



**VILLAGE OF SOUTH POINT
LAWRENCE COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2001



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

VILLAGE OF SOUTH POINT
LAWRENCE COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

Village of South Point
Lawrence County
408 Second Street West
South Point, Ohio 45680

To the Village Council:

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 13, 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.

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

Village of South Point
Lawrence County
Report of Independent Accountants
Page 2

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

Jim Petro
Auditor of State

March 13, 2002

VILLAGE OF SOUTH POINT
LAWRENCE 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	\$96,384	\$52,062	\$	\$	\$148,446
Special Assessments		3,070			3,070
Intergovernmental Receipts	63,144	182,447		612,634	858,225
Charges for Services	2,950				2,950
Fines, Licenses, and Permits	45,686				45,686
Earnings on Investments	8,093	6,190			14,283
Miscellaneous	2,816	2,766		35,000	40,582
	<u>219,073</u>	<u>246,535</u>	<u>0</u>	<u>647,634</u>	<u>1,113,242</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	161,999	37,240			199,239
Leisure Time Activities	1,469			99,549	101,018
Transportation		131,853			131,853
General Government	54,017				54,017
Debt Service:					
Principal Payments			336,000	102,000	438,000
Interest Payments			14,910	51,114	66,024
Capital Outlay	5,808	10,000		604,750	620,558
	<u>223,293</u>	<u>179,093</u>	<u>350,910</u>	<u>857,413</u>	<u>1,610,709</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(4,220)</u>	<u>67,442</u>	<u>(350,910)</u>	<u>(209,779)</u>	<u>(497,467)</u>
Other Financing Sources/(Uses):					
Proceeds of Notes				102,000	102,000
Proceeds of Bonds			311,000		311,000
Transfers-In		7,415	72,296	2,196	81,907
Transfers-Out	(7,415)	(68,514)		(3,782)	(79,711)
Other Financing Sources	1,925				1,925
Other Financing Uses				(363)	(363)
	<u>(5,490)</u>	<u>(61,099)</u>	<u>383,296</u>	<u>100,051</u>	<u>416,758</u>
Excess of Cash Receipts and Other Financing Sources Over/(Under) Cash Disbursements and Other Financing Uses	(9,710)	6,343	32,386	(109,728)	(80,709)
Fund Cash Balances, January 1	156,201	166,059	10,066	109,728	442,054
Fund Cash Balances, December 31	<u>\$146,491</u>	<u>\$172,402</u>	<u>\$42,452</u>	<u>\$0</u>	<u>\$361,345</u>
Reserves for Encumbrances, December 31	<u>\$12,014</u>	<u>\$9,151</u>	<u>\$0</u>	<u>\$0</u>	<u>\$21,165</u>

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

**VILLAGE OF SOUTH POINT
LAWRENCE 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**

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts:			
Charges for Services	\$1,263,165	\$	\$1,263,165
Miscellaneous	7,000		7,000
Total Operating Cash Receipts	<u>1,270,165</u>	<u>0</u>	<u>1,270,165</u>
Operating Cash Disbursements:			
Personal Services	317,032		317,032
Fringe Benefits	214,933		214,933
Contractual Services	304,145		304,145
Supplies and Materials	142,266		142,266
Capital Outlay	48,460		48,460
Total Operating Cash Disbursements	<u>1,026,836</u>	<u>0</u>	<u>1,026,836</u>
Operating Income/(Loss)	<u>243,329</u>	<u>0</u>	<u>243,329</u>
Non-Operating Cash Receipts:			
Proceeds of Bonds	914,000		914,000
Sale of Fixed Assets	6,675		6,675
Other Non-Operating Cash Receipts		37,899	37,899
Total Non-Operating Cash Receipts	<u>920,675</u>	<u>37,899</u>	<u>958,574</u>
Non-Operating Cash Disbursements:			
Debt Service:			
Principal	971,045		971,045
Interest	108,294		108,294
Other Non-Operating Cash Disbursements		37,524	37,524
Total Non-Operating Cash Disbursements	<u>1,079,339</u>	<u>37,524</u>	<u>1,116,863</u>
Excess of Cash Receipts Over/(Under) Cash Disbursements Before Interfund Transfers	84,665	375	85,040
Transfers-In	231,937		231,937
Transfers-Out	(234,133)		(234,133)
Net Receipts Over/(Under) Disbursements	82,469	375	82,844
Fund Cash Balances, January 1	<u>384,590</u>	<u>2,926</u>	<u>387,516</u>
Fund Cash Balances, December 31	<u>\$467,059</u>	<u>\$3,301</u>	<u>\$470,360</u>
Reserve for Encumbrances, December 31	<u>\$68,590</u>	<u>\$0</u>	<u>\$68,590</u>

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

**VILLAGE OF SOUTH POINT
LAWRENCE COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of South Point, Lawrence 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 and sewer utilities, park operations (leisure time activities), police services and general Village maintenance.

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

Certificates of deposit are valued at cost.

D. Fund Accounting

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Fund

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

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

Fire Department Fund - This fund receives tax monies assessed and levied on general assessed valuation of real and personal property taxes for the operation of the fire department.

**VILLAGE OF SOUTH POINT
LAWRENCE COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

3. Debt Service Funds

These funds are used to accumulate resources for the payment of bonds and note indebtedness. The Village had the following significant Debt Service Funds:

Fire Truck Bond Fund - This fund is utilized for the payment of a new fire truck. The purchase is financed by a two mill levy passed by the people of the Village.

Street Repaving Bond Fund - This fund is utilized for the payment of the repavement of various streets in the Village.

4. Capital Projects 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 Projects Funds:

Solida Road Sewer Extension Project Fund - This fund receives intergovernmental funding and customer tap fees to support the sewer extension construction project.

Park Improvement Project Fund - This fund receives intergovernmental funding and donations to support the park improvement project.

5. Enterprise Funds

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

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

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

Solida Sewer Bond Fund - This fund is utilized for the payment of the sewer extension bond.

6. Agency Fund

Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Village had the following significant Agency Fund:

Mayor's Court Fund - This fund is used to account for the activities of the Village's Mayor's Court.

**VILLAGE OF SOUTH POINT
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(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.

A summary of 2001 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Village maintains a cash and investment 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:

**VILLAGE OF SOUTH POINT
LAWRENCE COUNTY**

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

2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

	2001
Demand deposits	\$ 731,705
Certificates of deposit	100,000
Total deposits	\$ 831,705

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2001 follows:

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 220,998	\$ 220,998	\$ 0
Special Revenue	255,769	253,950	(1,819)
Debt Service	383,296	383,296	0
Capital Projects	764,430	751,830	(12,600)
Enterprise	2,426,300	2,422,777	(3,523)
Total	\$ 4,050,793	\$ 4,032,851	\$ (17,942)

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 285,987	\$ 242,722	\$ 43,265
Special Revenue	279,041	256,758	22,283
Debt Service	359,012	350,910	8,102
Capital Projects	873,063	861,558	11,505
Enterprise	2,438,485	2,408,898	29,587
Total	\$ 4,235,588	\$ 4,120,846	\$ 114,742

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.

**VILLAGE OF SOUTH POINT
LAWRENCE COUNTY**

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

4. PROPERTY TAX (Continued)

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

Debt outstanding at December 31, 2001 was as follows:

	Principal	Interest Rate
Sub Waterworks Bond (OWDA)	\$ 339,663	7.89%
Step 3 Sewer Bond (OWDA)	36,347	8.47%
1 st Mortgage Sewer Bond (OWDA)	936,700	7.89%
Fire Truck Bond	105,000	5.74%
Street Resurfacing Bond (USDA)	311,000	4.75%
Solida Sewer Extension Bond (USDA)	914,000	4.50%
Total	\$ 2,642,710	

The Ohio Water Development Authority (OWDA) bonds are Mortgage Revenue Bonds which were purchased by OWDA in 1989 for the purpose of paying off U.S. Department of Agriculture - Rural Development loans . The Sub Waterworks Bond was for \$460,290 and will be repaid in semiannual installments of \$21,357, including interest, over 25 years. The Step 3 Sewer Bond was for \$49,526 and will be repaid in semiannual installments of \$2,414, including interest, over 25 years. The 1st Mortgage Sewer Bond was for \$1,269,357 and will be repaid in semiannual installments of \$58,898, including interest, over 25 years. The bonds are collateralized by water and sewer receipts.

The Fire Truck Bond is a General Obligation Bond which relates to the purchase of a new fire truck. This bond was for \$231,670. Principal on the bond varies and will be repaid annually over 10 years. Interest payments also vary and will be repaid semiannually, over 10 years. The bond is collateralized by the Village's taxing authority.

The Street Resurfacing Bond is a General Obligation Bond that was purchased by the U. S. Department of Agriculture - Rural Development (USDA) for the purpose of paying bond anticipation notes issued for the purpose of paying part of the cost of street resurfacing. The bond was for \$311,000 and will be repaid in annual installments, beginning in 2002, that vary between \$39,723 and \$39,873, including interest, over 10 years. The bond is uncollateralized.

The Solida Sewer Extension Bond is a General Obligation Bond that was purchased by the U. S. Department of Agriculture - Rural Development (USDA) for the purpose of paying bond anticipation notes issued for the purpose of paying part of the cost of constructing sanitary sewer system improvements along Solida Road. The bond was for \$914,000 and will be repaid in annual installments, beginning in 2002, that vary between \$49,586 and \$49,751, including interest, over 40 years. The bond is collateralized by water and sewer receipts.

**VILLAGE OF SOUTH POINT
LAWRENCE COUNTY**

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

5. DEBT (Continued)

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

<u>Year ending December 31:</u>	<u>General Obligation Bonds</u>	<u>Mortgage Revenue Bonds</u>
2002	\$ 119,848	\$ 165,339
2003	118,459	165,339
2004	116,963	165,339
2005	120,229	165,339
2006	89,459	165,339
2007-2011	447,313	826,695
2012-2016	248,397	493,602
2017-2021	248,337	
2022-2026	248,380	
2027-2031	248,337	
2032-2036	248,370	
2037-2041	248,290	
Total	<u>\$ 2,502,382</u>	<u>\$ 2,146,992</u>

6. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. OP&F and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2001, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant wages. PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2001. The Village has paid all contributions required through December 31, 2001.

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, 2000 and 1999 (the most current information available) generally protect against individual losses over \$150,000 (\$100,000 for policies issued after March 31, 2000).

VILLAGE OF SOUTH POINT
LAWRENCE COUNTY

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

7. RISK MANAGEMENT (Continued)

Risk Pool Membership (Continued)

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

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

	<u>2000</u>	<u>1999</u>
Assets	\$2,958,827	\$4,151,450
Liabilities	3,863,373	3,461,914
Retained (deficit) earnings	<u>(\$904,546)</u>	<u>\$689,536</u>

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**VILLAGE OF SOUTH POINT
LAWRENCE COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
DECEMBER 31, 2001**

FEDERAL GRANTOR/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
<i>Direct from Federal Government:</i>			
Water and Waste Disposal Systems for Rural Communities	N/A	10.760	\$1,284,751
Community Facilities Loan	N/A	10.766	<u>411,075</u>
Total U.S. Department of Agriculture			<u>1,695,826</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>			
<i>Direct from Federal Government:</i>			
Community Oriented Policing Services	N/A	16.710	<u>7,470</u>
Total U.S. Department of Justice			<u>7,470</u>
Total Federal Awards Expenditures			<u><u>\$1,703,296</u></u>

The accompanying Notes to the Schedule of Federal Awards Expenditures are an integral part of this Schedule.

**VILLAGE OF SOUTH POINT
LAWRENCE COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS 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 awards programs. The Schedule has been prepared on the cash basis of accounting.

NOTE B - MATCHING REQUIREMENTS

Certain federal programs require that the Village contribute non-federal funds (matching funds) to support the federally-funded programs. The Village has complied with the matching requirements. The expenditure of non-federal matching funds is not included on the Schedule.



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

Village of South Point
Lawrence County
408 Second Street West
South Point, Ohio 45680

To the Village Council:

We have audited the accompanying financial statements of the Village of South Point, Lawrence County, Ohio (the Village), as of and for the year ended December 31, 2001, and have issued our report thereon dated March 13, 2002. We conducted our audit in accordance with the 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated March 13, 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. Our consideration on 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 March 13, 2002.

Village of South Point
Lawrence County
Report of Independent Accountants on Compliance and
on Internal Control Required by *Government Auditing Standards*
Page 2

This report is intended for the information and use of the audit committee, 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.

Jim Petro
Auditor of State

March 13, 2002



STATE OF OHIO
OFFICE OF THE AUDITOR

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

Village of South Point
Lawrence County
408 Second Street West
South Point, Ohio 45680

To the Village Council:

Compliance

We have audited the compliance of the Village of South Point, Lawrence 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 each of its major federal programs for the year ended December 31, 2001. The Village's major federal programs are identified in the Summary of Auditor's Results Section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs 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 occurred. 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 each of its major federal programs for the year ended December 31, 2001.

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.

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 the audit committee, 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.

Jim Petro
Auditor of State

March 13, 2002

**VILLAGE OF SOUTH POINT
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 SECTION .505
DECEMBER 31, 2001**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the 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 non-compliance at the financial statement level (GAGAS)?	No
(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?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Water and Waste Disposal Systems for Rural Communities Loan and Grant - CFDA #10.760 Community Facilities Loan - CFDA # 10.766
(d)(1)(viii)	Dollar Threshold: Type AIB Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

None.

3. FINDINGS FOR FEDERAL AWARDS

None.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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VILLAGE OF SOUTH POINT

LAWRENCE 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
APRIL 11, 2002**