



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

VILLAGE OF RUSSELLS POINT
LOGAN COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

Village of Russells Point
Logan County
Box 30
Russells Point, OH 43348

To the Village Council:

We have audited the accompanying financial statements of the Village of Russells Point, Logan County, (the "Village"), as of and for the years ended December 31, 2001 and 2000. 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.

As discussed in Note 3 to the financial statements, the Village has incurred several negative cash fund balances. Managements' plans with regards to alleviate these negative cash balances are discussed in Note 9.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village as of December 31, 2001 and 2000, 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 September 20, 2002, 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.

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

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

Jim Petro
Auditor of State

September 20, 2002

**VILLAGE OF RUSSELLS POINT
LOGAN 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>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Property Tax and Other Local Taxes	\$93,016	\$14,761			\$107,777
Special Assessments				17,351	17,351
Intergovernmental Receipts	72,096	55,920		2,714	130,730
Charges for Services	2,630	448			3,078
Fines, Licenses, and Permits	13,454	50			13,504
Earnings on Investments	3,264	29			3,293
Miscellaneous	25,707				25,707
Total Cash Receipts	<u>210,167</u>	<u>71,208</u>		<u>20,065</u>	<u>301,440</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	122,791	11,315			134,106
Leisure Time Activities	196				196
Community Environment	16,979				16,979
Transportation	4,522	50,235			54,757
General Government	114,313				114,313
Debt Service	945	13,935	18,209	38,881	71,970
Capital Outlay				6,039	6,039
Total Cash Disbursements	<u>259,746</u>	<u>75,485</u>	<u>18,209</u>	<u>44,920</u>	<u>398,360</u>
Total Receipts (Under) Disbursements	(49,579)	(4,277)	(18,209)	(24,855)	(96,920)
Fund Cash Balances, January 1	<u>(4,013)</u>	<u>(12,272)</u>	<u>(18,217)</u>	<u>72,215</u>	<u>37,713</u>
Fund Cash Balances, December 31	<u><u>(\$53,592)</u></u>	<u><u>(\$16,549)</u></u>	<u><u>(\$36,426)</u></u>	<u><u>\$47,360</u></u>	<u><u>(\$59,207)</u></u>

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

**VILLAGE OF RUSSELLS POINT
LOGAN COUNTY**

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

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$325,823		\$325,823
Miscellaneous	88		88
Total Operating Cash Receipts	<u>325,911</u>		<u>325,911</u>
Operating Cash Disbursements:			
Personal Services	122,791		122,791
Contractual Services	54,405		54,405
Supplies and Materials	23,491		23,491
Capital Outlay	19,362		19,362
Total Operating Cash Disbursements	<u>220,049</u>		<u>220,049</u>
Operating Income	<u>105,862</u>		<u>105,862</u>
Non-Operating Cash Receipts:			
Property Tax and Other Local Taxes	10,624		10,624
Court Receipts		20,120	20,120
Total Non-Operating Cash Receipts	10,624	20,120	30,744
Non-Operating Cash Disbursements:			
Debt Service	128,552		128,552
Court Disbursements		20,120	20,120
Total Non-Operating Cash Disbursements	<u>128,552</u>	<u>20,120</u>	<u>148,672</u>
Receipts (Under) Disbursements Before Interfund Transfers	(12,066)		(12,066)
Transfers-In	145,768		145,768
Transfers-Out	(145,768)		(145,768)
Net Receipts (Under) Disbursements	(12,066)		(12,066)
Fund Cash Balances, January 1	<u>124,627</u>	<u>15</u>	<u>124,642</u>
Fund Cash Balances, December 31	<u><u>\$112,561</u></u>	<u><u>\$15</u></u>	<u><u>\$112,576</u></u>

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

**VILLAGE OF RUSSELLS POINT
LOGAN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Property Tax and Other Local Taxes	\$94,817	\$15,216			\$110,033
Intergovernmental Receipts	68,781	58,440		368,661	495,882
Charges for Services	1,628	330			1,958
Fines, Licenses, and Permits	13,791	160			13,951
Earnings on Investments	5,582	771			6,353
Miscellaneous	13,536				13,536
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	198,135	74,917		368,661	641,713
Cash Disbursements:					
Current:					
Security of Persons and Property	137,498	18,022			155,520
Leisure Time Activities	287				287
Community Environment	17,018				17,018
Transportation	3,156	70,703			73,859
General Government	84,618				84,618
Debt Service	940	13,935	18,217		33,092
Capital Outlay				488,915	488,915
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	243,517	102,660	18,217	488,915	853,309
Total Receipts (Under) Disbursements	(45,382)	(27,743)	(18,217)	(120,254)	(211,596)
Other Financing Receipts:					
Note Proceeds	25,000			192,469	217,469
Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	(20,382)	(27,743)	(18,217)	72,215	5,873
Fund Cash Balances, January 1	16,369	15,471			31,840
Fund Cash Balances, December 31	<u>(\$4,013)</u>	<u>(\$12,272)</u>	<u>(\$18,217)</u>	<u>\$72,215</u>	<u>\$37,713</u>

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

**VILLAGE OF RUSSELLS POINT
LOGAN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY FUND TYPES AND SIMILAR FIDUCIARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$323,801		\$323,801
Operating Cash Disbursements:			
Personal Services	103,038		103,038
Contractual Services	62,390		62,390
Supplies and Materials	23,023		23,023
Capital Outlay	24,575		24,575
Total Operating Cash Disbursements	213,026		213,026
Operating Income	110,775		110,775
Non-Operating Cash Receipts:			
Property Tax and Other Local Taxes	2,645		2,645
Court Receipts		\$17,756	17,756
Total Non-Operating Cash Receipts	2,645	17,756	20,401
Non-Operating Cash Disbursements:			
Debt Service	115,465		115,465
Court Disbursements		17,786	17,786
Total Non-Operating Cash Disbursements	115,465	17,786	133,251
Excess of Receipts Over Disbursements Before Interfund Transfers	(2,045)	(30)	(2,075)
Transfers-In	145,090		145,090
Transfers-Out	(145,090)		(145,090)
Net Receipts (Under) Disbursements	(2,045)	(30)	(2,075)
Fund Cash Balances, January 1	126,672	45	126,717
Fund Cash Balances, December 31	\$124,627	\$15	\$124,642

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

**VILLAGE OF RUSSELLS POINT
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Russells Point, Logan County, (the "Village"), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides water utilities and police protection. The Village contracts with Indian Joint Fire District to provide fire protection 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

Purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

Certificates of deposit and overnight repurchase agreements 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 Fund:

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 RUSSELLS POINT
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

3. Debt Service Fund

These funds are used to accumulate resources for the payment of note indebtedness. The Village had the following debt service fund:

Debt Service Fund - This fund is to receive transfers from the General Fund to pay various debt issues.

4. Capital Project Funds

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

Main Street Fund - This fund receives grant monies to repair streets in the Village.

5. Enterprise Funds

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

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

Mortgage Debt Service Fund – This fund receives water operating money to pay debt for water system improvements.

6. 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 fiduciary fund:

Mayor's Court Fund – This fund accounts for receipts and disbursements of the Court.

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

**VILLAGE OF RUSSELLS POINT
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus 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 canceled, and reappropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law.

A summary of December 31, 2001 and 2000 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 sick 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:

	2001	2000
Demand deposits	\$41,460	\$32,145
Certificates of deposit	11,600	11,123
Cash	300	200
Total deposits and cash	53,360	43,468
Overnight repurchase agreement	9	118,887
Total deposits and investments	\$53,369	\$162,355

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

**VILLAGE OF RUSSELLS POINT
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending 2001 and 2000 follows:

2001 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$233,500	\$210,167	(\$23,333)
Special Revenue	84,200	71,208	(12,992)
Debt Service	18,400		(18,400)
Capital Projects	23,000	20,065	(2,935)
Enterprise	479,800	482,303	2,503
Total	<u>\$838,900</u>	<u>\$783,743</u>	<u>(\$55,157)</u>

2001 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$233,682	\$259,746	(\$26,064)
Special Revenue	79,553	75,485	4,068
Debt Service	18,293	18,209	84
Capital Projects	94,929	44,920	50,009
Enterprise	573,699	494,369	79,330
Total	<u>\$1,000,156</u>	<u>\$892,729</u>	<u>\$107,427</u>

2000 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$232,000	\$223,135	(\$8,865)
Special Revenue	61,000	74,917	13,917
Debt Service	18,400		(18,400)
Capital Projects	539,000	561,130	22,130
Enterprise	487,000	471,536	(15,464)
Total	<u>\$1,337,400</u>	<u>\$1,330,718</u>	<u>(\$6,682)</u>

2000 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$240,899	\$243,517	(\$2,618)
Special Revenue	90,740	102,660	(11,920)
Debt Service	18,400	18,217	183
Capital Projects	539,000	488,915	50,085
Enterprise	572,800	473,581	99,219
Total	<u>\$1,461,839</u>	<u>\$1,326,890</u>	<u>\$134,949</u>

**VILLAGE OF RUSSELLS POINT
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

At April 30, 2001, the Special Revenue Street Maintenance, Police, Auto Permissive, and COPS Fast Grant Funds, and the Debt Service Fund had negative cash fund balances of \$13,416, \$281, \$3,770, \$17,154, and \$32,537, respectively. At December 31, 2001, the General Fund, Special Revenue Street Construction Maintenance and Repair and COPS Fast Funds, the Debt Service Fund, and the Enterprise Water Fund had negative cash fund balances of \$53,592, \$8,420, \$17,154, \$36,426, and \$18,176, respectively. At July 31, 2001 the General Fund, Special Revenue Police and COPS Fast Grant Funds, and the Debt Service Fund had negative cash fund balances of \$13,664, \$6,594, \$17,154, and \$14,328, respectively. At December 31, 2000, the General Fund, Special Revenue Law Enforcement Trust and COPS Fast Grant Funds, and the Debt Service Fund had negative fund balances of \$4,013, \$455, \$17,154, and \$18,217, respectively. These negative fund balances violate the requirements of Ohio Rev. Code Section 5705.10.

During 2001, the General Fund and Debt Service Fund had actual revenues less than budgeted revenues. During 2000, the Debt Service Fund had actual revenues less than budgeted revenues. Also during 2000, the Special Revenue - Street Construction Maintenance and Repair, Special Revenue - State Highway and Special Revenue - Other Fund had actual revenues greater than budgeted revenues. These variances violated the requirements of Ohio Rev. Code Section 5705.36.

An amendment made to appropriations during 2000 was approved by Council, but not filed with the County Auditor. This violated the requirements of Ohio Rev. Code 5705.39.

Ohio Rev. Code Section 5705.41(B) states that expenditures cannot exceed appropriations. A violation of this requirement occurred at the legal level in the General Fund, Special Revenue Street Construction Maintenance and Repair Fund, and Enterprise Water Fund during 2001; and General Fund, and Special Revenue Law Enforcement Trust Fund in 2000.

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.

**VILLAGE OF RUSSELLS POINT
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

5. DEBT

Debt outstanding at December 31, 2001, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Commission Loans	\$510,745	0.00%
Bank Note - Main Street Project	168,995	5.65%
Bank Note - Backhoe	27,951	5.25%
Bank Note - Police Cruiser	25,000	6.00%
Capital Lease - Dump Truck	26,419	7.75%
Logan County Commissioners-Administration Bldg. Loan	6,769	0.00%
Mortgage Revenue Bonds	1,200,600	5.00%
Total	<u>\$1,966,479</u>	

The Ohio Public Works Commission loans relate to water system improvements. The loans will be repaid in semiannual installments with no interest and mature beginning the year 2012 through July 1, 2019. The loans are collateralized by water receipts and the debt is being paid through Enterprise Debt Service Fund.

During calendar year 2000, the Village received the proceeds of a promissory note in the amount of \$192,469 with interest at the rate of 5.65% to pay for reconstruction of Main Street. The loan will be repaid in semiannual installments with interest at the rate of 5.65%, maturing October 15, 2005. The loan is collateralized with taxpayer special assessments and general operating revenues. Debt on this note is currently being paid from the Main Street Capital Projects Fund, however, when the project is completed the debt will be paid from the Debt Service Fund.

During calendar year 1998, the Village received the proceeds of a promissory note in the amount of \$44,483 with interest at the rate of 5.25% to pay for a backhoe. The note requires annual payments and matures September 16, 2005. The note is collateralized by water receipts and general operating revenues. Debt payments are being split between the Debt Service Fund and the Enterprise Water Fund.

During calendar year 2000, the Village received the proceeds of a promissory note in the amount of \$25,000 with interest at the rate of 6% to pay for a police cruiser. The note requires two principal and two interest payments beginning January 15, 2002, and continuing at annual intervals, maturing January 15, 2004. This debt is being paid from the Debt Service Fund using general operating revenues.

During calendar year 1999, the Village entered into a capital lease. A dump truck was leased for five years at a yearly lease amount of \$10,232. The debt associated with this lease will be paid out of the Special Revenue – Street Fund. The lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standard No. 13, “Accounting for Leases,” which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee.

The Village entered into an agreement with Logan County Board of Commissioners during 1998 for the purchase of property. The building is currently being used as the Village administration building. The cost of the building was \$20,000 and will be paid by crediting the water bill account of the Wastewater Treatment facility which is located in the Village and owned and operated by the Logan County Board of Commissioners. The Village’s General Fund pay’s the monthly utility bill and deposits this money into the Water Fund.

**VILLAGE OF RUSSELLS POINT
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

5. DEBT (Continued)

The Mortgage Revenue Bonds relate to a water tower, water plant, and water line project. The debt is being repaid in semi-annual installments with interest at the rate of 5%, maturing in the year 2037. The bonds are collateralized by water receipts and debt is paid through the Enterprise Debt Service Fund.

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

	Village Administration Building Loan	Ohio Public Works Commission Loans	Notes and Capital Lease	Mortgage Revenue Bonds
Year ending December 31:				
2002	\$945	\$34,187	\$84,188	\$72,530
2003	945	34,187	82,893	72,605
2004	945	34,187	74,059	72,545
2005	945	34,187	88,237	72,545
2006	945	34,187	0	72,655
2007 – 2037	2,044	339,810	0	2,281,565
Total	\$6,769	\$510,745	\$329,377	\$2,644,445

6. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Funds (the "Fund"). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. The Fund 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 2001 and 2000, Fund 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 2001 and from January 1, 2000 through June 30, 2000. PERS temporarily reduced the employer contribution rate to 8.13%, effective July 1, 2000 through December 31, 2000. The Village has paid all contributions required through December 31, 2001.

7. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles;
- Errors and omissions;
- Inland Marine;
- Law Enforcement; and
- EDP.

**VILLAGE OF RUSSELLS POINT
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

7. RISK MANAGEMENT (Continued)

The Village is a member of the Ohio Municipal League joint purchasing pool for Worker's Compensation.

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.

9. NEGATIVE FUND BALANCES

As discussed in Note 3, the Village had several negative fund balances throughout the audit period and at December 31, 2001. The Village's intentions are to sell several buildings and to rent out portions of its new administration building purchased during 2002 to eliminate the negative fund balances. On September 17, 2002, the Village was notified by the U.S. Department of Justice that they would be receiving \$22,655 in final reimbursements for COPS Fast Grants. As of September 24, 2002 the Village has received a \$125,000 from the sale of one of their buildings.

10. SUBSEQUENT EVENTS

On March 4, 2002, the Village purchased a building to house their administration offices. The building was purchased for \$575,318 and will be paid for by the issuance of three bonds:

- \$215,000.00, term of 20 years, 5% interest;
- \$133,190.52, term of 30 years, 6% interest; and
- \$232,127.00, term of 30 years, 8% interest.



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

Village of Russells Point
Logan County
Box 30
Russells Point, OH 43348

To the Village Council:

We have audited the accompanying financial statements of the Village of Russells Point, Logan County, (the Village), as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated September 20, 2002, wherein we indicated that the Village has negative cash fund balances and management has identified plans to help alleviate negative cash fund balances. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2001-30246-001 through 2001-30246-006. We also noted a certain immaterial instance of noncompliance that we have reported to management of the Village in a separate letter dated September 20, 2002.

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 control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2001-30246-007.

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, the reportable condition described above is considered a material weakness.

**Internal Control Over Financial Reporting
(Continued)**

We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated September 20, 2002.

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

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

Jim Petro
Auditor of State

September 20, 2002

VILLAGE OF RUSSELLS POINT
LOGAN COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2001 and 2000

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

FINDING NUMBER 2001-30246-001

Noncompliance Citation

Ohio Rev. Code Section 5705.10 states that money paid into a fund must be used only for the purpose for which such fund has been established. As a result, a negative fund balance indicates that money from one fund has been used to cover expenses from another fund.

The Village had negative fund balances in the following funds during 2001:

April		
	Special Revenue – Street Maintenance	\$13,416
	Special Revenue – Police	281
	Special Revenue – Auto Permissive	3,770
	Special Revenue – COPS Fast	17,154
	Debt Service	32,537
December		
	General Fund	\$53,592
	Special Revenue Street Construction Maint. and Repair Fund	8,420
	Special Revenue – COPS fast	17,154
	Debt Service Fund	36,426
	Enterprise – Water Fund	18,176

The Village had negative fund balances in the following funds during 2000:

July		
	General Fund	\$13,664
	Special Revenue – Police	6,594
	Special Revenue – COPS fast	17,154
	Debt Service	14,328
December		
	General Fund	4,013
	Special Revenue – Law Enforcement Trust	455
	Special Revenue – COPS Fast	17,154
	Debt Service	18,217

During 2001 and 2000 monthly fund balance reports were presented to the Council but no action was taken regarding these negative fund balances. The Village and/or the Audit Committee should implement review procedures to monitor revenues and expenditures to help prevent negative fund balances. When a negative or potential negative fund balance is identified immediate corrective action should be taken by the Village.

FINDING NUMBER 2001-30246-002

Noncompliance Citation

Ohio Rev. Code Section 5705.36 allows subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources.

An increased amended certificate must be obtained from the budget commission if the legislative authority intends to appropriate and expend the excess revenue. A reduced amended certificate must be obtained if the amount of the deficiency will reduce available resources below the current level of appropriation.

The total appropriations made during a fiscal year from any fund must not exceed the amount contained in the certificate of estimated resources or the amended certificate of estimated resources which was certified prior to making the appropriations or supplemental appropriation.

During 2001, the following funds had actual revenues less than budgeted revenues in the following amounts:

General Fund	\$28,097
Debt Service	18,400

During 2000, the following funds had actual revenues less than budgeted revenues in the following amounts:

Debt Service	\$18,400
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In these instances the Village had actual expenditures that were greater than actual revenues.

During 2000, the following funds had actual revenues greater than budgeted revenues in the following amounts:

Special Revenue - Street Construction Maintenance and Repair	\$13,193
Special Revenue - State Highway	692
Special Revenue - Other	4,280

In these instances, the Village appropriated and spent the additional revenue without obtaining an Amended Certificate of Estimated Revenue from the County Budget Commission.

By not amending its certificate of estimated resources, the Village can not make reasonable decisions regarding the monies it has available for appropriation and expenditure. The Village should monitor its budgeted revenues versus its actual revenues throughout the year and amend its certificate of estimated resources accordingly.

FINDING NUMBER 2001-30246-003

Noncompliance Citation

Ohio Rev. Code Section 5705.39 states that the total appropriation from each fund should not exceed the total estimated revenue available for expenditures there from, as certified by the budget commission, or in the case of appeal, by the board of tax appeals. No appropriation measure shall become effective until the county files with the appropriating authority a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed such official estimate or amended official estimate.

Appropriations amendment Ordinance No. 00-914 dated December 27, 2000, was approved by Council, but was not filed and/or certified by the County Auditor. The differences are as follows:

Fund	Total Certified to County	Total Approved by Council	Variance
General Fund	\$240,899	\$243,841	\$ 2,942
S.R. – Street	\$ 50,900	\$ 62,144	\$11,244
S.R. – State Highway	\$ 4,100	\$ 4,418	\$ 318
S. R. – Federal Grant	\$ 900	\$ 450	\$ 450
S. R. – State Grants	\$ 740	\$ 0	\$ 740
S. R. – Law Enforcement Trust Fund	\$ 15,500	\$ 19,936	\$ 2,436
S. R. – Vehicle License Tax Fund	\$ 16,700	\$ 18,084	\$ 1,384
S. R. – Drug Enforcement	\$ 1,900	\$ 0	\$ 1,900
Debt Service – Other Debt Service	\$ 18,400	\$ 18,221	\$ 179
Capital Projects – Other Capital Projects	\$539,000	\$488,917	\$ 50,083
Enterprise – Water	\$349,800	\$346,558	\$ 3,242
Enterprise – First Mortgage Debt Service	\$176,300	\$112,516	\$ 63,784
Enterprise – Utility Deposits	\$ 3,800	\$ 1,751	\$ 2,049
Enterprise – Utility Improvement	\$ 42,900	\$ 12,965	\$ 29,935

If the amended appropriations had been filed with the County Auditor, then the County Auditor would not have been able to certify that there were enough available resources to cover such appropriations. To help ensure compliance with this requirement, all appropriation amendments should be approved by Council and filed with the County Auditor.

The numbers per the Budget vs. Actual note reflect the numbers actually filed with the County Auditor.

FINDING NUMBER 2001-30246-004

Noncompliance Citation

Ohio Rev. Code Section 5705.41(B) states that no subdivision shall make any expenditure of money unless it has been lawfully appropriated. During 2001 and 2000, expenditures exceeded appropriations by the following amounts at the legal level of control:

Year	Fund, Object	Function,	Budgeted Expenditures	Actual Expenditures	Variance
2001	General, Salaries	Police,	48,000	52,800	4,780
2001	General, Bicycle	Police,	500	1,941	1,441
2001	Special Revenue, Street Maintenance, Benefits		6,000	14,734	8,794
2001	Enterprise, Office Communications	Water,	1,000	2,702	1,702
2000	General, Salaries	Police,	34,000	58,456	24,456
2000	Special Revenue, Police, Benefits		3,300	4,781	1,481

The Village should implement monitoring procedures to help ensure that expenditures do not exceed appropriations at the legal level of control. The Clerk/Treasurer should provide Council with periodic budget versus actual reports that show the legal level of control.

FINDING NUMBER 2001-30246-005

Noncompliance Citation

Ohio Rev. Code Section 5705.41 (D) states that no order 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.

The following exceptions to this basic requirement are provided by statute:

Then and Now Certificate: This exception provides that, if the fiscal officer can certify that both at the time that the contract or order was made and at the time that he is completing his certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

Amounts less than \$1,000 for villages may be paid by the fiscal officer without such certificate of the taxing authority upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

Thirty percent of the transactions tested were not certified by the Clerk/Treasurer prior to making orders for the expenditure of Village funds. In addition, neither of the two exceptions above was utilized for these transactions. Procedures should be implemented not only to help ensure compliance with this requirement, but to help prevent the unauthorized obligation of Village funds.

FINDING NUMBER 2001-30246-006

Noncompliance Citation

Village Ordinance No. 871, dated June 27, 1997, regarding Village of Russells Point, Debt agreement between Village of Russells Point and the United States of America. The debt covenants state that the Village will fix and revise such rates and charges for the services and facilities of its water system and collect and account for income and revenue therefrom sufficient to promptly pay all expenses incident to the operation of the system. At the end of 2001, the Enterprise Water Fund had a negative fund balance of \$18,176.

The debt covenants also state that the year-end reports from the Village are to be supplied to the USDA Rural Development. Per facsimile from the USDA, year-end reports were not supplied for 1999, 2000, and 2001.

The Village should review USDA Series A and B Bond Covenants to obtain a more thorough understanding of the requirements. Procedures should then be implemented to help ensure compliance with the debt agreements.

FINDING NUMBER 2001-30246-007

Reportable Condition/Material Weakness

Bank-to-Book Reconciliations

The Village's bank-to-book reconciliations had unexplained variances throughout 2001 and 2000. These variances were not identified until 2002. There was no evidence to indicate that Council or the audit committee was monitoring bank-to-book reconciliations. The failure to identify all reconciling items on monthly bank to book reconciliations, and Council's and/or the audit committee's failure to monitor this process, could result in the mismanagement of Village funds, the overspending of individual funds, and errors occurring and not being detected in a timely manner.

The Village's Audit Committee should develop procedures to periodically review the accuracy of the monthly bank reconciliations, and these reconciliations should also be presented to Council for review and approval. Evidence of Audit Committee's review procedures should be maintained and Council's review and approval should be documented in the Village minutes.

**VILLAGE OF RUSSELLS POINT
LOGAN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2001**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
1999-30246-001	ORC 5705.10 – Deficit Fund Balances	No	Repeated as finding 2001-30246-001
1999-30246-002	ORC 5705.41(D) – Failure to properly certify funds prior to expenditures	No	Repeated as finding 2001-30246-005
1999-30246-003	Utility Billing and Collections Material Weakness	Yes	Corrected



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VILLAGE OF RUSSELLS POINT

LOGAN 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
OCTOBER 17, 2002**