



**Auditor of State
Betty Montgomery**

VILLAGE OF SOUTH POINT
LAWRENCE COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Village of South Point
Lawrence County
408 2nd 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 (the Village), as of and for the years ended December 31, 2003 and 2002. 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.

The Village's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of the Village because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code Section 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code Sections 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments.

We believe that our audit provides a reasonable basis for our opinion.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of South Point, Lawrence County, as of December 31, 2003 and 2002, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2004 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.

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Village of South Point
Lawrence County
Independent Accountants' Report
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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.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

June 25, 2004

**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, 2003**

	<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	\$107,230	\$57,545	\$	\$	\$164,775
Special Assessments		3,705			3,705
Intergovernmental Receipts	46,039	201,062		210,694	457,795
Charges for Services	2,870				2,870
Fines, Licenses, and Permits	41,047				41,047
Earnings on Investments	4,614	715			5,329
Miscellaneous	1,747	224			1,971
	<u>203,547</u>	<u>263,251</u>	<u>0</u>	<u>210,694</u>	<u>677,492</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	158,872	29,642			188,514
Leisure Time Activities	813				813
Transportation		148,705			148,705
General Government	55,502				55,502
Debt Service:					
Principal Payments			51,200		51,200
Interest Payments			17,507		17,507
Capital Outlay	8,415	4,130		463,799	476,344
	<u>223,602</u>	<u>182,477</u>	<u>68,707</u>	<u>463,799</u>	<u>938,585</u>
Total Cash Disbursements	<u>223,602</u>	<u>182,477</u>	<u>68,707</u>	<u>463,799</u>	<u>938,585</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(20,055)</u>	<u>80,774</u>	<u>(68,707)</u>	<u>(253,105)</u>	<u>(261,093)</u>
Other Financing Receipts/(Disbursements):					
Proceeds of Notes				660,234	660,234
Sale of Fixed Assets	1,800	125			1,925
Transfers-In			65,571		65,571
Transfers-Out		(65,571)			(65,571)
	<u>1,800</u>	<u>(65,446)</u>	<u>65,571</u>	<u>660,234</u>	<u>662,159</u>
Total Other Financing Receipts/(Disbursements)	<u>1,800</u>	<u>(65,446)</u>	<u>65,571</u>	<u>660,234</u>	<u>662,159</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(18,255)	15,328	(3,136)	407,129	401,066
Fund Cash Balances, January 1	127,535	228,195	17,997	7	373,734
Fund Cash Balances, December 31	<u>\$109,280</u>	<u>\$243,523</u>	<u>\$14,861</u>	<u>\$407,136</u>	<u>\$774,800</u>
Reserves for Encumbrances, December 31	<u>\$113</u>	<u>\$845</u>	<u>\$0</u>	<u>\$38,095</u>	<u>\$39,053</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, 2003**

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts:			
Charges for Services	\$1,314,278	\$	\$1,314,278
Total Operating Cash Receipts	1,314,278	0	1,314,278
Operating Cash Disbursements:			
Personal Services	342,187		342,187
Fringe Benefits	197,252		197,252
Contractual Services	331,100		331,100
Supplies and Materials	131,883		131,883
Capital Outlay	50,427		50,427
Total Operating Cash Disbursements	1,052,849	0	1,052,849
Operating Income/(Loss)	261,429	0	261,429
Non-Operating Cash Receipts:			
Sale of Fixed Assets	6,080		6,080
Other Non-Operating Receipts	6,000	27,768	33,768
Total Non-Operating Cash Receipts	12,080	27,768	39,848
Non-Operating Cash Disbursements:			
Debt Service:			
Principal	75,422		75,422
Interest	139,664		139,664
Other Non-Operating Cash Disbursements		29,354	29,354
Total Non-Operating Cash Disbursements	215,086	29,354	244,440
Excess of Cash Receipts Over/(Under) Cash Disbursements Before Interfund Transfers	58,423	(1,586)	56,837
Transfers-In	247,623		247,623
Transfers-Out	(247,623)		(247,623)
Net Cash Receipts Over/(Under) Cash Disbursements	58,423	(1,586)	56,837
Fund Cash Balances, January 1	501,752	3,551	505,303
Fund Cash Balances, December 31	\$560,175	\$1,965	\$562,140
Reserve for Encumbrances, December 31	\$6,558	\$0	\$6,558

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 GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash Receipts:					
Property Tax and Other Local Taxes	\$97,725	\$52,209	\$	\$	\$149,934
Special Assessments		3,001			3,001
Intergovernmental Receipts	90,124	199,268		9,176	298,568
Charges for Services	3,195				3,195
Fines, Licenses, and Permits	51,009				51,009
Earnings on Investments	6,154	1,533			7,687
Miscellaneous	3,410	1,783			5,193
Total Cash Receipts	251,617	257,794	0	9,176	518,587
Cash Disbursements:					
Current:					
Security of Persons and Property	175,636	39,619			215,255
Leisure Time Activities	1,911				1,911
Transportation		128,620			128,620
General Government	68,405				68,405
Debt Service:					
Principal Payments			50,000		50,000
Interest Payments			18,191		18,191
Capital Outlay	19,820			15,286	35,106
Total Cash Disbursements	265,772	168,239	68,191	15,286	517,488
Total Cash Receipts Over/(Under) Cash Disbursements	(14,155)	89,555	(68,191)	(6,110)	1,099
Other Financing Receipts/(Disbursements):					
Proceeds of Notes				6,117	6,117
Sale of Fixed Assets	1,200	3,975			5,175
Transfers-In		6,000	43,736		49,736
Transfers-Out	(6,000)	(43,736)			(49,736)
Total Other Financing Receipts/(Disbursements)	(4,800)	(33,761)	43,736	6,117	11,292
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(18,955)	55,794	(24,455)	7	12,391
Fund Cash Balances, January 1	146,490	172,401	42,452		361,343
Fund Cash Balances, December 31	\$127,535	\$228,195	\$17,997	\$7	\$373,734
Reserves for Encumbrances, December 31	\$3,550	\$342	\$0	\$0	\$3,892

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, 2002**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$1,280,568	\$	\$1,280,568
Miscellaneous	6,000		6,000
Total Operating Cash Receipts	<u>1,286,568</u>	<u>0</u>	<u>1,286,568</u>
Operating Cash Disbursements:			
Personal Services	334,340		334,340
Fringe Benefits	158,139		158,139
Contractual Services	338,374		338,374
Supplies and Materials	113,551		113,551
Capital Outlay	165,657		165,657
Total Operating Cash Disbursements	<u>1,110,061</u>	<u>0</u>	<u>1,110,061</u>
Operating Income/(Loss)	<u>176,507</u>	<u>0</u>	<u>176,507</u>
Non-Operating Cash Receipts:			
Intergovernmental Receipts	69,598		69,598
Sale of Fixed Assets	3,105		3,105
Other Non-Operating Receipts		42,861	42,861
Total Non-Operating Cash Receipts	<u>72,703</u>	<u>42,861</u>	<u>115,564</u>
Non-Operating Cash Disbursements:			
Debt Service:			
Principal	70,055		70,055
Interest	144,463		144,463
Other Non-Operating Cash Disbursements		42,611	42,611
Total Non-Operating Cash Disbursements	<u>214,518</u>	<u>42,611</u>	<u>257,129</u>
Excess of Cash Receipts Over/(Under) Cash Disbursements Before Interfund Transfers and Advances	34,692	250	34,942
Transfers-In	220,277		220,277
Transfers-Out	(220,277)		(220,277)
Net Cash Receipts Over/(Under) Cash Disbursements	34,692	250	34,942
Fund Cash Balances, January 1	<u>467,060</u>	<u>3,301</u>	<u>470,361</u>
Fund Cash Balances, December 31	<u>\$501,752</u>	<u>\$3,551</u>	<u>\$505,303</u>
Reserve for Encumbrances, December 31	<u>\$1,069</u>	<u>\$0</u>	<u>\$1,069</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, 2003 AND 2002**

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 water and sewer utilities, park operations, and police and fire 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

Investments are reported as assets. Accordingly, 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 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 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.

VILLAGE OF SOUTH POINT
LAWRENCE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenues Funds (Continued)

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.

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:

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

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.

4. Capital Project Fund

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:

Water Improvement Project Fund - This fund receives intergovernmental funding and customer user fees to support the water 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 certain goods or services will be recovered through user charges. The Village had the following significant Enterprise Funds:

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

Sewer Operating 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.

Sewer Reserve Fund – This fund is utilized for the payment of the capital improvements for the sewer fund.

**VILLAGE OF SOUTH POINT
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

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.

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 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 2003 and 2002 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.

**VILLAGE OF SOUTH POINT
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

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:

	2003	2002
Demand deposits	\$127,465	\$128,551
Certificates of deposit	100,000	100,000
Total deposits	227,465	228,551
Repurchase agreement	1,109,475	650,486
Total deposits and investments	\$1,336,940	\$879,037

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

Investments: The Village's financial institution transfers securities to the Village's agent to collateralize repurchase agreements. The securities are not in the Village's name.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending 2003 and 2002 follows:

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$205,347	\$205,347	\$0
Special Revenue	263,376	263,376	0
Debt Service	65,571	65,571	0
Capital Projects	870,928	870,928	0
Enterprise	1,579,209	1,573,981	(5,228)
Total	\$2,984,431	\$2,979,203	(\$5,228)

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$240,520	\$223,715	\$16,805
Special Revenue	268,737	248,893	19,844
Debt Service	69,000	68,707	293
Capital Projects	680,000	501,894	178,106
Enterprise	1,589,745	1,522,116	67,629
Total	\$2,848,002	\$2,565,325	\$282,677

**VILLAGE OF SOUTH POINT
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$252,817	\$252,817	\$0
Special Revenue	267,769	267,769	0
Debt Service	43,736	43,736	0
Capital Projects	15,293	15,293	0
Enterprise	1,579,548	1,579,548	0
Total	\$2,159,163	\$2,159,163	\$0

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$281,046	\$275,322	\$5,724
Special Revenue	250,621	212,317	38,304
Debt Service	70,500	68,191	2,309
Capital Projects	15,286	15,286	0
Enterprise	1,677,682	1,545,925	131,757
Total	\$2,295,135	\$2,117,041	\$178,094

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 SOUTH POINT
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

5. DEBT

Debt outstanding at December 31, 2003 was as follows:

Sub Waterworks Bond (OWDA)	\$306,576	7.89%
Step 3 Sewer Bond (OWDA)	32,702	8.47%
1st Mortgage Sewer Bond (OWDA)	845,455	7.89%
Fire Truck Bond	55,000	5.74%
Street Resurfacing Bond (USDA)	259,800	4.75%
Solida Sewer Extension Bond (USDA)	896,500	4.50%
Water System Improvement Bond Anticipation Note	600,000	1.95%
Total	<u>\$2,996,033</u>	

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 the 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 full faith, credit and revenue of the municipality.

The Water System Improvement Note is a Bond Anticipation Note that was purchased in 2003 for improvements for the Water System Improvements of the Village. The note was for \$600,000 and will be repaid with bonds in January, 2004. The note is collateralized by full faith, credit and revenue of the municipality.

**VILLAGE OF SOUTH POINT
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

5. DEBT (Continued)

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

	General Obligation Bonds	Bond Anticipation Notes	Mortgage Revenue Bonds
Year ending December 31:			
2004	\$116,911	\$610,635	\$165,338
2005	120,283		165,338
2006	89,476		165,338
2007	89,517		165,339
2008	89,435		165,339
2009-2013	367,740		826,693
2014-2018	248,319		162,925
2019-2023	248,316		
2024-2028	248,412		
2029-2033	248,313		
2034-2038	248,371		
2039-2041	148,965		
Total	<u>\$2,264,058</u>	<u>\$610,635</u>	<u>\$1,816,310</u>

The Village began receiving OPWC monies in 2002. Monies were also received in 2003 and continued into 2004 for the Water Improvement Project. The total amount agreed to be paid to the Village by OPWC is \$350,000. The Village will receive \$209,000 in grant monies and \$141,000 in loan monies. The percentage of the loan is 0%. The Village received the following amounts in 2002 and 2003:

	<u>Grant</u>	<u>Loan</u>	<u>Total</u>
2002	\$9,176	\$6,117	\$15,293
2003	<u>90,351</u>	<u>60,234</u>	<u>150,585</u>
Total	<u>\$99,527</u>	<u>\$66,351</u>	<u>\$165,878</u>

The grant amount that has not been received, but is expected is \$109,473. The loan amount that has not been received, but is expected is \$74,649. The loan has not been finalized therefore an amortization of the debt is not determinable at this time.

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 2003 and 2002, 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 wages. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2003. The Village has paid all contributions required through December 31, 2003.

**VILLAGE OF SOUTH POINT
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

7. RISK MANAGEMENT

Risk Pool Membership

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

Casualty excess-of-loss contracts at December 31, 2002 and 2001 generally protect against individual losses exceeded \$150,000 for policies issued prior to April 1, 2000; \$10,000 for policies issued between April 1, 2000 and March 31, 2002; and \$125,000 for policies issued April 1, 2002 or later.

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

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

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

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

8. CONTINGENT LIABILITIES

The Village is defendant in some lawsuits. Although the outcome of these suits is not presently determinable, management believes that the resolution of these matters will not materially adversely affect the Village's financial condition.

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. CONSTRUCTION COMMITMENTS

As Of December 31, 2003, the Village had the following commitments with respect to capital projects:

Capital Project	Company	Remaining Construction Commitment	Expected Date of Completion
Engineering Services	Woolpert Consultants	\$121,740	December-04
New Water Tank	Welding, Inc	30,795	December-04
Water Pump and Pipe	Tonka Equipment	5,442	December-04
	Total	\$157,977	



**Auditor of State
Betty Montgomery**

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

Village of South Point
Lawrence County
408 2nd 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 years ended December 31, 2003 and 2002, and have issued our report thereon dated June 25, 2004 wherein we noted that the Village's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of the Village because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2003-01. We also noted a certain immaterial instance of noncompliance that we have reported to management of the Village in a separate letter dated June 25, 2004.

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 of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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

This report is intended solely for the information and use of an audit committee, management, and the 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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

June 25, 2004

**VILLAGE OF SOUTH POINT
LAWRENCE COUNTY**

**SCHEDULE OF FINDING
DECEMBER 31, 2003 AND 2002**

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

FINDING NUMBER 2003-001

Finding for Recovery

Ohio Rev. Code Section 2949.091 states that the court, in which any person is convicted of or pleads guilty to any offense other than a traffic offense that is not a moving violation, shall impose the sum of fifteen dollars as costs in the case in addition to any other court costs that the court is required by law to impose upon the offender. All such moneys collected during a month shall be transmitted on or before the twentieth day of the following month by the clerk of the court to the treasurer of state and deposited by the treasurer of state into the general revenue fund. The court shall not waive the payment of the additional fifteen dollars court costs, unless the court determines that the offender is indigent and waives the payment of all court costs imposed upon the indigent offender.

Prior to September 26, 2003, the court costs noted above were \$11; however, they were raised to \$15 as a result of House Bill 95. The Mayor's Court was not aware the court costs had increased and did not raise the court fee at any time during the audit period.

From September 26, 2003 to December 31, 2003, the Mayor's Court had 43 cases in which it only collected and paid to the Treasurer of the State of Ohio the \$11 fee. Based on this, the Mayor's Court should have collected an additional \$172 that is due to the State of Ohio to be deposited by the Treasurer of State into the General Revenue Fund.

In accordance with the foregoing facts and pursuant to the Ohio Rev. Code Section 117.28, we hereby issue a finding for recovery against Mayor William Gaskin in the amount of \$172 for public monies due, but not collected, in favor of the State of Ohio General Revenue Fund.



**Auditor of State
Betty Montgomery**

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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
AUGUST 5, 2004**