pickaway County
200 Station Street
Ashville, Ohio 43103

To the Village Council:

We have audited the accompanying financial statements of the Village of Ashville, Pickaway County, Ohio, (the Village) as of and for the years ended December 31, 2002, and December 31, 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 accounting principles generally accepted in the United States of America.

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 Ashville, Pickaway County, Ohio, as of December 31, 2002, and December 31, 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 15, 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.

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This report is intended solely for the information and use of management, the finance committee, 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 15, 2003

**VILLAGE OF ASHVILLE
PICKAWAY 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	\$100,880	\$0	\$0	\$100,880
Municipal Income Tax	309,277	0	0	309,277
Intergovernmental Receipts	87,329	168,294	27,000	282,623
Charges for Services	106,481	0	0	106,481
Fines, Licenses, and Permits	113,473	56,385	0	169,858
Earnings on Investments	28,168	532	0	28,700
Miscellaneous	70,801	0	0	70,801
	<u>816,409</u>	<u>225,211</u>	<u>27,000</u>	<u>1,068,620</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
Security of Persons and Property	263,443	26,987	0	290,430
Public Health Services	10,168	0	0	10,168
Leisure Time Activities	20,376	4,125	0	24,501
Community Environment	8,222	0	0	8,222
Basic Utility Services	100,782	0	0	100,782
Transportation	85,383	164,359	0	249,742
General Government	260,753	10,000	0	270,753
Capital Outlay	44,300	0	27,000	71,300
	<u>793,427</u>	<u>205,471</u>	<u>27,000</u>	<u>1,025,898</u>
Total Cash Disbursements				
Total Receipts Over Disbursements	22,982	19,740	0	42,722
Fund Cash Balances, January 1	610,041	57,292	0	667,333
Fund Cash Balances, December 31	<u>\$633,023</u>	<u>\$77,032</u>	<u>\$0</u>	<u>\$710,055</u>
Reserves for Encumbrances, December 31	<u>\$9,965</u>	<u>\$0</u>	<u>\$0</u>	<u>\$9,965</u>

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

**VILLAGE OF ASHVILLE
PICKAWAY COUNTY**

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

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$1,233,593
Miscellaneous	1,927
	1,235,520
Total Operating Cash Receipts	1,235,520
Operating Cash Disbursements:	
Personal Services	117,410
Fringe Benefits	59,429
Contractual Services	119,512
Supplies and Materials	73,594
Other	23,683
Capital Outlay	98,729
	492,357
Total Operating Cash Disbursements	492,357
Operating Income	743,163
Non-Operating Cash Disbursements:	
Redemption of Principal	94,193
Interest and Other Fiscal Charges	155,822
	250,015
Total Non-Operating Cash Disbursements	250,015
Net Receipts Over Disbursements	493,148
Fund Cash Balances, January 1	1,240,772
Fund Cash Balances, December 31	\$1,733,920
Reserve for Encumbrances, December 31	\$5,113

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

**VILLAGE OF ASHVILLE
PICKAWAY 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>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax	\$93,604	\$0	\$0	\$93,604
Municipal Income Tax	278,761	0	0	278,761
Intergovernmental Receipts	115,932	159,890	40,400	316,222
Charges for Services	105,579	0	0	105,579
Fines, Licenses, and Permits	119,257	38,000	0	157,257
Earnings on Investments	41,452	2,319	0	43,771
Miscellaneous	56,860	4,320	0	61,180
	<u>811,445</u>	<u>204,529</u>	<u>40,400</u>	<u>1,056,374</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	242,147	20,043	0	262,190
Public Health Services	10,593	0	0	10,593
Leisure Time Activities	25,986	2,331	0	28,317
Community Environment	10,352	0	0	10,352
Basic Utility Services	94,253	0	0	94,253
Transportation	65,793	203,566	0	269,359
Contractual Services	54,601	0	0	54,601
General Government	179,206	0	0	179,206
Capital Outlay	0	25,934	40,400	66,334
	<u>682,932</u>	<u>251,874</u>	<u>40,400</u>	<u>975,206</u>
Total Receipts Over/(Under) Disbursements	128,513	(47,345)	0	81,168
Fund Cash Balances, January 1	<u>481,528</u>	<u>104,637</u>	<u>0</u>	<u>586,165</u>
Fund Cash Balances, December 31	<u>\$610,041</u>	<u>\$57,292</u>	<u>\$0</u>	<u>\$667,333</u>

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

**VILLAGE OF ASHVILLE
PICKAWAY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2001**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$991,951
Miscellaneous	10,816
	1,002,767
Total Operating Cash Receipts	1,002,767
Operating Cash Disbursements:	
Personal Services	126,198
Fringe Benefits	56,234
Contractual Services	139,034
Supplies and Materials	39,689
Other	712
Capital Outlay	291,106
	652,973
Total Operating Cash Disbursements	652,973
Operating Income	349,794
Non-Operating Cash Disbursements:	
Redemption of Principal	89,804
Interest and Other Fiscal Charges	120,291
	210,095
Total Non-Operating Cash Disbursements	210,095
Net Receipts Over Disbursements	139,699
Fund Cash Balances, January 1	1,101,073
Fund Cash Balances, December 31	\$1,240,772

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

**VILLAGE OF ASHVILLE
PICKAWAY 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 Ashville, Pickaway 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 (leisure time activities) 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 the sale 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 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 Fund

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 ASHVILLE
PICKAWAY COUNTY

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Fund (Continued)

Motor Vehicle License Tax Fund- This fund receives gasoline tax and motor vehicle tax money for the purchasing of materials and supplies for the maintenance of roads. This fund is used only to purchase supplies, not to pay wages.

COPS Fund- This fund receives federal and state grant revenues to provide for the security and safety of the residents, in accordance with the terms of the grant.

3. Capital Projects Fund- This fund is 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 Projects Fund:

Issue Two Construction Fund- This fund reflects the contributions made from the County to construct and repair roads within the Village.

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.

E. 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 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.

VILLAGE OF ASHVILLE
PICKAWAY COUNTY

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

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.

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.

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:

	<u>2002</u>	<u>2001</u>
Demand deposits	\$2,225,038	\$1,655,117
Certificates of deposit	258,937	252,988
Total deposits	<u>\$2,483,975</u>	<u>1,908,105</u>

Deposits: Deposits are either insured by the Federal Depository Insurance Corporation, or collateralized by securities specifically pledged by the financial institution to the Village.

**VILLAGE OF ASHVILLE
PICKAWAY COUNTY**

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31 follows:

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$586,875	\$816,409	\$229,534
Special Revenue	222,892	225,211	2,319
Capital Projects	27,000	27,000	0
Enterprise	834,350	1,235,520	401,170
Total	\$1,671,117	\$2,304,140	\$633,023

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,214,030	\$803,392	\$410,638
Special Revenue	356,835	205,471	151,364
Capital Projects	27,000	27,000	0
Enterprise	1,570,865	707,483	863,382
Total	\$3,168,730	\$1,743,346	\$1,425,384

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$525,250	\$811,445	\$286,195
Special Revenue	139,700	204,529	64,829
Capital Projects	0	40,400	40,400
Enterprise	680,000	1,002,767	322,767
Total	\$1,344,950	\$2,059,141	\$714,191

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$990,746	\$682,932	\$307,814
Special Revenue	348,180	251,874	96,306
Capital Projects	40,400	40,400	0
Enterprise	1,769,816	863,068	906,748
Total	\$3,149,142	\$1,838,274	\$1,310,868

**VILLAGE OF ASHVILLE
PICKAWAY COUNTY**

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

4. PROPERTY TAX

Real property taxes become a lien on January 1 proceeding 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.

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 one 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.

Income tax collections are processed by the Regional Income Tax Agency (R.I.T.A.). R.I.T.A. collects the income tax on-behalf of the Village and remits it to the Village. The tax payments received from R.I.T.A. are recorded in the accompanying financial statements as municipal income tax receipts.

6. DEBT

Debt outstanding at December 31, 2002 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OPWC Issue II Loan	\$259,200	0.00%
Ohio Water Development Authority Loan #1	1,105,846	6.58%
Ohio Water Development Authority Loan #2	74,125	6.58%
Ohio Water Development Authority Loan #3	20,744	7.38%
FmHA Bond	510,238	6.25%
Savings Bank Loan	63,029	3.97%

The Ohio Water Development Authority (OWDA) loans relate to a water and sewer plant expansion project that were mandated by the Ohio Environmental Protection Agency (EPA). The OWDA has approved three different loans. The first loan is to be paid back in semi-annual payments of \$68,064, including interest. The second loan is to be paid back in semi-annual payments of \$4,562, including interest. The third loan is to be paid back in semi-annual payments of \$1,332, including interest. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Village issued an FmHA Mortgage Revenue Bond in 1989 for the construction of a sewage system. The Village makes payments annually based on an amended amortization schedule. The amounts paid each year vary due to the Village's accelerated principal payments made.

**VILLAGE OF ASHVILLE
PICKAWAY COUNTY**

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

6. DEBT (Continued)

The Village has a Project Loan Agreement with the Ohio Public Work Commission Issue II Program for a project named "Elevated Water Tower Improvements". This loan is interest free and is to be paid back in semi-annual payments of \$10,800.

These loans are collateralized by water and sewer receipts.

The Village has a Savings Bank Loan for the purchase of land for the Village's Administrative Offices at 200 Station Street, Ashville, Ohio. This loan is to be paid back in monthly payments of \$1,196, including interest, for 60 months. This loan is secured by the Village's general revenues.

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

	OWDA Loan #1	OWDA Loan #2	OWDA Loan #3	FmHA Bond	OPWC Issue II Loan	Savings Bank Loan
At December 31						
2003	\$136,128	\$9,125	\$2,665	\$40,490	\$21,600	\$14,354
2004	136,128	9,125	2,665	40,552	21600	\$14,354
2005	136,128	9,125	2,665	40,577	21600	\$14,354
2006	136,128	9,125	2,665	40,565	21600	\$14,354
2007	136,128	9,125	2,665	40,515	21600	\$14,354
Subsequent	952,900	63,932	18,654	842,290	151200	0
Total	<u>\$1,633,540</u>	<u>\$109,557</u>	<u>\$31,979</u>	<u>\$1,044,989</u>	<u>\$259,200</u>	<u>\$71,769</u>

7. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. OP&F and PERS 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 2002 and 2001, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant wages. PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2002 and 2001. The Village has paid all contributions required through December 31, 2002.

**VILLAGE OF ASHVILLE
PICKAWAY COUNTY**

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

8. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

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

9. SUBSEQUENT EVENTS

On August 18, 2003, the Village incurred several debt obligations and accepted grants to fund Village projects. The Village received an Ohio Water Development loan in the amount of \$126,300 and a Community Development Block Grant of \$50,000 to pay the cost of a storm sewer repair project; an Ohio Public Works Commission loan of \$81,000 to replace water lines for increased water capacity and an Ohio Department of Natural Resource grant of \$21,019 to improve the park.

The Village plans to use the water and sewer revenues to retire the incurred debt for the storm sewer project and water lines.

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**Auditor of State
Betty Montgomery**

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

Village of Ashville
Pickaway County
200 Station Street
Ashville, Ohio 43103

To the Village Council:

We have audited the accompanying financial statements of the Village of Ashville, Pickaway County, Ohio, (the Village) as of and for the years ended December 31, 2002, and December 31, 2001, and have issued our report thereon dated October 15, 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2002-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated October 15, 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 controls 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 2002-002 and 2002-003.

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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 that none of the reportable conditions described above is a material weakness.

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

October 15, 2003

VILLAGE OF ASHVILLE
PICKAWAY COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001

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

FINDING NUMBER	2002-001
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Fiscal Officer Certification

Ohio Rev. Code Section 5705.41(D) stipulates that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This section also provides an exception to the above requirements:

- 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 of the certificate, appropriated and free of any previous encumbrances, the Village 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, if such expenditure is otherwise valid;
- If the amount involved is less than \$1,000, the fiscal officer may authorize it to be paid without the affirmation of Council, upon completion of the then and now certificate. Effective April 7, 2003, this amount increased to \$3,000.

For 2002 and 2001, thirty and twenty percent, respectively, of the expenditures examined were not certified at the time of the purchase commitment. There was no evidence to suggest the Village exercised the exception permissible under this section of law.

We recommended the Village obtain certification prior to the time of the purchase commitment or issue a "Then and Now" certificate as allowed under this section.

FINDING NUMBER	2002-002
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Water and Sewer- Standing Data File

The Village has a standing data file which houses the water and sewer rates used to calculate user billing charges. The file also contains individual customer mailing and service addresses, a contact phone number, and account number.

Those employees with access to a Village computer have access to the standing data file and could change, update, and delete vital historical data. Access to this file should be limited to a specific user with management oversight to ensure changes, updates, and deletions are accurate, complete, and properly authorized preceding any file entry.

We recommend the Village limit access to the standing data file and require management review changes made to the file in the event such file update duties are not segregated from payment receipting and posting duties.

VILLAGE OF ASHVILLE
PICKAWAY 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	2002-003
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Water and Sewer – Billing Cycle

The Village Utility Clerk performs the incompatible duties of: (1) entering the water and sewage usage data into the computer used to develop billing statements and (2) the payment collection and, (3) posting of the monies paid by customers. There is no management oversight or any budget to actual activity review by management to ensure monies are properly collected and posted to the general ledger for those services used and billed to customers. Consequently, management's monitoring of the billing cycle is inadequate. The implementation of appropriate monitoring procedures could reduce the segregation weakness to an acceptable level. Otherwise, with the lack of management oversight, failure to segregate these duties increases the risk of error and misappropriation.

In addition, the meter reading data used to generate the billing statements are not compared to the output to ensure all readings are represented in the billing program as billing statements are calculated. A comparison should be made between the input (meter reading data) and the output (billing statement summaries) to ensure all water and sewer data was entered for processing.

The Village should consider segregating the billing, receipting and collection functions. Management should also devise a system to monitor these financial activities with anticipated benchmark(s) to reasonably ensure all readings are captured accurately, billing statements are representative of actual true readings and calculated based on accurate billing rates, and posted to the receipt ledger, as represented by cash collections. Also, the Village should compare the meter reading data to the billing statements to verify all data was entered for processing.

If, however, full segregation of these functions is not practicable, management should appropriately increase its monitoring of utility billing transactions to compensate for the weakness in segregation. Such monitoring might include, but not necessarily be limited to, the following:

- Periodically perform independent checks of meter readings and comparisons to last recorded reading for reasonableness.
- Require management approval of all adjustments to customer accounts, with management review of monthly adjustment reports.
- Periodically review daily collections, posting and deposit records.
- Periodically review utility rates programmed in the system.
- And, other procedures as appropriate.

**VILLAGE OF ASHVILLE
PICKAWAY 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>
2000-30665-002	Water and Sewer- Standing Data	No	Not Corrected. Reissued as 2002-002
2000-30665-001	Inadequate Segregation of Duties-Water and Sewer	No	Not Corrected. Reissued as 2002-003



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VILLAGE OF ASHVILLE

PICKAWAY 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 16, 2003**