



**Auditor of State
Betty Montgomery**

VILLAGE OF RUSSELLS POINT
LOGAN COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Village of Russells Point
Logan County
433 State Route 708
Russells Point, Ohio 43348

To the Village Council:

We have audited the accompanying financial statements of the Village of Russells Point, Logan County, (the "Village"), as of and for the years ended December 31, 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. 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, 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 May 26, 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.

This report is intended solely for the information and use of the audit committee, management, and Members of 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

May 26, 2004

**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, 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	\$114,235	\$63,902			\$178,137
Intergovernmental Revenue	78,030	67,320			145,350
Special Assessments				18,919	18,919
Charges for Services	2,240	906			3,146
Fines, Licenses, and Permits	7,388	255			7,643
Earnings on Investments	555	34			589
Miscellaneous	7,549	71			7,620
Total Cash Receipts	<u>209,997</u>	<u>132,488</u>		<u>18,919</u>	<u>361,404</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	52,192	66,437			118,629
Leisure Time Activities	117				117
Community Environment	16,628				16,628
Transportation	1,775	38,983			40,758
General Government	179,783				179,783
Debt Service - Principal		8,789	10,504	27,753	47,046
Debt Service - Interest		1,444	1,719	44,520	47,683
Total Cash Disbursements	<u>250,495</u>	<u>115,653</u>	<u>12,223</u>	<u>72,273</u>	<u>450,644</u>
Total Receipts Over/(Under) Disbursements	(40,498)	16,835	(12,223)	(53,354)	(89,240)
Other Financing Receipts:					
Sale of Fixed Assets	20,486				20,486
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	(20,012)	16,835	(12,223)	(53,354)	(68,754)
Fund Cash Balances, January 1	(21,340)	34,679	(36,426)	7,835	(15,252)
Fund Cash Balances, December 31	<u>(\$41,352)</u>	<u>\$51,514</u>	<u>(\$48,649)</u>	<u>(\$45,519)</u>	<u>(\$84,006)</u>
Reserves for Encumbrances, December 31	<u>\$366</u>				<u>\$366</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 - PROPRIETARY FUND TYPE AND SIMILAR FIDUCIARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$354,905		\$354,905
Court Receipts		4,517	4,517
Total Operating Cash Receipts	<u>354,905</u>	<u>4,517</u>	<u>359,422</u>
Operating Cash Disbursements:			
Personal Services	124,356		124,356
Contractual Services	56,140		56,140
Supplies and Materials	23,296		23,296
Capital Outlay	15,705		15,705
Court Disbursements		4,547	4,547
Total Operating Cash Disbursements	<u>219,497</u>	<u>4,547</u>	<u>224,044</u>
Operating Income/(Loss)	<u>135,408</u>	<u>(30)</u>	<u>135,378</u>
Non-Operating Cash Disbursements:			
Debt Service - Principal	54,837		54,837
Debt Service - Interest	60,590		60,590
Total Non-Operating Cash Disbursements	<u>115,427</u>		<u>115,427</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	19,981	(30)	19,951
Transfers-In	139,712		139,712
Transfers-Out	<u>(139,712)</u>		<u>(139,712)</u>
Net Receipts Over/(Under) Disbursements	19,981	(30)	19,951
Fund Cash Balances, January 1	<u>131,300</u>	<u>30</u>	<u>131,330</u>
Fund Cash Balances, December 31	<u><u>\$151,281</u></u>	<u><u>\$0</u></u>	<u><u>\$151,281</u></u>
Reserves for Encumbrances, December 31	<u><u>\$62,157</u></u>		<u><u>\$62,157</u></u>

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

**VILLAGE OF RUSSELLS POINT
LOGAN COUNTY**

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

	<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	\$104,464	\$58,673			\$163,137
Intergovernmental Revenue	75,475	87,375			162,850
Special Assessments				16,125	16,125
Charges for Services	1,234	854			2,088
Fines, Licenses, and Permits	11,691	352			12,043
Earnings on Investments	623	1			624
Miscellaneous	6,948	100			7,048
Total Cash Receipts	<u>200,435</u>	<u>147,355</u>		<u>16,125</u>	<u>363,915</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	70,806	45,238			116,044
Leisure Time Activities	197				197
Community Environment	15,878				15,878
Transportation		40,655			40,655
General Government	169,079				169,079
Debt Service - Principal		8,146	9,348	31,428	48,922
Debt Service - Interest		2,087	2,875	18,765	23,727
Capital Outlay				610,774	610,774
Total Cash Disbursements	<u>255,960</u>	<u>96,126</u>	<u>12,223</u>	<u>660,967</u>	<u>1,025,276</u>
Total Receipts Over/(Under) Disbursements	<u>(55,525)</u>	<u>51,229</u>	<u>(12,223)</u>	<u>(644,842)</u>	<u>(661,361)</u>
Other Financing Receipts/(Disbursements)					
Sale of Fixed Assets	100,000			25,000	125,000
Sale of Bonds				580,317	580,317
Transfer In			12,223		12,223
Transfers Out	(12,223)				(12,223)
Total Other Financing Receipts/(Disbursements)	<u>87,777</u>		<u>12,223</u>	<u>605,317</u>	<u>705,317</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>32,252</u>	<u>51,229</u>		<u>(39,525)</u>	<u>43,956</u>
Fund Cash Balances, January 1	<u>(53,592)</u>	<u>(16,550)</u>	<u>(36,426)</u>	<u>47,360</u>	<u>(59,208)</u>
Fund Cash Balances, December 31	<u>(\$21,340)</u>	<u>\$34,679</u>	<u>(\$36,426)</u>	<u>\$7,835</u>	<u>(\$15,252)</u>
Reserves for Encumbrances, December 31	<u>\$1,081</u>				<u>\$1,081</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 - PROPRIETARY FUND TYPE AND SIMILAR FIDUCIARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$341,300		\$341,300
Court Receipts		9,721	9,721
Total Operating Cash Receipts	<u>341,300</u>	<u>9,721</u>	<u>351,021</u>
Operating Cash Disbursements:			
Personal Services	125,002		125,002
Contractual Services	55,466		55,466
Supplies and Materials	18,589		18,589
Capital Outlay	12,898		12,898
Court Disbursements		9,706	9,706
Total Operating Cash Disbursements	<u>211,955</u>	<u>9,706</u>	<u>221,661</u>
Operating Income	<u>129,345</u>	<u>15</u>	<u>129,360</u>
Non-Operating Cash Disbursements:			
Debt Service - Principal	49,830		49,830
Debt Service - Interest	60,776		60,776
Total Non-Operating Cash Disbursements	<u>110,606</u>		<u>110,606</u>
Excess of Receipts Over Disbursements Before Interfund Transfers and Advances	<u>18,739</u>	<u>15</u>	<u>18,754</u>
Transfers-In	114,091		114,091
Transfers-Out	<u>(114,091)</u>		<u>(114,091)</u>
Net Receipts Over Disbursements	18,739	15	18,754
Fund Cash Balances, January 1	<u>112,561</u>	<u>15</u>	<u>112,576</u>
Fund Cash Balances, December 31	<u><u>\$131,300</u></u>	<u><u>\$30</u></u>	<u><u>\$131,330</u></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, 2003 AND 2002**

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 protection. The Village contracts with Indian Joint Fire District to provide fire protection services.

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

B. Basis of Accounting

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

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

C. Cash and Investments

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

Police Tax Levy Fund – This fund receives property tax money from a three-mil levy to provide police protection for Village residents.

**VILLAGE OF RUSSELLS POINT
LOGAN COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Debt Service Fund

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

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

4. Capital 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 Project Funds:

Main Street Fund – This fund receives special assessments to repair streets in the Village.

Municipal Building Fund – This fund receives the proceeds from sale of fixed assets and from sale of bonds to renovate the new administration building.

5. Enterprise Funds

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

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

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

6. Fiduciary Funds (Agency Funds)

Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following Agency 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, 2003 AND 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control for 2002 and at the fund level of control for 2003, 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 cancelled, and reappropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law. The budgetary presentations have been adjusted to include material items that should have been encumbered

A summary of 2002 and 2001 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

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 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:

**VILLAGE OF RUSSELLS POINT
LOGAN COUNTY**

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

2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

	2003	2002
Demand deposits	\$55,401	\$104,304
Certificates of deposit	11,874	11,774
Total deposits	\$67,275	\$116,078

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 December 31, 2003 and 2002 follows:

2003 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$302,991	\$230,483	(\$72,508)
Special Revenue	153,974	132,488	(21,486)
Debt Service Funds	12,224		(12,224)
Capital Projects Funds	65,210	18,919	(46,291)
Enterprise	614,774	494,617	(120,157)
Total	\$1,149,173	\$876,507	(\$272,666)

2003 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$281,200	\$250,861	\$30,339
Special Revenue	141,068	115,653	25,415
Debt Service Funds	12,224	12,223	1
Capital Projects Funds	72,273	72,273	0
Enterprise	450,948	536,793	(85,845)
Total	\$957,713	\$987,803	(\$30,090)

**VILLAGE OF RUSSELLS POINT
LOGAN 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	\$307,423	\$300,435	(\$6,988)
Special Revenue	167,489	147,355	(20,134)
Debt Service Funds	12,225	12,223	(2)
Capital Projects Funds	668,803	621,442	(47,361)
Enterprise	594,585	455,391	(139,194)
Total	\$1,750,525	\$1,536,846	(\$213,679)

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$278,269	\$269,264	\$9,005
Special Revenue	103,882	96,126	7,756
Debt Service Funds	12,224	12,223	1
Capital Projects Funds	663,582	660,967	2,615
Enterprise	453,699	436,652	17,047
Total	\$1,511,656	\$1,475,232	\$36,424

During 2003 and 2002, the Village recorded some revenues belonging to the Special Revenue Police Levy Fund, in the General Fund which violated the requirements of Ohio Rev. Code Section 5705.10.

At December 31, 2003, and during the year, negative fund balances existed in the General Fund, Debt Service Fund, Capital Projects Municipal Building Fund and the Enterprise Water Operating Fund. At December 31, 2002, and during the year, negative fund balances existed in the General Fund, Special Revenue Street Construction Maintenance and Repair Fund, the Debt Service Fund, and the Enterprise Water Operating Fund. During 2003, the Special Revenue Street Fund had negative fund balances. During 2002, the Special Revenue Permissive Motor Vehicle License Tax Fund had negative fund balances. These negative fund balances violated the requirements of Ohio Rev. Code Section 5705.10.

During 2003, the Village violated the requirements of Ohio Rev. Code Section 5705.36 when it failed to amend its certificate of estimated resources when actual revenues were less than estimated revenues.

During 2002, Ohio Rev. Code Section 5705.39 was violated when appropriations exceeded estimated resources in the Capital Projects Municipal Building Fund.

At December 31, 2003, expenditures exceeded appropriations in the Enterprise Water Operating Fund which violated Ohio Rev. Code Section 5705.51(B).

**VILLAGE OF RUSSELLS POINT
LOGAN COUNTY**

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

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 Revenue. 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.

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, 2003, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Commission Loans	\$442,372	0.00%
Bank Note – Main Street Project	126,134	3.95%
Bank Note – Backhoe	15,033	5.25%
Bank Note – Police Cruiser	11,607	6.00%
Capital Lease – Dump Truck	9,484	7.75%
Bank Note – Pickup Truck	8,839	4.73%
Logan County Commissioners-Administration Bldg. Loan	5,109	0.00%
Mortgage Revenue Bonds	1,174,900	5.00%
Building Acquisition Bonds (Schouten)	359,748	6.00 – 8.00%
Building Acquisition Bonds (Sky Bank)	<u>204,250</u>	4.75%
Total Debt	\$2,348,637	

The Ohio Public Works Commission loans relate to water system improvements. The loans were issued during 1997 and 2000 in the amount of \$721,733. The loans will be repaid in semiannual installments with no interest and mature beginning the year 2012 through July 1, 2019. The loans are collateralized by water receipts and the debt is being paid through the Enterprise Debt Service Fund.

During calendar year 2000, the Village received the proceeds of a promissory note in the amount of \$192,469 with interest at the rate of 5.65% to pay for reconstruction of Main Street. The loan will be repaid in semiannual installments with interest at the rate of 5.65%, maturing October 15, 2005. The Village renegotiated the interest rate with the bank on February 3, 2003, at a new rate of 3.95%. The loan is collateralized with taxpayer special assessments and general operating revenues. Debt on this note is currently being paid from the Capital Projects Main Street Fund; however, when the project is complete, the debt will be paid from the Debt Service Fund.

**VILLAGE OF RUSSELLS POINT
LOGAN COUNTY**

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

5. DEBT (Continued)

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

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

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

The Village entered into an agreement with Logan County Board of Commissioners during 1988 for the purchase of property. The building currently is not being used as by the Village. The cost of the building was \$20,000 and will be paid by crediting the water bill account of the Wastewater Treatment facility which is located in the Village and owned and operated by the Logan County Board of Commissioners. The Village's General Fund pays the monthly utility bill and deposits this money into the Water Fund.

On March 4, 2002, the Village issued a promissory note to Liberty Bank in the amount of \$12,973. This note was used to purchase a pick-up truck for the Water Department. Debt is being repaid from the water operating fund.

The Mortgage Revenue Bonds relate to a water tower, water plant, and water line project and were issued in the amount of \$1,245,000. The debt is being repaid in semi-annual installments with interest at the rate of 5%, maturing in the year 2037. The bonds are collateralized by water receipts and debt is paid through the Enterprise Debt Service Fund. These bonds have the following requirements: the Village must set user rates sufficient to cover all expenses; the Clerk/Treasurer's bond must be set at not less than \$73,200; the water plant must be adequately insured; and the Village must establish a water system revenue fund, an operation and maintenance fund, a mortgage revenue and sinking fund, and a reserve fund; annual financial reports must be submitted to the USDA, and interest revenue must be credited to the reserve fund. During 2003 and 2002, the Water Fund had negative balances and the Village failed to submit year-end reports. During 2003, the Village did not make all contributions to the Reserve Fund.

**VILLAGE OF RUSSELLS POINT
LOGAN COUNTY**

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

5. DEBT (Continued)

During 2002, the Village entered into two separate agreements authorizing the sale of building acquisition bonds to Cornelius Schouten for the purchase and renovation of the building currently used as the Village Administration Building, in the amounts of \$133,190 at 6% interest and \$232,127 at 8% interest, both payable semi-annually on the first day of June and December commencing December 1, 2002, until the principal sum is paid. The debt is being paid from a Capital Projects Fund with the proceeds of bonds. When renovations are completed on this building, the debt will be repaid from the Debt Service Fund. Said bonds are not transferable, except to the Purchaser's current spouse, Wilhelminia J. Schouten, and the obligation to make principal and/or interest payments on the Bonds shall terminate upon the death of both the Purchaser and Wilhelminia J. Schouten. In addition to the sale bonds to Cornelius Schouten, the Village authorized the issuance and sale of bonds in the amount of \$215,000 to Sky Bank to help fund the purchase and renovation of this building. The Sky Bank bonds have an interest rate of 4.75% per annum, payable in semi-annual installments beginning January, 2003.

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

Year ending December 31:	Village Administration Building Loan	Ohio Public Works Commission Loans	Notes and Capital Leases	Mortgage Revenue Bonds	Sky Bank Bonds	Schouten Bonds
2004	\$830	\$34,187	\$69,206	\$72,545	\$11,185	\$30,146
2005	830	34,187	52,092	72,545	19,941	30,146
2006	830	34,187	43,627	72,655	19,422	30,146
2007	830	34,187	2,696	72,670	18,905	30,146
2008	830	34,187		72,465	18,408	30,146
Subsequent	<u>959</u>	<u>271,437</u>		<u>2,156,430</u>	<u>203,091</u>	<u>708,432</u>
Total	<u>\$ 5,109</u>	<u>\$442,372</u>	<u>\$167,621</u>	<u>\$2,519,310</u>	<u>\$290,952</u>	<u>\$859,162</u>

7. RETIREMENT SYSTEMS

A. Public Employees Retirement System

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' wages. The Village has paid all contributions required through December 31, 2003.

**VILLAGE OF RUSSELLS POINT
LOGAN COUNTY**

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

8. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles,
- Law Enforcement; and
- Wrongful Acts
- Errors and Omissions

9. CONTINGENT LIABILITIES

There are currently no matters in litigation with the Village as defendant.

10. NEGATIVE FUND BALANCES

At December 31, 2003, the General Fund, Debt Service Fund, Capital Projects Municipal Building Fund and the Enterprise Water Operating Fund had negative fund balances of \$41,352, \$48,649, \$48,497 and \$5,510, respectively. The Village will reduce future appropriations and expenditures in these funds in an attempt to have positive fund balances in the near future.

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Auditor of State Betty Montgomery

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

Village of Russells Point
Logan County
433 State Route 708
Russells Point, OH 43348

To the Village Council:

We have audited the financial statements of the Village of Russells Point, Logan County, (the "Village"), as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated May 26, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2003-001 through 2003-006. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated May 26, 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. However, we noted a matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the Village in a separate letter dated May 26, 2004.

This report is intended solely for the information and use of the audit committee, management, and Members of 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

May 26, 2004

**VILLAGE OF RUSSELLS POINT
LOGAN COUNTY**

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

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

FINDING NUMBER 2003-001

Noncompliance

Ohio Rev. Code Section 5705.10 states that all revenue derived from a special levy is to be credited to a special fund for the purpose for which the levy was made.

During 2003 and 2002, homestead and rollback receipts were not posted to the funds according to the tax settlement sheets.

The Village has made the necessary adjustments to increase/decrease fund balances to properly reflect these amounts. The financial statements in this report reflect these adjustments. These adjustments had the following net effect upon the respective fund balances:

	General Fund	Special Revenue Police Levy Fund
2003	(\$6,609)	\$6,609
2002	(\$6,577)	\$6,577

The Village Council and/or Audit Committee should periodically review the accounting records to help assure the correct recording of revenues.

FINDING NUMBER 2003-002

Noncompliance

Ohio Rev. Code Section 5705.10 states that money paid into a fund must be used only for the purpose for which such fund has been established. The existence of negative fund balances indicates that money from one fund has been used to cover expenses related to another fund.

The following funds had negative balances as of December 31, 2003 and 2002:

	<u>2003</u>	<u>2002</u>
General Fund	(\$41,352)	(\$21,340)
Debt Service	(48,649)	(36,426)
Capital Projects – Municipal Building	(48,497)	
Street Construction Maintenance and Repair		(561)
Water Operating	(5,510)	(1,204)

In addition to these funds also having negative balances during 2003 and 2002, the Special Revenue Permissive Motor Vehicle License Fund had negative balances ranging from \$1,766 to \$5,030. Also, the Special Revenue Street Fund had negative fund balances during 2002 ranging from \$3,211 to \$14,275.

The Village Council and/or the Audit Committee should implement review procedures to monitor revenues and expenditures to help prevent negative fund balances. When a potential negative fund balance or actual negative fund balance is identified, expenditures should be reduced or money should be advanced to the fund to cover the deficit.

FINDING NUMBER 2003-003

Noncompliance

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

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

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

During 2003, the Capital Projects Municipal Building Fund had estimated receipts of \$44,000 and actual receipts of \$0. In this instance, the Village had actual expenditures that were greater than actual revenues.

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

FINDING NUMBER 2003-004

Ohio Rev. Code Section 5705.39 states that the total appropriation from each fund shall not exceed the total estimated resources. During 2002, the Capital Projects Municipal Building Fund had estimated resources of \$46,625 and appropriations of \$51,123.

The Village Council and/or Audit Committee should review adopted appropriations to help assure that adequate financial resources exist to cover the appropriations.

FINDING NUMBER 2003-005

Noncompliance

Ohio Rev. Code Section 5705.41 (B) states that no subdivision shall make any expenditure of money unless it has been lawfully appropriated.

During 2003, the Enterprise Water Operating Fund had expenditures of \$421,368 and appropriations of \$333,493 for a negative variance of \$87,875.

The Village Council and/or Audit Committee should implement monitoring procedures to help identify potential violations of this compliance requirement and to reduce the risk of deficit spending. In addition, the Village should consider adopting appropriations at a level that will allow more control over the expenditure of money.

FINDING NUMBER 2003-006

Noncompliance

Water System Mortgage Revenue Bonds, dated June 1, 1997, and Village Ordinance 871, dated June 27, 1997, state that the Village will fix and revise such rates and charges for the services and facilities of its water system and collect and account for income and revenue therefrom sufficient to promptly pay all expenses incident to the operation of the system; that year-end reports will be submitted to the USDA, and that the Village will set-aside \$606 each month in the Reserve Fund.

At the end of 2003 and 2002, the Enterprise Water Fund had negative fund balances of \$5,510 and \$1,204, respectively. The Village did not submit year-end reports for 2003 and 2002, and the Village only contributed \$3,636 to the Reserve Fund in 2003 instead of the required \$7,272.

The Village Council and/or Audit Committee should review the debt agreement and ordinance for these bonds and then implement monitoring procedures to help assure compliance with requirements.

**VILLAGE OF RUSSELLS POINT
LOGAN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2003 AND 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid;
2001-30246-001	ORC Sec. 5705.10 – Recorded revenues in the wrong fund	No	Repeated as finding 2003-001
2001-30246-002	ORC Sec. 5705.36 – Failure to obtain amended certificate of estimated resources	No	Repeated as finding 2003-003
2001-30246-003	ORC Sec. 5705.39 – Appropriations greater than estimated resources	No	Repeated as finding 2003-004
2001-30246-004	ORC Sec. 5705.41(B) – Expenditures greater than appropriations	No	Repeated as finding 2003-005
2001-30246-005	ORC Sec. 5705.41(D) – Prior certification of expenditures	No	Partially corrected. Repeated in management letter
2001-30246-006	Village Ordinance 871 – Failure to comply with requirements of debt agreement	No	Repeated as finding 2003-006
2001-302460007	Failure to perform bank to book reconciliations	Yes	



**Auditor of State
Betty Montgomery**

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VILLAGE OF RUSSELLS POINT

LOGAN COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JUNE 22, 2004**