



**VILLAGE OF RUSSELLS POINT
LOGAN COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 1999-1998



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

VILLAGE OF RUSSELLS POINT
LOGAN COUNTY

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STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

One First National Plaza
130 W. Second St., Suite 2040
Dayton, Ohio 45402

Telephone 937-285-6677
800-443-9274

Facsimile 937-285-6688
www.auditor.state.oh.us

REPORT OF INDEPENDENT ACCOUNTANTS

Village of Russells Point
Logan County
129 Sunnyside Avenue, P.O. Box 30
Russells Point, Ohio 43348-0030

To the Village Council:

We have audited the accompanying financial statements of the Village of Russells Point, Logan County, Ohio, (the Village) as of and for the years ended December 31, 1999 and 1998. 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 generally accepted auditing standards 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 as of December 31, 1999 and 1998, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 30, 2000, 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.

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

Jim Petro
Auditor of State

May 30, 2000

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**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, 1999**

	<u>Governmental Fund Types</u>				<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Property Tax and Other Local Taxes	\$82,414	\$13,252	\$0	\$0	\$95,666
Intergovernmental Receipts	92,810	109,741		204,434	406,985
Charges for Services	1,278	300			1,578
Fines, Licenses, and Permits	26,424	293			26,717
Miscellaneous	46,410	779			47,189
Total Cash Receipts	<u>249,336</u>	<u>124,365</u>	<u>0</u>	<u>204,434</u>	<u>578,135</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	87,627	56,073			143,700
Leisure Time Activities	706				706
Community Environment	12,330				12,330
Transportation	8,953	40,947			49,900
General Government	101,313				101,313
Debt Service			18,217		18,217
Capital Outlay	25,909	6,843		204,434	237,186
Total Disbursements	<u>236,838</u>	<u>103,863</u>	<u>18,217</u>	<u>204,434</u>	<u>563,352</u>
Total Receipts Over/(Under) Disbursements	<u>12,498</u>	<u>20,502</u>	<u>(18,217)</u>	<u>0</u>	<u>14,783</u>
Other Financing Receipts/(Disbursements):					
Transfers-In			18,217		18,217
Transfers-Out	(18,217)				(18,217)
Total Other Financing Receipts/(Disbursements)	<u>(18,217)</u>	<u>0</u>	<u>18,217</u>	<u>0</u>	<u>0</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>(5,719)</u>	<u>20,502</u>	<u>0</u>	<u>0</u>	<u>14,783</u>
Fund Cash Balances January 1	<u>22,088</u>	<u>(5,031)</u>	<u>0</u>	<u>0</u>	<u>17,057</u>
Fund Cash Balances, December 31	<u>\$16,369</u>	<u>\$15,471</u>	<u>\$0</u>	<u>\$0</u>	<u>\$31,840</u>
Reserves for Encumbrances, December 31	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$32,750</u>	<u>\$32,750</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 AND SIMILAR FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Court Receipts	\$0	\$25,297	\$25,297
Charges for Services	334,482		334,482
Miscellaneous	2,576	0	2,576
Total Operating Cash Receipts	<u>337,058</u>	<u>25,297</u>	<u>362,355</u>
Operating Cash Disbursements:			
Court Disbursements		25,312	25,312
Personal Services	96,658		96,658
Travel Transportation	10		10
Contractual Services	67,336		67,336
Supplies and Materials	17,591		17,591
Capital Outlay	20,652		20,652
Total Operating Cash Disbursements	<u>202,247</u>	<u>25,312</u>	<u>227,559</u>
Operating Income/(Loss)	<u>134,811</u>	<u>(15)</u>	<u>134,796</u>
Non-Operating Cash Disbursements:			
Debt Service	<u>109,300</u>	<u>0</u>	<u>109,300</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	25,511	(15)	25,496
Transfers-In	145,097		145,097
Transfers-Out	<u>(145,097)</u>	<u>0</u>	<u>(145,097)</u>
Net Receipts Over/(Under) Disbursements	25,511	(15)	25,496
Fund Cash Balances, January 1	<u>101,161</u>	<u>60</u>	<u>101,221</u>
Fund Cash Balances, December 31	<u>\$126,672</u>	<u>\$45</u>	<u>\$126,717</u>
Reserve for Encumbrances, December 31	<u>\$0</u>	<u>\$0</u>	<u>\$0</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, 1998**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$85,798	\$14,170	\$99,968
Intergovernmental Receipts	68,600	53,405	122,005
Charges for Services	4,802		4,802
Fines, Licenses, and Permits	36,113	538	36,651
Miscellaneous	29,554	1,214	30,768
	<u>224,867</u>	<u>69,327</u>	<u>294,194</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
Security of Persons and Property	92,693	46,220	138,913
Leisure Time Activities	2,000		2,000
Community Environment	5,408		5,408
Transportation	10,512	40,631	51,143
General Government	89,087		89,087
Capital Outlay	72,548	11,510	84,058
	<u>272,248</u>	<u>98,361</u>	<u>370,609</u>
Total Disbursements			
Total Receipts Over/(Under) Disbursements	<u>(47,381)</u>	<u>(29,034)</u>	<u>(76,415)</u>
Other Financing Receipts/(Disbursements):			
Loan Proceeds	<u>39,152</u>	<u>0</u>	<u>39,152</u>
	<u>39,152</u>	<u>0</u>	<u>39,152</u>
Total Other Financing Receipts/(Disbursements)			
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(8,229)	(29,034)	(37,263)
Fund Cash Balances January 1	<u>30,317</u>	<u>24,003</u>	<u>54,320</u>
Fund Cash Balances, December 31	<u>\$22,088</u>	<u>(\$5,031)</u>	<u>\$17,057</u>
Reserves for Encumbrances, December 31	<u>\$9,000</u>	<u>\$0</u>	<u>\$0</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 AND SIMILAR FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 1998**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Court Receipts	\$0	\$33,362	\$33,362
Charges for Services	326,839		326,839
Miscellaneous	8,003		8,003
	<u>334,842</u>	<u>33,362</u>	<u>368,204</u>
Operating Cash Disbursements:			
Court Disbursements		33,564	33,564
Personal Services	94,582		94,582
Fringe Benefits	117		117
Contractual Services	73,356		73,356
Supplies and Materials	21,011		21,011
Capital Outlay	44,822	0	44,822
	<u>233,888</u>	<u>33,564</u>	<u>267,452</u>
Operating Income/(Loss)	<u>100,954</u>	<u>(202)</u>	<u>100,752</u>
Non-Operating Cash Receipts:			
Sale of Fixed Assets	4,480		4,480
Other Non-Operating Receipts	52	0	52
	<u>4,532</u>	<u>0</u>	<u>4,532</u>
Non-Operating Cash Disbursements:			
Debt Service	<u>100,991</u>	<u>0</u>	<u>100,991</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	4,495	(202)	4,293
Transfers-In	127,378	0	127,378
Transfers-Out	<u>(127,378)</u>	<u>0</u>	<u>(127,378)</u>
Net Receipts Over/(Under) Disbursements	4,495	(202)	4,293
Fund Cash Balances, January 1	<u>96,666</u>	<u>262</u>	<u>96,928</u>
Fund Cash Balances, December 31	<u>\$101,161</u>	<u>\$60</u>	<u>\$101,221</u>
Reserve for Encumbrances, December 31	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

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, 1999 AND 1998**

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 general governmental services, including water utilities and police services.

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

B. Basis of Accounting

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

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

C. Cash and Investments

Certificates of deposit and the savings account are valued at cost. 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.

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. Governmental Funds

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.

Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

Street Construction, Maintenance and Repair Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village streets.

COPS Grant Fund - This fund receives grant money for hiring of additional law enforcement personnel.

**VILLAGE OF RUSSELLS POINT
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

1. Governmental Funds (Continued)

Debt Service Funds

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 receives transfers from the General Fund to pay loan debt for vehicles.

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:

Construction Fund - This fund receives grant monies from the State of Ohio to repair streets in the Village.

2. Proprietary Funds

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.

First Mortgage Debt Service Fund - This fund receives transfers from the Water Fund for the retirement of water system mortgage revenue bonds.

3. 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 fiduciary fund:

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

**VILLAGE OF RUSSELLS POINT
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the 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. 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.

A summary of 1999 and 1998 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. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused sick and vacation leave in certain circumstances, such as upon leaving employment. Unpaid sick and vacation leave are not reflected as a liability under the cash basis of accounting used by the Village.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>1999</u>	<u>1998</u>
Demand deposits	\$ 147,788	\$ 40,436
Certificate of Deposit	10,569	0
Savings account	0	77,642
Cash on Hand	<u>200</u>	<u>200</u>
Total deposits	<u>\$ 158,557</u>	<u>\$ 118,278</u>

**VILLAGE OF RUSSELLS POINT
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending 1999 and 1998 follows:

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 238,200	\$ 249,336	\$ 11,136
Special Revenue	116,511	124,365	7,854
Debt Service	18,300	18,217	(83)
Capital Projects	214,740	204,434	(10,306)
Enterprise	484,604	482,155	(2,449)
Total	\$ 1,072,355	\$ 1,078,507	\$ 6,152

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 259,451	\$ 255,055	\$ 4,396
Special Revenue	135,651	103,863	31,788
Debt Service	18,221	18,217	4
Capital Projects	214,740	237,184	(22,444)
Enterprise	480,150	456,644	23,506
Total	\$ 1,108,213	\$ 1,070,963	\$ 37,250

1998 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 259,252	\$ 264,019	\$ 4,767
Special Revenue	96,500	69,327	(27,173)
Debt Service	7,500	0	(7,500)
Enterprise	458,847	466,752	7,905
Total	\$ 822,099	\$ 800,098	\$ (22,001)

**VILLAGE OF RUSSELLS POINT
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

1998 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 285,724	\$ 281,248	\$ 4,476
Special Revenue	104,160	98,362	5,798
Debt Service	0	0	0
Enterprise	499,138	462,257	36,881
Total	\$ 889,022	\$ 841,867	\$ 47,155

Ohio Rev. Code Section 5705.41(B) states that expenditures cannot exceed appropriations. A violation of this requirement occurred in the Capital Projects Fund in 1999. The violation was the result of monies from the Ohio Public Works Commission paid on behalf of the Village. Therefore, the Village does not actually receive and disburse cash.

The COPS Grant Fund, a Special Revenue Fund, had a negative fund balance at December 31, 1999 of \$21,599 and December 31, 1998 of \$23,589. Negative fund balances violate the requirements of Ohio Rev. Code Section 5705.10.

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 payment, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal 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, 1999 AND 1998
(Continued)**

5. DEBT

Debt outstanding at December 31, 1999, was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan	\$20,000	0.00%
Ohio Public Works Commission Loans	\$612,278	0.00%
Bank Loan-Street Project	212,000	5.65%
Bank Loans-Vehicles	26,730	4.75%
Mortgage Revenue Bonds	1,223,900	5.00%
Total	\$2,094,908	

The Ohio Public Works Commission loans relate to water system improvements. The loans will be repaid in semiannual installments with no interest. The loans are collateralized by water receipts.

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%. The bonds are collateralized by water receipts.

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

Year ending December 31:	OWDA Loan	Ohio Public Works Commission Loans	Bank Loans Street Project and Vehicles	Mortgage Revenue Bonds
2000	\$ 5,000	\$ 36,002	\$ 14,298	\$ 72,595
2001	5,000	36,002	52,643	72,525
2002	5,000	36,002	38,923	72,530
2003	5,000	36,002	38,921	72,605
2004	0	36,002	38,921	72,545
Subsequent	0	432,269	116,763	2,394,375
Total	\$ 20,000	\$ 612,279	\$ 300,469	\$ 2,757,175

6. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Police and Firemen's Disability and Pension Funds (PFDPF). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. PFDPF 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 1999 and 1998, members of PFDPF contributed 10% of their wages to the PFDPF. The Village contributed an amount equal to 19.5% of their wages. PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 1999.

**VILLAGE OF RUSSELLS POINT
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

7. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

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

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.

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STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

One First National Plaza
130 W. Second St., Suite 2040
Dayton, Ohio 45402
Telephone 937-285-6677
800-443-9274
Facsimile 937-285-6688
www.auditor.state.oh.us

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

Village of Russells Point
Logan County
129 Sunnyside Avenue, P.O. Box 30
Russells Point, OH 43348-0030

To the Village Council:

We have audited the accompanying financial statements of the Village of Russells Point, Logan County, Ohio (the Village), as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated May 30, 2000. We conducted our audit in accordance with generally accepted auditing standards 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 1999-30246-001 and 1999-30246-002.

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 a matter involving the internal control over financial reporting 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 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 1999-30246-003.

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 as item 1999-30246-003, we consider to be a material weakness. 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 May 30, 2000.

This report is intended for the information and use of the finance 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", written in a cursive style.

Jim Petro
Auditor of State

May 30, 2000

VILLAGE OF RUSSELLS POINT
LOGAN COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 1999 AND 1998

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

FINDING NUMBER 1999-30246-001

Noncompliance Citation

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

The Village had negative fund balances in the Special Revenue Cops Grant Fund at December 31, 1999, in the amount of \$21,599, and at December 31, 1998, in the amount of \$23,589. The Cops Grant Fund receives reimbursement grants for police protection. Expenditures were made from this fund without advancing money to cover the obligations.

FINDING NUMBER 1999-30246-002

Noncompliance Citation

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

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 of less than \$100 for counties, or less than \$1,000 for other political subdivisions, may be paid by the fiscal officer without such affirmation 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-two (32%) percent of expenditures tested were not properly encumbered.

The lack of properly encumbering could result in the Village obligating funds in excess of fund balances resulting in a deficit spending situation. The Village should implement procedures and controls to assure compliance with this requirement.

**VILLAGE OF RUSSELLS POINT
LOGAN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 1999 AND 1998
(Continued)**

FINDING NUMBER 1999-30246-003

Material Weakness

Utility Billing and Collections

The following items were noted during the review of the utility billings and collections system:

Adjustments were made to customer accounts by the Utility Clerk without documented reasons or evidence of approval by the Board of Public Affairs or Council. If the adjustments are not valid, this could result in a loss of revenue to the Village. Adjustments to all customer accounts should have documentation of approval by the Board of Public Affairs and/or Council.

The utility billing software was not properly set up to distinguish between meters which read in hundredths and those that read in thousandths. In addition penalties were not always properly calculated. This resulted in the over and under billing of customers and the need to make subsequent adjustments to accounts. The Village should work with the software vendor to help assure the compatibility of meters and the billing software. Periodically, members of the Board of Public Affairs and/or Council should verify the accuracy of the calculations in the billing reports.

An inventory listing of meters and their location was not maintained by the Water Department. This eliminates one of the methods that can be used by the Village to help ensure the completeness of the utility billing system. The Village should have a listing of all water meters, by identification number, and where they are located. This listing should be periodically compared to the listing of customers in the billing system.

Delinquency reports were being run by the Utility Clerk but were not submitted to the Board of Public Affairs and/or Council on a regular basis. There also did not appear to be a formal procedure for dealing with delinquent accounts. The failure to provide delinquency reports on a regular basis, and the lack of a formal policy weakens the Village's ability to collect on past due accounts. The Board of Public Affairs and/or Council should adopt a formal delinquent account policy which includes but is not limited to what is considered a delinquent account; when second notices will be mailed/delivered; when water service is to be shut off; how often delinquency information is to be presented to the Board of Public Affairs and/or Council, and when delinquent accounts will result in legal action.

The Utility Clerk did not always present billing and revenue collection reports to the Board of Public Affairs or Council. The lack of timely, detailed billing and collection reports inhibits the Village's ability to take immediate corrective action if there are errors or discrepancies. The Utilities Clerk should provide the Board of Public Affairs and/or Council with monthly billing and revenue reports. This will allow the monitoring of the number of billings vs. the listing of customers, billings vs collections, and estimated revenue vs actual.

No procedures were in place for reviewing the number of gallons pumped at the water plant vs. the number of gallons billed by the Utility Clerk. The monitoring of this information may help prevent the loss of revenues due to water leaks or the failure to bill all customers. The Board of Public Affairs and/or Council should periodically review this information to determine if variances are reasonable.

VILLAGE OF RUSSELLS POINT
LOGAN COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	<u>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:</u>
1997-30246-001	ORC 5705.41(D)	No	Not corrected - noncompliance repeated



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

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
JULY 18, 2000