



**Auditor of State  
Betty Montgomery**



VILLAGE OF SOUTH WEBSTER  
SCIOTO COUNTY

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

Village of South Webster  
Scioto County  
P.O. Box 38  
138 North Jackson Street  
South Webster, Ohio 45682

To the Village Council:

We have audited the accompanying financial statements of the Village of South Webster, Scioto County, Ohio (the Village), as of and for the years ended December 31, 2002 and 2001. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of South Webster, Scioto County, as of December 31, 2002 and 2001, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 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.

We conducted our audit to opine on the Village's financial statements. The Schedule of Federal Awards Expenditures presents additional information and is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. It is not a required part of the financial statements. We subjected this Schedule to the auditing procedures applied in our audit of the Village's financial statements. In our opinion, this information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Village of South Webster  
Scioto County  
Independent Accountants' Report  
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This report is intended solely for the information and use of management, the Village Council 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 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

June 26, 2003

**VILLAGE OF SOUTH WEBSTER  
SCIOTO 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>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property Tax and Other Local Taxes	\$ 15,545	\$ 8,261	\$ 23,806
Special Assessments		78	78
Intergovernmental Receipts	8,344	12,935	21,279
Building Rental		2,716	2,716
Fines, Licenses, and Permits	4,593		4,593
Earnings on Investments	940	40	980
Miscellaneous	3,361	378	3,739
	<u>32,783</u>	<u>24,408</u>	<u>57,191</u>
<b>Total Cash Receipts</b>			
	<u>32,783</u>	<u>24,408</u>	<u>57,191</u>
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property		10,456	10,456
Public Health Services	3,861		3,861
Basic Utility Services	1,338	2,429	3,767
Transportation		14,219	14,219
General Government	19,550	1,113	20,663
	<u>24,749</u>	<u>28,217</u>	<u>52,966</u>
<b>Total Cash Disbursements</b>			
	<u>24,749</u>	<u>28,217</u>	<u>52,966</u>
<b>Total Cash Receipts Over/(Under) Cash Disbursements</b>	<u>8,034</u>	<u>(3,809)</u>	<u>4,225</u>
<b>Other Financing Receipts/(Disbursements):</b>			
Transfers-In		2,500	2,500
Transfers-Out	(3,975)		(3,975)
	<u>(3,975)</u>	<u>2,500</u>	<u>(1,475)</u>
<b>Total Other Financing Receipts/(Disbursements)</b>			
	<u>(3,975)</u>	<u>2,500</u>	<u>(1,475)</u>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	4,059	(1,309)	2,750
<b>Fund Cash Balances, January 1</b>	<u>4,543</u>	<u>19,829</u>	<u>24,372</u>
<b>Fund Cash Balances, December 31</b>	<u>\$ 8,602</u>	<u>\$ 18,520</u>	<u>\$ 27,122</u>
<b>Reserves for Encumbrances, December 31</b>	<u>\$ 310</u>	<u>\$ 125</u>	<u>\$ 435</u>

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

**VILLAGE OF SOUTH WEBSTER  
SCIOTO COUNTY**

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

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$ 180,144	\$	\$ 180,144
Earnings on Investments		167	167
Miscellaneous	1,325		1,325
Total Operating Cash Receipts	<u>181,469</u>	<u>167</u>	<u>181,636</u>
<b>Operating Cash Disbursements:</b>			
Personal Services	3,203	274	3,477
Fringe Benefits	202	115	317
Contractual Services	124,402		124,402
Supplies and Materials	6,683		6,683
Capital Outlay	225,766		225,766
Other	100		100
Total Operating Cash Disbursements	<u>360,356</u>	<u>389</u>	<u>360,745</u>
Operating Income/(Loss)	<u>(178,887)</u>	<u>(222)</u>	<u>(179,109)</u>
<b>Non-Operating Cash Receipts:</b>			
Property Tax and Other Local Taxes	5,121		5,121
Intergovernmental Receipts	152,911		152,911
Special Assessments	11,194		11,194
Proceeds of Loans	181,794		181,794
Total Non-Operating Cash Receipts	<u>351,020</u>	<u>0</u>	<u>351,020</u>
<b>Non-Operating Cash Disbursements:</b>			
Debt Service	69,749		69,749
Interest and Other Fiscal Charges	72,519		72,519
Total Non-Operating Cash Disbursements	<u>142,268</u>	<u>0</u>	<u>142,268</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers	29,865	(222)	29,643
Transfers-In	1,375	100	1,475
Net Receipts Over/(Under) Disbursements	31,240	(122)	31,118
Fund Cash Balances, January 1	2,517	5,174	7,691
<b>Fund Cash Balances, December 31</b>	<b><u>\$ 33,757</u></b>	<b><u>\$ 5,052</u></b>	<b><u>\$ 38,809</u></b>
Reserve for Encumbrances, December 31	<u>\$ 113</u>	<u>\$ 6</u>	<u>\$ 119</u>

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



**VILLAGE OF SOUTH WEBSTER  
SCIOTO COUNTY**

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

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property Tax and Other Local Taxes	\$ 15,354	\$ 6,666	\$ 22,020
Special Assessments		2,150	2,150
Intergovernmental Receipts	24,749	28,462	53,211
Building Rental		3,106	3,106
Fines, Licenses, and Permits	4,631		4,631
Earnings on Investments	2,969	228	3,197
Miscellaneous	10,367	8,919	19,286
	<u>58,070</u>	<u>49,531</u>	<u>107,601</u>
<b>Total Cash Receipts</b>			
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property		34,317	34,317
Public Health Services	4,319		4,319
Basic Utility Services	2,126	3,453	5,579
Transportation		58,735	58,735
General Government	18,833	873	19,706
Capital Outlay	10,064		10,064
	<u>35,342</u>	<u>97,378</u>	<u>132,720</u>
<b>Total Cash Disbursements</b>			
Total Cash Receipts Over/(Under) Cash Disbursements	<u>22,728</u>	<u>(47,847)</u>	<u>(25,119)</u>
<b>Other Financing Receipts/(Disbursements):</b>			
Transfers-In		47,500	47,500
Transfers-Out	(47,901)		(47,901)
	<u>(47,901)</u>	<u>47,500</u>	<u>(401)</u>
<b>Total Other Financing Receipts/(Disbursements)</b>			
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(25,173)	(347)	(25,520)
Fund Cash Balances, January 1	<u>29,716</u>	<u>20,176</u>	<u>49,892</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$ 4,543</b></u>	<u><b>\$ 19,829</b></u>	<u><b>\$ 24,372</b></u>
Reserves for Encumbrances, December 31	<u><u>\$ 2,109</u></u>	<u><u>\$ 530</u></u>	<u><u>\$ 2,639</u></u>

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

VILLAGE OF SOUTH WEBSTER  
SCIOTO COUNTY

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

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	
<b>Operating Cash Receipts:</b>			
Earnings on Investments	\$	\$ 261	\$ 261
Miscellaneous	1,188		1,188
<b>Total Operating Cash Receipts</b>	<u>1,188</u>	<u>261</u>	<u>1,449</u>
<b>Operating Cash Disbursements:</b>			
Personal Services	740		740
Fringe Benefits	1		1
Contractual Services	202,450	138	202,588
Supplies and Materials	9,565	68	9,633
Other	137		137
Capital Outlay	3,441,404		3,441,404
<b>Total Operating Cash Disbursements</b>	<u>3,654,297</u>	<u>206</u>	<u>3,654,503</u>
Operating Income/(Loss)	<u>(3,653,109)</u>	<u>55</u>	<u>(3,653,054)</u>
<b>Non-Operating Cash Receipts:</b>			
Property Tax and Other Local Taxes	5,317		5,317
Intergovernmental Receipts	713,581		713,581
Special Assessments	2,370		2,370
Proceeds of Loan	2,915,248		2,915,248
<b>Total Non-Operating Cash Receipts</b>	<u>3,636,516</u>	<u>0</u>	<u>3,636,516</u>
<b>Non-Operating Cash Disbursements:</b>			
Interest and Fiscal Charges	11,986		11,986
<b>Total Non-Operating Cash Disbursements</b>	<u>11,986</u>	<u>0</u>	<u>11,986</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers	(28,579)	55	(28,524)
Transfers-In	401		401
Net Receipts Over/(Under) Disbursements	(28,178)	55	(28,123)
Fund Cash Balances, January 1	30,695	5,119	35,814
<b>Fund Cash Balances, December 31</b>	<u>\$ 2,517</u>	<u>\$ 5,174</u>	<u>\$ 7,691</u>
Reserve for Encumbrances, December 31	<u>\$ 15,909</u>	<u>\$ 0</u>	<u>\$ 15,909</u>

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

**VILLAGE OF SOUTH WEBSTER  
SCIOTO 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 South Webster, Scioto County (the Village), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council and a publicly elected Clerk and Mayor. The Village provides for street and state highway maintenance, police protection, street lighting, and sewage facility operations.

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**

The Village has a certificate of deposit which 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 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 license tax money for constructing, maintaining and repairing Village streets.

*Street Light Fund* - This fund receives property and other local taxes for repair and erection of Village street lights.

**VILLAGE OF SOUTH WEBSTER  
SCIOTO COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Fund Accounting (Continued)**

**3. 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:

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

*Sewage II Fund* - This fund received loan proceeds and grants for the planning, design, and construction of a new sewer system for the Village.

**4. Fiduciary Fund (Trust 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. The Village had the following Fiduciary Fund:

*Gazebo Fund* – This fund received a lump sum amount to account to accrue interest which is used for maintenance of the Village's gazebo. This fund is classified as a Nonexpendable Trust Fund.

**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 the fund level of control, and appropriations may not exceed estimated resources. The Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

**2. Estimated Resources**

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

**3. Encumbrances**

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Village did not encumber all commitments required by Ohio law. The budgetary presentations have been adjusted to include material items that should have been encumbered.

**VILLAGE OF SOUTH WEBSTER  
SCIOTO COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Budgetary Process (Continued)**

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.

**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:

	2002	2001
Demand deposits	\$ 60,931	\$ 27,063
Certificates of deposit	5,000	5,000
Total deposits	\$ 65,931	\$ 32,063

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

**3. BUDGETARY ACTIVITY**

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

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 28,969	\$ 32,783	\$ 3,814
Special Revenue	51,723	26,908	(24,815)
Enterprise	536,375	533,864	(2,511)
Fiduciary	900	267	(633)
Total	\$ 617,967	\$ 593,822	\$ (24,145)

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 33,848	\$ 29,034	\$ 4,814
Special Revenue	68,855	28,342	40,513
Enterprise	537,540	502,737	34,803
Fiduciary	974	395	579
Total	\$ 641,217	\$ 560,508	\$ 80,709

**VILLAGE OF SOUTH WEBSTER  
SCIOTO COUNTY**

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

**3. BUDGETARY ACTIVITY (Continued)**

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 59,350	\$ 58,070	\$ (1,280)
Special Revenue	115,700	97,031	(18,669)
Enterprise	4,145,500	3,638,105	(507,395)
Fiduciary	800	261	(539)
Total	\$ 4,321,350	\$ 3,793,467	\$ (527,883)

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 89,365	\$ 85,352	\$ 4,013
Special Revenue	104,979	97,908	7,071
Enterprise	4,151,319	3,682,192	469,127
Fiduciary	918	206	712
Total	\$ 4,346,581	\$ 3,865,658	\$ 480,923

**4. PROPERTY TAX**

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

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

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

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

**5. DEBT**

The Village has acquired three loans from the Ohio Water Development Authority (OWDA) since 1996. The loans were for the Village's wastewater treatment project. The first two loans (the planning loan and the design loan) were paid off on September 10, 2000. The third loan (# 3349) was for the construction portion of the wastewater treatment project. The Village defaulted on the construction loan in 2002. The construction loan had a balance of \$3,586,277 at December 31, 2002. See Note 9 for additional information regarding this debt.

**VILLAGE OF SOUTH WEBSTER  
SCIOTO COUNTY**

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

**6. RETIREMENT SYSTEM**

The Village's elected officials and employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plans. This 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 2002 and 2001, 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.

**7. RISK MANAGEMENT**

**Risk Pool Membership**

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

Casualty excess-of-loss contracts at December 31, 2002 and 2001 generally protect against individual losses exceeding \$150,000 for policies issued prior to April 1, 2000; \$100,000 for policies issued between April 1, 2000 and March 31, 2002; and \$125,000 for policies issued April 1, 2002 or later.

Property coverage contracts protect against losses, subject to a deductible of \$50,000, limited to an annual aggregate loss of the greater of \$300,000 or 1% of total coverage.

The Pool cedes reinsurance to reinsurers or excess reinsurers. The Pool is contingently liable should any reinsurer become unable to meet its obligations under the reinsurance agreements.

The Pool's financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained deficit at December 31, 2002 and 2001:

	2002	2001
Assets	\$ 1,852,060	\$ 3,354,251
Liabilities	(3,627,321)	(4,851,866)
Retained Deficit	\$ (1,775,261)	\$ (1,497,615)

**8. CONTINGENT LIABILITIES**

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

VILLAGE OF SOUTH WEBSTER  
SCIOTO COUNTY

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

**9. SUBSEQUENT EVENTS**

The Village obtained Ohio Water Development Authority (OWDA) loan #3349 on September 10, 2000. During 2002, the Village was unable to meet its debt obligation under this loan. As of December 31, 2002, the loan balance was \$3,586,277.

In January 2003, the Village refinanced the loan with OWDA. OWDA forgave the debt and issued a new loan (#3798). The new loan will not close until all of the wastewater treatment plant construction has been completed; therefore, the exact amount of the loan is unknown and an amortization schedule is not available as of the date of this report. The first payment is due in January 2004. Loan #3798 will be a 30 year loan with zero percent interest.



**VILLAGE OF SOUTH WEBSTER  
SCIOTO COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2001**

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Pass Through Entity Number	Disbursements
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			
<i>Pass through State Department of Development:</i>			
Community Development Block Grant - State's Program	14.228	C-W-99-230-1	<u>\$ 432,072</u>
Total U.S. Department of Housing and Urban Development			432,072
<b>U.S. DEPARTMENT OF JUSTICE</b>			
<i>Direct from Federal Government:</i>			
Public Safety Partnership and Community Policing Grants	16.710	N/A	<u>14,451</u>
Total U.S. Department of Justice			<u>14,451</u>
<b>Total Federal Awards Expenditures</b>			<b><u>\$ 446,523</u></b>

*The accompanying notes to this Schedule of Federal Awards Expenditures are an integral part of this Schedule.*

**VILLAGE OF SOUTH WEBSTER  
SCIOTO COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS AND EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2001**

**NOTE A – SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the Village's federal award programs. The schedule has been prepared on the cash basis of accounting.



**Auditor of State  
Betty Montgomery**

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

Village of South Webster  
Scioto County  
P.O. Box 38  
138 North Jackson Street  
South Webster, Ohio 45682

To the Village Council:

We have audited the accompanying financial statements of the Village of South Webster, Scioto County, Ohio (the Village), as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated June 26, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings and Questioned Costs as items 2002-001 through 2002-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated June 26, 2003.

**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 management of the Village in a separate letter dated June 26, 2003.

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This report is intended for the information and use of management, the Village Council, and federal awarding agencies and pass-through entities, 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

June 26, 2003



**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO MAJOR FEDERAL PROGRAMS AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Village of South Webster  
Scioto County  
P.O. Box 38  
138 North Jackson Street  
South Webster, Ohio 45682

To the Village Council:

**Compliance**

We have audited the compliance of the Village of South Webster, Scioto County, Ohio (the Village), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2001. The Village's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Village's management. Our responsibility is to express an opinion on the Village's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the Village's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Village's compliance with those requirements.

In our opinion, the Village complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2001. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2002-003.

### Internal Control Over Compliance

The management of the Village is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Village's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the Village's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as item 2002-004.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control 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 noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program 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 compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of management, the Village Council, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



**Betty Montgomery**  
Auditor of State

June 26, 2003

**VILLAGE OF SOUTH WEBSTER  
SCIOTO COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 §.505  
DECEMBER 31, 2002 AND 2001**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>
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(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	Yes
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under Section .510?	Yes
(d)(1)(vii)	Major Programs (list):	Community Development Block Grant CFDA # 14.228
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

VILLAGE OF SOUTH WEBSTER  
SCIOTO COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 §.505  
DECEMBER 31, 2002 AND 2001  
(Continued)

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

**FINDING NUMBER 2002-001**

**Noncompliance Citation**

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

- A. "Then and Now" Certificate – If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that both at the time that the contract or order was made and at the time that the fiscal officer is completing the certification, a sufficient sum was appropriated and free from any previous encumbrances, the Village Council (the taxing authority) 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.
- B. If the amount involved is less than \$1,000 (which was increased to \$3,000 on April 7, 2003) the fiscal officer may authorize it to be paid without the affirmation of the taxing authority, upon completion of the then and now certificate, provided that the expenditure is otherwise lawful.

Of the expenditures tested, none had the prior certification of the Village Clerk, and neither of the exceptions noted above were met. This could result in the Village spending more money than what is available.

We recommend the Village obtain the fiscal officer's certification of the availability of funds prior to the commitment being incurred.

**FINDING NUMBER 2002-002**

**Noncompliance Citation**

Ohio Water Development Authority (OWDA) Water Pollution Control Loan Fund Agreement Section 4.3 states, in pertinent part, that the Village agrees that it will at all times prescribe and charge such rates, after meeting operation and maintenance expenses and the payment of all amounts required by any contractual obligations between the Borrower and State payable solely from pledged revenues, and shall result in revenues at least adequate to provide for the payments required by Section 4.1 of the loan agreement, minus the amount of such payment provided from other dedicated repayment sources, if any.



**VILLAGE OF SOUTH WEBSTER  
SCIOTO COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 §.505  
DECEMBER 31, 2002 AND 2001  
(Continued)**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2002-002 (Continued)**

**Noncompliance Citation (Continued)**

During 2002, the Village was billed a total of \$323,381 by OWDA for principal, interest and late fees. The Village paid \$139,416, leaving a balance of \$183,965. The Village did not generate sufficient revenue to meet its obligation to the OWDA on loan # 3349. As a result, in January 2003, OWDA issued a new loan to pay off the previous loan.

We recommend the Village maintain compliance with the OWDA loan provisions. We recommend the Village Council, Clerk, and Board of Public Affairs regularly review budgeted versus actual operation expenses, debt payments, and revenues from the wastewater treatment plant to ensure that revenues are sufficient to cover the costs. If the projected revenues are not sufficient to cover the projected expenses and debt payments, we recommend the Village increase the sewer rates and/or decrease the expenses appropriately.

<b>3. FINDINGS RELATED TO FEDERAL AWARDS</b>
----------------------------------------------

<b>Finding Number</b>	<b>2002-003</b>
<b>CFDA Title and Number</b>	<b>Community Development Block Grant Program, CFDA #14.228</b>
<b>Federal Award Number/Year</b>	<b>C-W-99-230-1</b>
<b>Federal Agency</b>	<b>U.S. Department of Housing and Urban Development</b>
<b>Pass-Through Agency</b>	<b>Ohio Department of Development</b>

**Noncompliance Citation - Other**

Office of Management and Budget Circular A-133 §.200(a) requires non-federal entities that expend \$300,000 or more in a year in Federal awards to have a Single Audit conducted for that year. OMB Circular A-133 §.320(a) also requires the audit to be completed within nine months after the end of the audit period.

The Village expended in excess of \$300,000 in federal funds for 2001, and did not obtain a Single Audit within the nine month period.

We recommend the Village contact the Auditor of State to schedule the Single Audit in a more timely fashion in future years.

VILLAGE OF SOUTH WEBSTER  
SCIOTO COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 §.505  
DECEMBER 31, 2002 AND 2001  
(Continued)

**3. FINDINGS RELATED TO FEDERAL AWARDS (Continued)**

<b>Finding Number</b>	<b>2002-004</b>
<b>CFDA Title and Number</b>	<b>Community Development Block Grant Program, CFDA #14.228</b>
<b>Federal Award Number/Year</b>	<b>C-W-99-230-1</b>
<b>Federal Agency</b>	<b>U.S. Department of Housing and Urban Development</b>
<b>Pass-Through Agency</b>	<b>Ohio Department of Development</b>

**Reportable Condition/Questioned Cost – Davis-Bacon Act**

40 U.S.C. Section 276a requires all laborers and mechanics employed by contractors or subcontractors to work on construction contracts in excess of \$2,000 financed by Federal assistance funds to be paid wages not less than those established for the locality of the project (prevailing wage rate).

The Village could not produce all certified payroll reports from contractors for the construction of a waste-water treatment project to support compliance to the Davis-Bacon Act. As a result, we were unable to determine if the Village complied with all of the wage rates for \$281,260 of contractors' payroll. Therefore, this amount is considered to be questioned costs.

We recommend the Village obtain and retain all certified payroll reports to gain assurance the contractors are paying prevailing wages in accordance with the Davis-Bacon Act.

**VILLAGE OF SOUTH WEBSTER  
SCIOTO COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A-133 §.315 (b)  
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; <b>Explain:</b>
2000-30773-001	A material noncompliance citation was issued under Ohio Revised Code Section 5705.41(D) for failing to properly certify the availability of funds.	No	Not Corrected:  This finding is reissued in the current audit as a Finding Number 2002-001.
2000-30773-002	A material noncompliance citation was issued under Ohio Revised Code Section 135.18 for failure to obtain adequate depository insurance.	No	Partially Corrected:  The noncompliance occurred only once in the audit period and is no longer as significant. It is reissued in the current audit Management Letter.

**VILLAGE OF SOUTH WEBSTER  
SCIOTO COUNTY**

**CORRECTIVE ACTION PLAN  
OMB CIRCULAR A-133 §.315 (C)  
DECEMBER 31, 2002 AND 2001**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2002-001	This item will be brought to the attention of Council at their next regularly scheduled meeting and use of the "Then and Now" certificate will be implemented in the near future.	December 2003	B.I. Welch
2002-002	The Village was given poor information by the engineering firm who did the sewer project. The loan has been taken over by the OWDA from OEPA and extended to 30 years for a lower payment amount. OWDA is closely examining the records and, with their permission, rates can be adjusted. The first payment on the loan is due in January 2004.	N/A	Village Council
2002-003	This was for the construction of a sewer system. Any future projects having \$300,000 in federal funds will have an audit requested within the nine month time period.	N/A	B.I. Welch
2002-004	During construction of the Village sewer system, SIECO Engineering handled all of the paperwork. Payroll reports for Reynolds Company were misplaced or destroyed by SIECO Engineering. The Village and SIECO have tried to get copies of the Reynolds Company payroll reports, but to no avail. In the future, all payroll reports will be retained by the Village.	N/A	B.I. Welch



**Auditor of State  
Betty Montgomery**

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**VILLAGE OF SOUTH WEBSTER  
SCIOTO 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 4, 2005**