

***VILLAGE OF RUSSELLS POINT
LOGAN COUNTY, OHIO***

AUDIT REPORT

FOR THE YEARS ENDED DECEMBER 31, 2005 & 2004

Charles E. Harris and Associates, Inc.
Certified Public Accountants and Government Consultants



Mary Taylor, CPA

Auditor of State

Village Council
Village of Russells Point
433 State Route 708
Russells Point, Ohio 43348

We have reviewed the *Report of Independent Accountants* of the Village of Russells Point, Logan County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2004 through December 31, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Report of Independent Accountants* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Report of Independent Accountants* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Russells Point is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

August 23, 2007

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**VILLAGE OF RUSSELLS POINT
LOGAN COUNTY, OHIO
Audit Report
For the Years Ended December 31, 2005 & 2004**

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REPORT OF INDEPENDENT ACCOUNTANTS

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

To Village Council:

We have audited the accompanying financial statements of the Village of Russells Point, Logan County, Ohio (the Village), as of and for the years ended December 31, 2005 and 2004. 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2005 and 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2005 and 2004. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since the Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2005 and 2004, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2005 and 2004, or its changes in financial position for the years then ended.

Also, 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 Russells Point, Logan County, as of December 31, 2005 and 2004, and its combined cash receipts and disbursements and changes in fund cash balances for the years then ended on the accounting basis Note 1 describes.

The Village is experiencing certain financial difficulties. These conditions and management's plans to address these conditions are described in Note 11.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the years ended December 31, 2005 and 2004. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 1, 2007, 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, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Charles E. Harris & Associates, Inc.

June 1, 2007

VILLAGE OF RUSSELLS POINT
LOGAN COUNTY, OHIO
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
All Governmental Fund Types
For the Year Ended December 31, 2005

	Governmental Fund Types				Totals- (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Receipts:					
Property Taxes	\$ 107,891	\$ 70,360	\$ -	\$ -	\$ 178,251
Municipal Income Tax	61,067	-	-	-	61,067
Intergovernmental	71,717	95,028	-	-	166,745
Special Assessments	-	-	-	19,059	19,059
Fines, Licenses and Permits	29,766	5,330	-	-	35,096
Interest	2,321	868	-	-	3,189
Other	46,748	1,168	-	-	47,916
Total Receipts	319,510	172,754	-	19,059	511,323
Disbursements:					
Security of Persons & Property	39,399	86,234	-	-	125,633
Community Environment	16,015	5,500	-	-	21,515
Transportation	-	26,238	-	-	26,238
General Government	87,767	-	-	971	88,738
Debt Service:					
Principal Retirement	1,183	-	4,026	27,365	32,574
Interest	-	-	213	39,555	39,768
Total Disbursements	144,364	117,972	4,239	67,891	334,466
Total Receipts Over/(Under) Disbursements	175,146	54,782	(4,239)	(48,832)	176,857
Other Financing Sources/(Uses):					
Sale of Fixed Assets	-	-	-	25,879	25,879
Transfers In	-	16,222	-	-	16,222
Transfers Out	-	(16,222)	-	-	(16,222)
Total Other Financing Sources/(Uses)	-	-	-	25,879	25,879
Excess of Receipts and Other Sources Over/(Under) Disbursements and Other Uses	175,146	54,782	(4,239)	(22,953)	202,736
Fund Cash Balance, January 1, 2005	6,436	48,006	(64,852)	(95,950)	(106,360)
Fund Cash Balance, December 31, 2005	\$ 181,582	\$ 102,788	\$ (69,091)	\$ (118,903)	\$ 96,376
Reserve for Encumbrances, December 31, 2005	\$ 295	\$ 514	\$ -	\$ -	\$ 809

See Accompanying Notes to the Financial Statements.

VILLAGE OF RUSSELLS POINT
LOGAN COUNTY, OHIO
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES -PROPRIETARY FUND TYPE AND SIMILAR FIDUCIARY FUND
For the Year Ended December 31, 2005

	<u>Proprietary Fund Type Enterprise</u>	<u>Fiduciary Fund Type Agency</u>	<u>Totals- (Memorandum Only)</u>
Receipts:			
Charges for Services	\$ 387,374	\$ -	\$ 387,374
Total Receipts	<u>387,374</u>	<u>-</u>	<u>387,374</u>
Disbursements:			
Personal Services	71,787	-	71,787
Employee Fringe Benefits	36,612	-	36,612
Contractual Services	79,230	-	79,230
Material and Supplies	46,842	-	46,842
Capital Outlay	5,308	-	5,308
Other	48	-	48
Total Disbursements	<u>239,827</u>	<u>-</u>	<u>239,827</u>
Excess of Receipts Over/(Under) Disbursements	<u>147,547</u>	<u>-</u>	<u>147,547</u>
Non-Operating Receipts:			
Sale of Fixed Assets	25,773	-	25,773
Interest	512	-	512
Miscellaneous	5,019	-	5,019
Fines and Forfeitures	-	16,762	16,762
Total Non-Operating Receipts	<u>31,304</u>	<u>16,762</u>	<u>48,066</u>
Non-Operating Disbursements:			
Debt Service			
Principal Retirement	(77,152)	-	(77,152)
Interest and Fiscal Charges	(60,439)	-	(60,439)
Distribution of Fines and Forfeitures	-	(16,762)	(16,762)
Total Nonoperating Disbursements	<u>(137,591)</u>	<u>(16,762)</u>	<u>(154,353)</u>
Excess of Receipts and Nonoperating Receipts Over (Under) Disbursements and Nonoperating Disbursements	<u>41,260</u>	<u>-</u>	<u>41,260</u>
Transfers In	165,571	-	165,571
Transfers Out	(165,571)	-	(165,571)
Net Receipts Over/(Under) Disbursements	<u>41,260</u>	<u>-</u>	<u>41,260</u>
Fund Cash Balance, January 1, 2005	<u>201,021</u>	<u>-</u>	<u>201,021</u>
Fund Cash Balance, December 31, 2005	<u>\$ 242,281</u>	<u>\$ -</u>	<u>\$ 242,281</u>
Reserve for Encumbrances, December 31, 2005	<u>\$ 500</u>	<u>\$ -</u>	<u>\$ 500</u>

See Accompanying Notes to the Financial Statements.

VILLAGE OF RUSSELLS POINT
LOGAN COUNTY, OHIO
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
All Governmental Fund Types
For the Year Ended December 31, 2004

	Governmental Fund Types				Totals- (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Receipts:					
Property Taxes	\$ 123,453	\$ 69,404	\$ -	\$ -	\$ 192,857
Intergovernmental	58,434	95,184	-	-	153,618
Special Assessments	-	-	-	17,926	17,926
Charges for Services	7,779	230	-	-	8,009
Fines, Licenses and Permits	17,827	355	-	-	18,182
Interest	384	99	-	-	483
Other	11,927	12,404	-	-	24,331
Total Receipts	219,804	177,676	-	17,926	415,406
Disbursements:					
Security of Persons & Property	38,208	89,595	-	-	127,803
Community Environment	16,574	30,337	-	-	46,911
Transportation	432	51,019	-	-	51,451
General Government	116,076	-	-	-	116,076
Debt Service:					
Principal Retirement	726	9,484	15,167	27,465	52,842
Interest	-	749	1,036	40,892	42,677
Total Disbursements	172,016	181,184	16,203	68,357	437,760
Total Receipts Over/(Under)					
Disbursements	47,788	(3,508)	(16,203)	(50,431)	(22,354)
Fund Cash Balance, January 1, 2004	(41,352)	51,514	(48,649)	(45,519)	(84,006)
Fund Cash Balance, December 31, 2004	\$ 6,436	\$ 48,006	\$ (64,852)	\$ (95,950)	\$ (106,360)

See Accompanying Notes to the Financial Statements.

VILLAGE OF RUSSELLS POINT
 LOGAN COUNTY, OHIO
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND
 CASH BALANCES -PROPRIETARY FUND TYPE AND SIMILAR FIDUCIARY FUND
 For the Year Ended December 31, 2004

	Proprietary Fund Type <u>Enterprise</u>	Fiduciary Fund Type <u>Agency</u>	Totals- (Memorandum Only) <u> </u>
Receipts:			
Charges for Services	\$ 389,250	\$ -	\$ 389,250
Total Receipts	<u>389,250</u>	<u>-</u>	<u>389,250</u>
Disbursements:			
Personal Services	103,563	-	103,563
Contractual Services	68,968	-	68,968
Material and Supplies	85,813	-	85,813
Capital Outlay	6,373	-	6,373
Total Disbursements	<u>264,717</u>	<u>-</u>	<u>264,717</u>
Excess of Receipts Over/(Under) Disbursements	<u>124,533</u>	<u>-</u>	<u>124,533</u>
Non-Operating Receipts:			
Loan Proceeds	63,000	-	63,000
Fines and Forfeitures	-	10,937	10,937
Total Non-Operating Receipts	<u>63,000</u>	<u>10,937</u>	<u>73,937</u>
Non-Operating Disbursements:			
Debt Service			
Principal Retirement	(66,384)	-	(66,384)
Interest and Fiscal Charges	(71,409)	-	(71,409)
Distribution of Fines and Forfeitures	-	(10,937)	(10,937)
Total Nonoperating Disbursements	<u>(137,793)</u>	<u>(10,937)</u>	<u>(148,730)</u>
Excess of Receipts and Nonoperating Receipts Over (Under) Disbursements and Nonoperating Disbursements	<u>49,740</u>	<u>-</u>	<u>49,740</u>
Transfers In	165,564	-	165,564
Transfers Out	(165,564)	-	(165,564)
Net Receipts Over/(Under) Disbursements	<u>49,740</u>	<u>-</u>	<u>49,740</u>
Fund Cash Balance, January 1, 2004	<u>151,281</u>	<u>-</u>	<u>151,281</u>
Fund Cash Balance, December 31, 2004	<u>\$ 201,021</u>	<u>\$ -</u>	<u>\$ 201,021</u>

See Accompanying Notes to the Financial Statements.

VILLAGE OF RUSSELLS POINT
LOGAN COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

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 for the purpose of exercising 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 the Indian Joint Fire District to provide fire protection services.

The Village's management believes these financial statements included in this report represent all of the funds of the Village over which the Village has the ability to exercise direct operating control.

B. BASIS OF ACCOUNTING

The Village prepares its financial statements following 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.)

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

C. CASH

Investments are included in the fund cash balances. 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.

D. FUND ACCOUNTING

The Village maintains its accounting records in accordance with the principles of "Fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of

**VILLAGE OF RUSSELLS POINT
LOGAN COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. FUND ACCOUNTING - (Continued)

specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity, which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

Governmental Fund Types:

General Fund: The general operating fund of the Village. It is used to account for all financial resources except those required by law or contract to be accounted for in another fund.

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

- Street Construction, Maintenance and Repair Fund—Receives gasoline and motor vehicle excise taxes for constructing, maintaining and repairing Village roads.
- Police Levy Fund—Receives property taxes for the provision of police services.

Debt Service Fund: This fund is used to accumulate resources for the payment of Village note indebtedness.

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:

- Main Street Fund—This fund receives special assessments to repair streets in the Village.
- Municipal Building Fund—This fund receives the proceeds from the sale of fixed assets and from the sale of bonds to renovate the new administration building.

VILLAGE OF RUSSELLS POINT
LOGAN COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. FUND ACCOUNTING - (Continued)

Proprietary Fund Types:

Enterprise Funds: To account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purpose.

The Village has the following significant Enterprise Funds:

- Water Operating Fund- Receives user fees and provides for the operations of the water department.
- Mortgage Debt Service Fund-This fund receives water operating money to pay debt for water system improvements.

Fiduciary Fund Types: These funds are used to account for assets held by the Village in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. The following is the Village's fiduciary fund type:

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

E. BUDGETARY PROCESS

A budget of estimated cash receipts and disbursements is prepared by the Clerk, approved by the Village Council, and submitted to the county auditor, as secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

VILLAGE OF RUSSELLS POINT
LOGAN COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

E. BUDGETARY PROCESS - (Continued)

1. Estimated Resources

The county auditor calculates the estimated revenues available to the Village. He prepares a certificate of estimated resources based upon this calculation and upon the other financial information supplied in the budget sent by the Village. The certificate is approved by the county budget commission and sent to the Village Clerk by September 1.

Prior to December 31, the Village must revise its budget so that the total budgeted expenditures for a fund will not exceed the amount of estimated resources stated in the certificate of estimated resources. The revised budget serves as the basis for the annual appropriation measure.

On or about January 1, the Clerk sends the county auditor a certificate, which includes the actual unencumbered balances from the preceding year. The county auditor prepares an amended certificate, submits it to the county budget commission for approval. This amended certificate may be further amended during the year if projected revenue increases or the Clerk identifies decreases in revenue.

Budgeted receipts, as shown in Note 4, do not include the unencumbered fund balances as of January 1, 2004 and 2005. However, those fund balances are available for appropriation.

2. Appropriations

A temporary appropriation measure to control cash expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation measure must be passed by March 31 of each year for the period January 1 to December 31. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.

**VILLAGE OF RUSSELLS POINT
LOGAN COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

E. BUDGETARY PROCESS - (Continued)

3. Encumbrances

The Village is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The sum of expenditures and encumbrances may not exceed appropriated totals at any level of budgetary control. The legal level of control is the object level.

Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year without being re-appropriated.

F. PROPERTY, PLANT AND EQUIPMENT

Acquisitions of property, plant and equipment are recorded as capital outlay 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 CASH EQUIVALENTS

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 at December 31 was as follows:

	<u>2005</u>	<u>2004</u>
Demand Deposits	\$326,408	\$82,711
Certificates of Deposit	<u>12,249</u>	<u>11,950</u>
Total Deposits	<u>\$338,657</u>	<u>\$94,661</u>

VILLAGE OF RUSSELLS POINT
LOGAN COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

2. EQUITY IN POOLED CASH AND CASH EQUIVALENTS – (Continued)

Deposits: Deposits are either (1) insured by the Federal Deposit Insurance Corporation, (2) collateralized by securities specifically pledged by the financial institution to the Village, or (3) collateralized by the financial institution's public entity deposit pool.

3. PROPERTY TAXES

Real property taxes are levied on assessed values, which equal 35% of appraised value. The county auditor reappraises all real property every six years with a triennial update. The last update was completed for tax year 2004.

Real property taxes become a lien on all non-exempt real property located in the county on January 1. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20 of the following year. Under certain circumstances, state statute permits later payment dates to be established.

The State Board of Tax Equalization adjusts the tax rates for inflation. Real property owners' tax bills are further reduced by homestead and rollback deductions when applicable. The amount of these homestead and rollback reductions is reimbursed to the Village by the State of Ohio. The amounts reimbursed by the State of Ohio are reflected in the accompanying financial statements as intergovernmental receipts.

Public utilities are also taxed on personal and real property located within the Village. The property owners, who must file a list of such property to the County by each April 30, assess tangible personal property tax.

The County Treasurer collects property tax on behalf of all taxing authorities within the county. The County Auditor periodically remits to the taxing authorities their portions of the taxes collected.

VILLAGE OF RUSSELLS POINT
LOGAN COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

4. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2005 and 2004 follows:

<u>Fund:</u>	<u>2005 Budgeted vs Actual Receipts</u>		<u>Variance</u>
	<u>Budgeted</u> Receipts	<u>Actual</u> Receipts	
General Fund	\$ 372,811	\$ 319,510	\$ (53,301)
Special Revenue Funds	149,622	188,976	39,354
Debt Service Funds	-	-	-
Capital Projects Funds	18,000	44,938	26,938
Enterprise Funds	580,948	584,249	3,301

<u>Fund:</u>	<u>2005 Budgeted vs Actual Budgetary Basis Expenditures</u>		<u>Variance</u>
	<u>Appropriation</u> Authority	<u>Budgetary</u> Expenditures	
General Fund	\$ 165,462	\$ 144,659	\$ 20,803
Special Revenue Funds	136,123	134,708	1,415
Debt Service Funds	4,239	4,239	-
Capital Projects Funds	67,891	67,891	-
Enterprise Funds	575,770	543,489	32,281

<u>Fund:</u>	<u>2004 Budgeted vs Actual Receipts</u>		<u>Variance</u>
	<u>Budgeted</u> Receipts	<u>Actual</u> Receipts	
General Fund	\$ 217,091	\$ 219,804	\$ 2,713
Special Revenue Funds	124,977	177,676	52,699
Debt Service Funds	-	-	-
Capital Projects Funds	18,919	17,926	(993)
Enterprise Funds	627,333	617,814	(9,519)

<u>Fund:</u>	<u>2004 Budgeted vs Actual Budgetary Basis Expenditures</u>		<u>Variance</u>
	<u>Appropriation</u> Authority	<u>Budgetary</u> Expenditures	
General Fund	\$ 174,260	\$ 172,016	\$ 2,244
Special Revenue Funds	152,420	181,184	(28,764)
Debt Service Funds	-	16,203	(16,203)
Capital Projects Funds	-	68,357	(68,357)
Enterprise Funds	572,385	568,074	4,311

VILLAGE OF RUSSELLS POINT
LOGAN COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

4. BUDGETARY ACTIVITY – (Continued)

At the end of 2005 and during the year, the Village had expenditures and plus encumbrances which exceeded appropriations for the Special Revenue FEMA Fund. At the end of 2004 and during the year, the Village had expenditures plus encumbrances which exceeded appropriations for the Special Revenue FEMA Fund, Special Revenue Miscellaneous Fund, Debt Service Fund, Capital Projects Main Street Fund, and the Capital Projects Municipal Building Fund. This is a violation of Ohio Revised Code Section 5705.41 (B).

During 2005 the Village had appropriations which exceeded available resources for the Special Revenue Police Levy Fund, Special Revenue FEMA Fund, Debt Service Fund, and the Capital Projects Municipal Building Fund, in violation of Ohio Revised Code Section 5705.39.

5. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Ohio Police & Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are state operated, 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 prescribed by the Ohio Revised Code. Members of OP&F contributed 10.0% of their gross pay, while the Village contributed 19.5%. OPERS members contributed 8.5% of their gross pay while the Village contributed an amount equal to 13.55% of covered payroll. The Village paid all required contributions through 2005.

6. RISK MANAGEMENT

The Village belongs to the Ohio Government Risk Management Plan ("the Plan"), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 500 Ohio governments.

Pursuant to Section 2744 of the Ohio Revised Code, the Plan is a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages, modified for each Member's needs.

**VILLAGE OF RUSSELLS POINT
LOGAN COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004**

6. RISK MANAGEMENT- (Continued)

The Plan pays judgments, settlements, and other expenses resulting from covered claims that exceed the Member's deductible. Although its exposure is concentrated to a single geographical area, such exposure is reduced by the practice of reinsuring no less than 90% of coverage provided, with the exception of its paid loss ratio cap on old casualty reinsurance layers.

Effective September 1, 2002, the Plan began retaining 5% of the premium and losses on the first \$500,000 casualty treaty and 5% of the first \$1,000,000 property treaty. Effective November 1, 2005, the Plan began retaining 15% of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty.

In 2002, the Plan elected to participate in a loss corridor deductible in its first \$500,000 of casualty reinsurance to control reinsurance costs. The corridor includes losses paid between 55% and 65% of premiums earned under this treaty. If the Plan's paid loss ratio reaches 55%, the Plan would pay all the losses incurred related to this treaty up to the next 10% of premiums earned. Reinsurance coverage would resume after a paid loss ratio of 65% is exceeded. Effective September 1, 2003, the corridor is for losses paid between 62% and 67% of premiums earned. Effective November, 2004, the corridor is for losses paid between 65% and 70% of premiums earned.

The Plan's audited financial statements (audited by other accountants) conform to generally accepted accounting principles, and reported the following assets, liabilities and Member's Equity at December 31:

	<u>2005</u>	<u>2004</u>
Assets	\$ 8,219,430	\$ 6,685,522
Liabilities	<u>2,748,639</u>	<u>2,227,808</u>
Member's Equity	<u>\$ 5,470,791</u>	<u>\$ 4,457,714</u>

You can read the complete audited financial statements for the Ohio Government Risk Management at the Plan's website, www.ohioplan.org.

All employees of the Village are covered by a blanket bond, while certain individuals in policy-making roles are covered by separate, higher limit bond coverage.

The Village pays the State Worker's Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years. Also, the Village did not reduce its insurance coverages significantly during the year.

**VILLAGE OF RUSSELLS POINT
LOGAN COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004**

7. DEBT

Debt outstanding at December 31, 2005 is as follows:

<u>Description:</u>	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Commission Loans	\$ 374,000	0.00%
USDA Mortgage Revenue Bonds	1,146,500	5.00%
Building Acquisition Bonds-Schouten	351,355	6.00-8.00%
Building Acquisition Bonds-Sky Bank	182,750	3.95%
Bank Note-Main Street Project	101,866	3.95%
Administration Bldg. Loan	3,200	0.00%
Bank Loan-Filtration System	31,853	3.35%
Total	<u>\$2,191,524</u>	

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.

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 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 the Capital Projects 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.

VILLAGE OF RUSSELLS POINT
LOGAN COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

7. DEBT – (Continued)

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 was renegotiated in 2003 at a new rate of 3.95%. The loan will be repaid in semiannual installments maturing October 15, 2007. 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.

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 was paid from the Debt Service Fund and the Enterprise Water Fund and was paid off in 2005.

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 was paid from the Debt Service Fund and was paid off in 2004.

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 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. This lease was paid from the Special Revenue Street Fund and was paid off in 2004.

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. The debt was repaid from the Enterprise Water Fund and was paid off in 2005.

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 by the Village. The cost of the building was \$20,000 and will be paid by crediting the water account of the Logan County Board of Commissioners. The Village's General Fund accounts for the payments.

The Village obtained a bank loan from Sky Bank in 2004 in the amount of \$63,000 to finance improvements to its water system. Payments are paid from the Enterprise Debt Service Fund in the amount of \$22,204 per year, including interest.

**VILLAGE OF RUSSELLS POINT
LOGAN COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004**

7. DEBT – (Continued)

Principal and interest requirements for debt outstanding at December 31, 2005 is as follows:

<u>Year Ended</u>	OPWC	USDA	Bonds- Schouten	Bonds- Sky	Administration Building Loan	Loan- Filtration System
2006	\$ 34,187	\$ 72,425	\$ 30,146	\$ 19,423	\$ 830	\$22,204
2007	34,187	72,425	30,146	18,905	830	10,203
2008	34,187	72,425	30,146	18,408	830	-
2009	34,187	72,425	30,146	17,870	830	-
2010	34,187	72,425	30,146	17,352	959	-
2011-2015	157,783	362,125	150,730	79,009	-	-
2016-2020	45,282	362,125	150,730	66,064	-	-
2021-2025	-	362,125	150,730	17,293	-	-
Subsequent	-	873,220	195,949	-	-	-
Total	\$374,000	\$2,321,720	\$798,869	\$254,324	\$4,279	\$32,407

8. INCOME TAX

Effective January 1, 2005, the Village implemented an income tax of 1.00 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

The tax is administered by the Central Collection Agency of Cleveland, Ohio.

9. INTERFUND TRANSFERS/ADVANCES

Monies are transferred from enterprise operating funds to enterprise debt service funds in accordance with loan covenants. The FEMA special revenue fund receives grant monies and transfers those monies to funds which expended monies in accordance with the grant agreement. All requirements of the Ohio Revised Code were followed.

10. NEGATIVE FUND BALANCES

At December 31, 2004 the Village had negative fund balances in the Debt Service Fund and the Capital Projects Municipal Building Fund in the amount of \$64,852 and \$99,128, respectively.

VILLAGE OF RUSSELLS POINT
LOGAN COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

10. NEGATIVE FUND BALANCES – (Continued)

At December 31, 2005 the Village had negative fund balances in the Debt Service Fund and the Capital Projects Municipal Building Fund in the amount of \$69,091 and \$123,335, respectively.

The Village has implemented measures to correct these deficits and all funds have positive balances as of the date of this report.

11. FISCAL EMERGENCY

The Village was declared to be in fiscal emergency in May 2005 as defined in Section 118.03(A)(5) and (6) of the Ohio Revised Code. The Village has implemented corrective financial measures, including implementing an income tax, and expects to emerge from fiscal emergency in 2007.

12. CONTINGENT LIABILITES/SUBSEQUENT EVENTS

Management believes there are no pending claims or lawsuits.

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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

To Village Council:

We have audited the financial statements of the Village of Russells Point, Logan County, Ohio (the Village), as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated June 1, 2007, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America and that the Village was experiencing certain financial difficulties. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls 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 an opinion on the internal control over financial reporting. Our consideration of internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud 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 internal controls over financial reporting that we have reported to the management of the Village in a separate letter dated June 1, 2007.

Compliance and Other Matters

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, grant agreements and other matters, 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 audit findings as Findings 2005-RUSPT-01 through 2005-RUSPT-03.

This report is intended solely for the information and use of the 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.

Charles E. Harris and Associates, Inc.

June 1, 2007

**VILLAGE OF RUSSELLS POINT
LOGAN COUNTY, OHIO
SCHEDULE OF AUDIT FINDINGS
For the Years Ended December 31, 2005 and 2004**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number 2005-RUSPT-01-Noncompliance Citation

Ohio Revised 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 of another fund.

The following funds had negative fund balances as of December 31, 2005 and 2004:

	2005	2004
Debt Service Fund	\$(69,091)	\$(64,852)
Capital-Municipal Building	(123,335)	(99,128)

Management indicated that this situation has been corrected and all funds have positive fund balances as of the date of this report.

Finding Number 2005-RUSPT-02-Noncompliance Citation

Ohio Revised Code Section 5705.39 states, in part, that "... The total appropriations from each fund shall not exceed the total of the estimated resources available for expenditure there from, as certified by the budget commission..." This section also provides that no appropriation measure shall become effective until the Village obtains the County Auditor's certificate that total appropriations from each fund do not exceed the total official estimate or amended official estimate when amending estimated resources. Contrary to this requirement, the following funds had total appropriations in excess of estimated resources plus carryover balances:

<u>2005</u>			
<u>Fund</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Variance</u>
Special-Police Levy	\$85,087	\$87,771	\$(2,684)
Special-FEMA	\$ -	\$16,222	\$(16,222)
Debt Service	\$ -	\$4,239	\$(4,239)
Capital-Municipal Building	\$ -	\$50,087	\$(50,087)

Management indicated that it will monitor appropriations more closely.

**VILLAGE OF RUSSELLS POINT
LOGAN COUNTY, OHIO
SCHEDULE OF AUDIT FINDINGS
For the Years Ended December 31, 2005 and 2004**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number 2005-RUSPT-03-Noncompliance Citation

Ohio Revised Code Section 5705.41 (B) states that no subdivision shall make any expenditure of money unless it has been appropriated as provided in such chapter. Furthermore, Ohio Administrative Code 117-2-02 states that all local public offices should integrate the budgetary accounts, at the legal level of control which is the object level for all funds. The following funds had total expenditures plus encumbrances in excess of appropriations:

2005

<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures Plus Encumbrances</u>	<u>Variance</u>
Special-FEMA	\$16,222	\$21,722	\$(5,500)

2004

<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures Plus Encumbrances</u>	<u>Variance</u>
Special-FEMA	\$-	\$25,262	\$(25,262)
Special-Miscellaneous	\$-	\$5,075	\$(5,075)
Debt Service	\$-	\$16,203	\$(16,203)
Capital-Main Street	\$-	\$17,727	\$(17,727)
Capital-Municipal Building	\$-	\$50,630	\$(50,630)

Since these funds were over appropriated at the fund level, the legal level of control violations were not disclosed.

We recommend Council and the Fiscal Officer compare expenditures to appropriations periodically. If additional appropriations are needed, then the Council and the Fiscal Officer should take the necessary steps to adopt supplemental appropriations, if possible to prevent expenditures from exceeding appropriations.

Management agrees and will monitor expenditures compared to appropriations.

**VILLAGE OF RUSSELLS POINT
LOGAN COUNTY, OHIO
SCHEDULE OF PRIOR AUDIT FINDINGS
For the Years Ended December 31, 2005 and 2004**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2003-001	ORC 5705.10-Tax receipts posted to wrong funds	Yes	
2003-002	ORC 5705.10-Negative fund balances	No	Partially corrected; Repeated as Finding 2005-RUSPT-01
2003-003	ORC 5705.36-Amended Certificate of Estimated Resources not requested.	Yes	
2003-004	ORC 5705.39 – Appropriations exceeded available resources	No	Not corrected; Repeated as Finding 2005-RUSPT-02
2003-005	ORC 5705.41(B)-Expenditures exceeded appropriations	No	Not corrected; Repeated as Finding 2005-RUSPT-03
2003-006	Non Compliance with Loan Covenants and Village Ordinance; Water rates not sufficient, USDA report not filed; Reserve Fund insufficient	Yes	



Mary Taylor, CPA
Auditor of State

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
SEPTEMBER 4, 2007