

**VILLAGE OF THURSTON
FAIRFIELD COUNTY, OHIO**

*Financial Statements
(Audited)*

For The Years Ended
December 31, 2003 and 2002

AARON REEDY, CLERK/TREASURER



**Auditor of State
Betty Montgomery**

Members of Council and Mayor
Village of Thurston
2215 Main Street
Thurston, Ohio 43157

We have reviewed the Independent Auditor's Report of the Village of Thurston, Fairfield County, prepared by Trimble, Julian & Grube, Inc., for the audit period January 1, 2002 through December 31, 2003. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

August 17, 2004

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**VILLAGE OF THURSTON
FAIRFIELD COUNTY, OHIO**

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“SERVING OHIO LOCAL GOVERNMENTS”

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Independent Auditor's Report

Members of Council and Mayor
Village of Thurston
2115 Main Street
Thurston, Ohio 43157

We have audited the accompanying financial statements of the Village of Thurston, Fairfield County, Ohio, as of and for the years ended December 31, 2003 and 2002. These financial statements are the responsibility of the Village of Thurston'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 2, the Village of Thurston prepares its financial statements on the basis of accounting prescribed or permitted by 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 cash balances and fund balances of the Village of Thurston, Fairfield County, as of December 31, 2003 and 2002, and its combined cash receipts and disbursements, combined budgeted and actual receipts and budgeted and actual disbursements and encumbrances for the years then ended on the basis of accounting described in Note 2.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 20, 2004, on our consideration of the Village of Thurston'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.

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

Trimble, Julian & Grube, Inc.
June 20, 2004

**VILLAGE OF THURSTON
FAIRFIELD COUNTY, OHIO**

COMBINED STATEMENT OF CASH
FUND BALANCES - ALL FUND TYPES
DECEMBER 31, 2003 AND 2002

	2003	2002
<u>Cash and Cash Equivalents and Investments</u>		
Cash and Cash Equivalents	\$ 287,608	\$ 290,536
Investments	9,600	9,600
Total Cash and Cash Equivalents and Investments	\$ 297,208	\$ 300,136
 <u>Fund Balances</u>		
<u>Governmental Fund Types:</u>		
General Fund	\$ 76,947	\$ 78,373
Special Revenue Funds	124,340	131,468
Total Governmental Fund Types	201,287	209,841
 <u>Proprietary Fund Type:</u>		
Enterprise Funds	95,921	90,295
Total Fund Balances	\$ 297,208	\$ 300,136

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF THURSTON
FAIRFIELD COUNTY, OHIO**

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

	<u>Governmental Fund Types</u>		Total (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash receipts:			
Local taxes	\$ 8,437	\$ 8,201	\$ 16,638
Intergovernmental	17,597	24,964	42,561
Licenses, permits, and fees	2,144	-	2,144
Charges for services	-	127,881	127,881
Interest	4,114	422	4,536
Miscellaneous	290	72	362
Total cash receipts	<u>32,582</u>	<u>161,540</u>	<u>194,122</u>
Cash disbursements:			
Current:			
Security of persons and property	2,071	34,936	37,007
Public health services	1,452	-	1,452
Community environment	1,941	-	1,941
Basic utility services	3,510	7,223	10,733
Transportation	-	1,874	1,874
General government	19,763	-	19,763
Capital outlay	2,835	259,559	262,394
Debt service			
Principal retirement	-	22,963	22,963
Interest charges	-	3,700	3,700
Total cash disbursements	<u>31,572</u>	<u>330,255</u>	<u>361,827</u>
Total cash receipts over/(under) cash disbursements	<u>1,010</u>	<u>(168,715)</u>	<u>(167,705)</u>
Other financing receipts/(disbursements):			
Proceeds from sale of notes	-	160,000	160,000
Proceeds from sale of fixed assets	-	1,500	1,500
Operating transfers in	-	87	87
Operating transfers out	(2,436)	-	(2,436)
Total other financing receipts/(disbursements)	<u>(2,436)</u>	<u>161,587</u>	<u>159,151</u>
Excess of cash receipts and other financing receipts under cash disbursements and other financing disbursements	(1,426)	(7,128)	(8,554)
Cash fund balances, January 1, 2003	<u>78,373</u>	<u>131,468</u>	<u>209,841</u>
Cash fund balances, December 31, 2003	<u>\$ 76,947</u>	<u>\$ 124,340</u>	<u>\$ 201,287</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF THURSTON
FAIRFIELD COUNTY, OHIO**

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

	Proprietary Fund Type	Fiduciary Fund Type	Total (Memorandum Only)
	Enterprise	Agency	
Operating cash receipts:			
Charges for services	\$ 79,109	\$ 65,974	\$ 145,083
Other miscellaneous	14	-	14
Total operating cash receipts	<u>79,123</u>	<u>65,974</u>	<u>145,097</u>
Operating cash disbursements:			
Personal services and employee benefits	777	-	777
Contractual services	52,490	65,974	118,464
Supplies and material	2,503	-	2,503
Miscellaneous	4,685	-	4,685
Total operating cash disbursements	<u>60,455</u>	<u>65,974</u>	<u>126,429</u>
Operating income	<u>18,668</u>	<u>-</u>	<u>18,668</u>
Nonoperating cash receipts/(disbursements):			
Sale of fixed assets	2,182	-	2,182
Debt service:			
Principal	(10,000)	-	(10,000)
Interest	(5,489)	-	(5,489)
Other	(2,084)	-	(2,084)
Total nonoperating cash receipts/(disbursements)	<u>(15,391)</u>	<u>-</u>	<u>(15,391)</u>
Net of cash receipts over cash disbursements before interfund transfers	3,277	-	3,277
Transfers in	17,949	-	17,949
Transfers out	<u>(15,600)</u>	<u>-</u>	<u>(15,600)</u>
Net receipts over disbursements after interfund transfers	5,626	-	5,626
Cash fund balances, January 1, 2003	<u>90,295</u>	<u>-</u>	<u>90,295</u>
Cash fund balances, December 31, 2003	<u>\$ 95,921</u>	<u>\$ -</u>	<u>\$ 95,921</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF THURSTON
FAIRFIELD COUNTY, OHIO**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
AND ENCUMBRANCES COMPARED WITH EXPENDITURE
AUTHORITY - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2003

Fund Types	Receipts					Disbursements						
	County Certified Unencumbered Cash	Budget	Total Estimated Resources	Actual 2003 Receipts	Variance Favorable (Unfavorable)	Prior Year Carryover Appropriations	2003 Appropriations	Total	Actual 2003 Disbursements	Encumbrances Outstanding at 12/31/03	Total	Variance Favorable (Unfavorable)
Governmental:												
General	\$ 79,545	\$ 36,134	\$ 115,679	\$ 32,582	\$ (3,552)	\$ -	\$ 71,853	\$ 71,853	\$ 34,008	\$ 2,975	\$ 36,983	\$ 34,870
Special Revenue	117,237	122,200	239,437	323,127	200,927	13,051	223,940	236,991	330,255	1,785	332,040	(95,049)
Proprietary:												
Enterprise	88,964	104,750	193,714	99,254	(5,496)	1,331	130,111	131,442	93,628	-	93,628	37,814
Total (Memorandum Only)	\$ 285,746	\$ 263,084	\$ 548,830	\$ 454,963	\$ 191,879	\$ 14,382	\$ 425,904	\$ 440,286	\$ 457,891	\$ 4,760	\$ 462,651	\$ (22,365)

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF THURSTON
FAIRFIELD COUNTY, OHIO**

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

	<u>Governmental Fund Types</u>		Total (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash receipts:			
Local taxes	\$ 9,215	\$ 7,844	\$ 17,059
Intergovernmental	16,607	17,775	34,382
Licenses, permits, and fees	1,529	-	1,529
Charges for services	-	70,000	70,000
Interest	5,635	672	6,307
Miscellaneous	148	5	153
Total cash receipts	<u>33,134</u>	<u>96,296</u>	<u>129,430</u>
Cash disbursements:			
Current:			
Security of persons and property	2,261	33,950	36,211
Public health services	1,429	-	1,429
Basic utility services	3,025	7,560	10,585
Transportation	-	9,468	9,468
General government	20,255	715	20,970
Capital outlay	108	19,539	19,647
Debt service			
Principal retirement	-	15,371	15,371
Interest charges	-	1,737	1,737
Total cash disbursements	<u>27,078</u>	<u>88,340</u>	<u>115,418</u>
Total cash receipts over cash disbursements	<u>6,056</u>	<u>7,956</u>	<u>14,012</u>
Other financing receipts/(disbursements):			
Operating transfers in	-	49	49
Operating transfers out	(2,451)	-	(2,451)
Total other financing receipts/(disbursements)	<u>(2,451)</u>	<u>49</u>	<u>(2,402)</u>
Excess of cash receipts and other financing receipts over cash disbursements and other financing disbursements	3,605	8,005	11,610
Cash fund balances, January 1, 2002	<u>74,768</u>	<u>123,463</u>	<u>198,231</u>
Cash fund balances, December 31, 2002	<u>\$ 78,373</u>	<u>\$ 131,468</u>	<u>\$ 209,841</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF THURSTON
FAIRFIELD COUNTY, OHIO**

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

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating cash receipts:			
Charges for services	\$ 79,241	\$ 66,625	\$ 145,866
Other miscellaneous	2,625	-	2,625
Total operating cash receipts	<u>81,866</u>	<u>66,625</u>	<u>148,491</u>
Operating cash disbursements:			
Personal services and employee benefits	746	-	746
Contractual services	54,334	66,625	120,959
Supplies and material	2,803	-	2,803
Miscellaneous	3,200	-	3,200
Total operating cash disbursements	<u>61,083</u>	<u>66,625</u>	<u>127,708</u>
Operating income	<u>20,783</u>	<u>-</u>	<u>20,783</u>
Nonoperating cash disbursements:			
Debt service:			
Principal	(9,000)	-	(9,000)
Interest	(6,058)	-	(6,058)
Other	(2,361)	-	(2,361)
Total nonoperating disbursements	<u>(17,419)</u>	<u>-</u>	<u>(17,419)</u>
Net of cash receipts over cash disbursements before interfund transfers	3,364	-	3,364
Transfers in	18,502	-	18,502
Transfers out	<u>(16,100)</u>	<u>-</u>	<u>(16,100)</u>
Net receipts over disbursements after interfund transfers	5,766	-	5,766
Cash fund balances, January 1, 2002	<u>84,529</u>	<u>-</u>	<u>84,529</u>
Cash fund balances, December 31, 2002	<u>\$ 90,295</u>	<u>\$ -</u>	<u>\$ 90,295</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF THURSTON
FAIRFIELD COUNTY, OHIO**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
AND ENCUMBRANCES COMPARED WITH EXPENDITURE
AUTHORITY - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2002

Fund Types	Receipts					Disbursements						
	County Certified Unencumbered Cash	Budget	Total Estimated Resources	Actual 2002 Receipts	Variance Favorable (Unfavorable)	Prior Year Carryover Appropriations	2002 Appropriations	Total	Actual 2002 Disbursements	Encumbrances Outstanding at 12/31/02	Total	Variance Favorable (Unfavorable)
Governmental:												
General	\$ 74,718	\$ 36,283	\$ 111,001	\$ 33,134	\$ (3,149)	\$ 50	\$ 72,921	\$ 72,971	\$ 29,529	\$ -	\$ 29,529	\$ 43,442
Special Revenue	119,778	111,129	230,907	96,345	(14,784)	3,685	125,868	129,553	88,340	13,051	101,391	28,162
Proprietary:												
Enterprise	84,504	98,700	183,204	100,368	1,668	25	128,467	128,492	94,602	1,331	95,933	32,559
Total (Memorandum Only)	<u>\$ 279,000</u>	<u>\$ 246,112</u>	<u>\$ 525,112</u>	<u>\$ 229,847</u>	<u>\$ (16,265)</u>	<u>\$ 3,760</u>	<u>\$ 327,256</u>	<u>\$ 331,016</u>	<u>\$ 212,471</u>	<u>\$ 14,382</u>	<u>\$ 226,853</u>	<u>\$ 104,163</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF THURSTON
FAIRFIELD COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

NOTE 1 - DESCRIPTION OF THE ENTITY

The Village of Thurston (the "Village") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The Village operates under a council-mayor form of government and provides the following services: water and sewer utility services, street maintenance and repair, as well as other general government services. The Fairfield County Sheriff's department provides security of persons and property to the Village.

Management believes the financial statements included in this report represent all of the funds of the Village over which the Village officials are financially accountable.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The most significant of the Village's accounting policies are described below.

A. BASIS OF PRESENTATION - FUND ACCOUNTING

The accounts of the Village are maintained on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts. The following fund types are used by the Village:

General Fund

The general fund is the general operating fund and is used to account for all activities of the Village not required to be included in another fund.

Special Revenue Funds

These funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures 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 THURSTON
FAIRFIELD COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Fire Fund - This fund receives levy money from Walnut Township for providing fire protection.

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 fund:

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

Fiduciary Funds (Agency Funds)

Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant agency fund:

Sewer Fund - The Village collects sewer fees on behalf of the Walnut Creek Sewer District.

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.

**VILLAGE OF THURSTON
FAIRFIELD COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

C. BUDGETARY PROCESS

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds are legally required to be budgeted and appropriated except agency funds. The primary level of budgetary control is at the item level within each fund. Any budgetary modifications at this level may only be made by resolution of the Village's Council.

Tax Budget:

A budget of estimated cash receipts and disbursements is submitted to the County Auditor, as secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year. The expressed purpose of the tax budget is to reflect the need for existing (or increased) tax rates.

Estimated Resources:

The County Budget Commission determines if the budget substantiates a need to levy the full amount of authorized property tax rates and reviews receipt estimates. The County Budget Commission certifies its actions to the Village by September 1. As part of this certification, the Village receives the official certificate of estimated resources, which states the projected receipts of each fund. On or about January 1, the certificate is amended to include unencumbered fund balances at December 31 of the preceding year. Further amendments may be made during the year if the Village determines that receipts collected will be greater than or less than the prior estimates, and the Budget Commission finds the revised estimates to be reasonable. Prior to December 31, the Village must revise its budget so that the total contemplated expenditures from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure.

**VILLAGE OF THURSTON
FAIRFIELD COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Appropriations:

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

Encumbrances:

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation.

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated. The Village had outstanding encumbrances at December 31, 2003 and 2002.

D. CASH AND CASH EQUIVALENTS

For reporting purposes, the Village considers "Cash and Cash Equivalents" to be cash on hand, demand deposits, and all investments held by the Village with a maturity date less than or equal to three months from the date of purchase. Interest earned on investments held by the clerk/treasurer is credited to its respective funds. Interest income earned and received by the Village totaled \$4,536 and \$6,307 for the years ended December 31, 2003 and 2002, respectively.

E. PROPERTY, PLANT AND EQUIPMENT

Fixed assets are not capitalized in any of the Village's funds. Instead, capital acquisition and construction costs are reflected as expenditures in the fund in the year expended. The costs of normal maintenance and repairs are also expended, along with improvements. Depreciation is not recorded.

**VILLAGE OF THURSTON
FAIRFIELD COUNTY, OHIO**

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

F. INTERGOVERNMENTAL REVENUES

Intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursable basis are recorded when received in accordance with the Village's cash basis method of accounting.

G. INTERFUND TRANSACTIONS

During the course of normal operations, the Village had transactions between funds. The most significant include:

Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers.

H. TOTAL COLUMNS ON FINANCIAL STATEMENTS

Total columns on the financial statements are captioned "Total (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Interfund-type eliminations have not been made in the aggregation of this data.

NOTE 3 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS 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 cash equivalents and investments at December 31, 2003 and 2002 was as follows:

	<u>2003</u>	<u>2002</u>
Deposits:		
Demand deposits	\$ 287,608	\$ 290,536
Investments:		
Repurchase agreement	<u>9,600</u>	<u>9,600</u>
Total deposits and investments	<u>\$ 297,208</u>	<u>\$ 300,136</u>

**VILLAGE OF THURSTON
FAIRFIELD COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

NOTE 3 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

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

Investments: The Village's financial institution has pledged securities to the Village's agent to collateralize repurchase agreements. The securities are not in the Village's name. The repurchase agreements are valued at cost.

NOTE 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. 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 annually. However, if the property owner elects, they may make semiannual payments.

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.

NOTE 5 - COMPLIANCE

It was noted during the audit that for the year ended December 31, 2003 the Village had expenditures exceeding appropriations in noncompliance with Ohio Revised Code Section 5705.41(B) in the following fund:

<u>Fund Type/Fund/Department Object</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
2003:			
<u>Special Revenue Fund</u>			
Fire Fund:			
Capital Outlay			
Equipment	\$ 87,000	\$ 244,336	\$ 157,336

**VILLAGE OF THURSTON
FAIRFIELD COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

NOTE 6 - DEBT OBLIGATIONS

At December 31, 2003, debt obligations consisted of the following issuances:

<u>Description</u>	<u>Balance at December 31, 2003</u>
1975 Water System Mortgage Revenue Bonds for construction of water system, due in monthly installments of varying amounts through 2014 bearing a varying interest rate.	\$ 121,000
2003 Lease Purchase Agreement for purchase of a new fire truck, due in varying amounts through March 20, 2013, bearing an interest rate of 3.49%.	<u>\$ 153,253</u>
Total debt obligations at December 31, 2003	<u>\$ 274,253</u>

Transactions for the years ended December 31, 2003 and 2002 are summarized as follows:

<u>2003:</u>	<u>Balance at December 31, 2002</u>	<u>Proceeds</u>	<u>Payments</u>	<u>Balance at December 31, 2003</u>
<u>Description</u>				
Mortgage Revenue Bonds	\$ 131,000	\$ -	\$ (10,000)	\$ 121,000
Equipment Lease Purchase	16,216	-	(16,216)	-
Equipment Lease Purchase-Fire Truck	<u>-</u>	<u>160,000</u>	<u>(6,747)</u>	<u>153,253</u>
Total	<u>\$ 147,216</u>	<u>\$ 160,000</u>	<u>\$ (32,963)</u>	<u>\$ 274,253</u>
<u>2002:</u>	<u>Restated Balance at December 31, 2001</u>	<u>Proceeds</u>	<u>Payments</u>	<u>Balance at December 31, 2002</u>
<u>Description</u>				
Mortgage Revenue Bonds	\$ 140,000	\$ -	\$ (9,000)	\$ 131,000
Equipment Lease Purchase	<u>31,587</u>	<u>-</u>	<u>(15,371)</u>	<u>16,216</u>
Total	<u>\$ 171,587</u>	<u>\$ -</u>	<u>\$ (24,371)</u>	<u>\$ 147,216</u>

The beginning balances at December 31, 2001 were restated based upon changes to the repayment requirements.

**VILLAGE OF THURSTON
FAIRFIELD COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

NOTE 6 - DEBT OBLIGATIONS - (Continued)

The principal and interest requirements to retire the debt obligations outstanding at December 31, 2003, are as follows:

Year Ending December 31	Lease Purchase Agreement		Mortgage Revenue Bonds		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2004	\$ 13,852	\$ 5,259	\$ 10,000	\$ 6,050	\$ 23,852	\$ 11,309
2005	14,342	4,768	10,000	5,550	24,342	10,318
2006	14,850	4,260	10,000	5,050	24,850	9,310
2007	15,376	3,735	10,000	4,550	25,376	8,285
2008	15,290	3,190	11,000	4,050	26,290	7,240
2009 - 2013	79,543	7,085	58,000	11,850	137,543	18,935
2014	-	-	12,000	600	12,000	600
Total	\$ 153,253	\$ 28,297	\$ 121,000	\$ 37,700	\$ 274,253	\$ 65,997

NOTE 7 - RETIREMENT SYSTEM

The Village's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The plan provides retirement benefits, including post-retirement 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, OPERS members contributed 8.5 % of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries. As of December 31, 2003, the Village has paid all contributions required for 2003 and 2002.

NOTE 8 - RISK MANAGEMENT

In 2003, the Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles
- Errors and omissions
- General liability and casualty
- Public official's liability

**VILLAGE OF THURSTON
FAIRFIELD COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

NOTE 9 - CONTINGENT LIABILITY

LITIGATION

The Village is currently not involved in litigation that the Village's legal counsel anticipates a loss.

NOTE 10 - INTERFUND TRANSACTIONS

The Village had the following interfund transactions for the year ended December 31, 2003:

<u>Fund Type/Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 2,436
<u>SPECIAL REVENUE FUND:</u>		
Cemetery	87	-
<u>ENTERPRISE FUNDS:</u>		
Water System Debt Service	15,600	-
Water Fund	2,263	15,600
Utility Deposit	86	-
Total Enterprise Funds	17,949	15,600
Total	<u>\$ 18,036</u>	<u>\$ 18,036</u>

The Village had the following interfund transactions for the year ended December 31, 2002:

<u>Fund Type/Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 2,451
<u>SPECIAL REVENUE FUND:</u>		
Fire Fund	49	-

**VILLAGE OF THURSTON
FAIRFIELD COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

NOTE 10 - INTERFUND TRANSACATIONS - (Continued)

<u>Fund Type/Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
<u>ENTERPRISE FUNDS:</u>		
Water System Debt Service	\$ 16,100	\$ -
Water Fund	<u>2,402</u>	<u>16,100</u>
Total Enterprise Funds	<u>18,502</u>	<u>16,100</u>
Total	<u>\$ 18,551</u>	<u>\$ 18,551</u>

All transfers are allowable in accordance with Sections 5705.14, 5705.15, 5705.16 of the Ohio Revised Code.

TRIMBLE, JULIAN & GRUBE, INC.

“SERVING OHIO LOCAL GOVERNMENTS”

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Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Members of Council and Mayor
Village of Thurston
2115 Main Street
Thurston, Ohio 43157

We have audited the financial statements of the Village of Thurston, Fairfield County, Ohio as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated June 20, 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 of Thurston’s financial statements are free of material misstatements, 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 2003-VOT-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village of Thurston in a separate letter dated June 20, 2004.

Members of Council and Mayor
Village of Thurston

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of Thurston'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 other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the management of the Village of Thurston in a separate letter dated June 20, 2004.

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

Trimble, Julian & Grube, Inc.
June 20, 2004

**VILLAGE OF THURSTON
FAIRFIELD COUNTY, OHIO**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003**

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

Finding Number	2003-VOT-001
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Ohio Revised Code Section 5705.41(B) requires in part that no subdivision is to expend monies unless it has been appropriated.

It was noted during the audit that the Village had expenditures in excess of appropriations for the year ended December 31, 2003 in the following fund:

<u>Fund Type/Fund/Department Object</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
2003:			
<u>Special Revenue Fund</u>			
Fire Fund:			
Capital Outlay			
Equipment	\$ 87,000	\$ 244,336	\$ 157,336

The Village is expending monies that have not been appropriated by the Members of Council which is primarily attributed to the Village not recording on-behalf expenditures from the Lease Purchase Agreement. This could result in unnecessary purchases or fund deficits.

We recommend that the Village comply with the Ohio Revised Code and Auditor of State Bulletin 97-010 by monitoring expenditures so they do not exceed lawful appropriations. This may be achieved by monitoring the budget more closely on a continual basis and making appropriation amendments as necessary.



**Auditor of State
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VILLAGE OF THURSTON

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
AUGUST 31, 2004**