



**Auditor of State
Betty Montgomery**

VILLAGE OF ROSEVILLE
MUSKINGUM COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Village of Roseville
Muskingum County
107 Main Street
Roseville, Ohio 43777

To the Village Council:

We have audited the accompanying financial statements of the Village of Roseville, Muskingum County, Ohio (the Village), as of and for the years ended December 31, 2002 and 2001. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

As described in Note 4, the Village reclassified its Income Tax, Rose Hill Cemetery Perpetual Care and Roseville Cemetery Perpetual Care funds during 2001.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Roseville, Muskingum County, as of December 31, 2002 and 2001, 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 April 30, 2003 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.

Village of Roseville
Muskingum 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

April 30, 2003

**VILLAGE OF ROSEVILLE
MUSKINGUM 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	\$54,653	\$27,465	\$	\$	\$82,118
Municipal Income Tax		136,255			136,255
Intergovernmental Receipts	60,589	49,856		13,937	124,382
Charges for Services	50,469	37,738		35,131	123,338
Fines, Licenses, and Permits	11,935	50			11,985
Earnings on Investments	12,257	553			12,810
Miscellaneous	9,304	11,442			20,746
	199,207	263,359	0	49,068	511,634
Cash Disbursements:					
Current:					
Security of Persons and Property	148,393				148,393
Public Health Services		46,481			46,481
Leisure Time Activities		21,773			21,773
Transportation		51,860			51,860
General Government	48,525	86,886			135,411
Debt Service:					
Principal Payments	8,497	31,567	3,147		43,211
Interest Payments	1,337	7,573	1,689		10,599
Capital Outlay	768	1,156		34,525	36,449
	207,520	247,296	4,836	34,525	494,177
Total Cash Disbursements	207,520	247,296	4,836	34,525	494,177
Total Cash Receipts Over/(Under) Cash Disbursements	(8,313)	16,063	(4,836)	14,543	17,457
Other Financing Receipts/(Disbursements):					
Sale of Fixed Assets	6,500				6,500
Transfers-In	71,535	43,355		71,535	186,425
Advances-In		10,827		20,475	31,302
Transfers-Out	(71,535)	(43,355)		(71,535)	(186,425)
Advances-Out		(20,475)		(10,827)	(31,302)
Other Non-operating Disbursements		(1,405)			(1,405)
	6,500	(11,053)	0	9,648	5,095
Total Other Financing Receipts/(Disbursements)	6,500	(11,053)	0	9,648	5,095
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(1,813)	5,010	(4,836)	24,191	22,552
Fund Cash Balances, January 1	35,091	164,506	6,629	103,014	309,240
Fund Cash Balances, December 31	\$33,278	\$169,516	\$1,793	\$127,205	\$331,792

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

**VILLAGE OF ROSEVILLE
MUSKINGUM 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**

	Proprietary Fund Types	Fiduciary Fund Types		Totals (Memorandum Only)
	Enterprise	Agency	Non- Expendable Trust	
Operating Cash Receipts:				
Charges for Services	\$576,212	\$	\$8,355	\$584,567
Miscellaneous	0		494	494
Total Operating Cash Receipts	576,212	0	8,849	585,061
Operating Cash Disbursements:				
Personal Services	254,564			254,564
Contractual Services	152,133			152,133
Supplies and Materials	32,217			32,217
Capital Outlay	10,423			10,423
Total Operating Cash Disbursements	449,337	0	0	449,337
Operating Income/(Loss)	126,875	0	8,849	135,724
Non-Operating Cash Receipts:				
Intergovernmental Receipts	38,986			38,986
Other Non-Operating Receipts	4,700	13,329		18,029
Total Non-Operating Cash Receipts	43,686	13,329	0	57,015
Non-Operating Cash Disbursements:				
Debt Service				
Principal Payments	59,705			59,705
Interest Payments	119,056			119,056
Other Non-Operating Cash Disbursements	562	13,329		13,891
Total Non-Operating Cash Disbursements	179,323	13,329	0	192,652
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers	(8,762)	0	8,849	87
Transfers-In	40,000			40,000
Transfers-Out	(40,000)			(40,000)
Net Receipts Over/(Under) Disbursements	(8,762)	0	8,849	87
Fund Cash Balances, January 1	400,202		54,269	454,471
Fund Cash Balances, December 31	\$391,440	\$0	\$63,118	\$454,558

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

**VILLAGE OF ROSEVILLE
MUSKINGUM COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Property Tax and Other Local Taxes	\$56,396	\$28,301	\$	\$	\$84,697
Municipal Income Tax		136,379			136,379
Intergovernmental Receipts	65,044	47,903		214,926	327,873
Charges for Services	65,452	31,410		26,488	123,350
Fines, Licenses, and Permits	19,619				19,619
Earnings on Investments	4,479				4,479
Miscellaneous	5,918	17,908		1,044	24,870
	<u>216,908</u>	<u>261,901</u>	<u>0</u>	<u>242,458</u>	<u>721,267</u>
Total Cash Receipts					
Cash Disbursements:					
Current:					
Security of Persons and Property	139,682				139,682
Public Health Services		42,894			42,894
Leisure Time Activities		26,640			26,640
Transportation		61,165			61,165
General Government	49,977	93,842			143,819
Debt Service:					
Principal Payments	4,758	36,807	2,937		44,502
Interest Payments	527	9,577	1,899		12,003
Capital Outlay	954	315		333,592	334,861
	<u>195,898</u>	<u>271,240</u>	<u>4,836</u>	<u>333,592</u>	<u>805,566</u>
Total Cash Disbursements					
Total Cash Receipts Over/(Under) Cash Disbursements	<u>21,010</u>	<u>(9,339)</u>	<u>(4,836)</u>	<u>(91,134)</u>	<u>(84,299)</u>
Other Financing Receipts/(Disbursements):					
Transfers-In		43,100	9,672	182,598	235,370
Transfers-Out		(82,487)		(157,961)	(240,448)
Other Non-operating Disbursements		(314)			(314)
	<u>0</u>	<u>(39,701)</u>	<u>9,672</u>	<u>24,637</u>	<u>(5,392)</u>
Total Other Financing Receipts/(Disbursements)					
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>21,010</u>	<u>(49,040)</u>	<u>4,836</u>	<u>(66,497)</u>	<u>(89,691)</u>
Fund Cash Balances, January 1 (Restated - Note 4)	<u>14,081</u>	<u>213,546</u>	<u>1,793</u>	<u>169,511</u>	<u>398,931</u>
Fund Cash Balances, December 31	<u><u>\$35,091</u></u>	<u><u>\$164,506</u></u>	<u><u>\$6,629</u></u>	<u><u>\$103,014</u></u>	<u><u>\$309,240</u></u>

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

**VILLAGE OF ROSEVILLE
MUSKINGUM COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	Proprietary Fund Types	Fiduciary Fund Types		Totals (Memorandum Only)
	Enterprise	Agency	Non- Expendable Trust	
Operating Cash Receipts:				
Charges for Services	\$541,019	\$	\$6,375	\$547,394
Miscellaneous			462	462
Total Operating Cash Receipts	541,019	0	6,837	547,856
Personal Services	237,527			237,527
Contractual Services	174,911			174,911
Supplies and Materials	22,526			22,526
Capital Outlay	15,560			15,560
Total Operating Cash Disbursements	450,524	0	0	450,524
Operating Income/(Loss)	90,495	0	6,837	97,332
Non-Operating Cash Receipts:				
Intergovernmental Receipts	37,806			37,806
Miscellaneous	2,627			2,627
Other Non-Operating Receipts	5,700	17,844		23,544
Total Non-Operating Cash Receipts	46,133	17,844	0	63,977
Non-Operating Cash Disbursements:				
Debt Service				
Principal Payments	55,924			55,924
Interest Payments	119,619			119,619
Other Non-Operating Cash Disbursements		17,844		17,844
Total Non-Operating Cash Disbursements	175,543	17,844	0	193,387
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	(38,915)	0	6,837	(32,078)
Transfers-In	48,844			48,844
Advances-In	4,000			4,000
Transfers-Out	(43,766)			(43,766)
Advances-Out	(4,000)			(4,000)
Net Receipts Over/(Under) Disbursements	(33,837)	0	6,837	(27,000)
Fund Cash Balances, January 1 (Restated - Note 4)	434,039		47,432	481,471
Fund Cash Balances, December 31	\$400,202	\$0	\$54,269	\$454,471

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

**VILLAGE OF ROSEVILLE
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Roseville, Muskingum 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 (leisure time activities), and police services. The Village appropriates general fund money to support a volunteer fire department.

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

Money market mutual funds (including STAROhio) are recorded at share values reported by the mutual fund.

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.

Rose Hill Cemetery Fund – This fund receives tax levy proceeds, fees, and proceeds of lot sales to fund operations and upkeep of the Cemetery.

**VILLAGE OF ROSEVILLE
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

Fire Levy Fund - This fund receives property taxes from a special levy for offsetting fire protection costs.

Income Tax Fund - This fund receives municipal income tax funds to cover the costs of refunds, supplies and materials, and personal services and to transfer proceeds to other funds as directed by Village Council.

3. Debt Service Fund

The Municipal Building Bond Retirement Fund is used to accumulate resources for the payment of bond indebtedness used to finance the renovation of the municipal building.

4. Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant Capital Project Funds:

Street Repaving Fund – This fund is used to account for receipts and disbursements restricted for a street paving project partially funded with Issue II monies from the Ohio Public Works Commission.

Desludging Project Fund – This fund is used to account for receipts and disbursements restricted for a desludging project partially funded with Issue II monies from the Ohio Public Works Commission.

Nature Works Fund – This fund is used to account for receipts and disbursements restricted for a recreational project partially funded with grant monies from the Ohio Department of Natural Resources.

Water Well Improvements Fund - This fund is used to account for receipts and disbursements restricted for a water well improvement project partially funded with Issue II monies from the Ohio Public Works Commission.

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.

**VILLAGE OF ROSEVILLE
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

5. Enterprise Funds (Continued)

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

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

6. Fiduciary Funds (Agency and Trust Funds)

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. Other trust funds are classified as expendable. Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant Fiduciary Funds:

Mayor's Court – This fund receives and distributes Mayor's Court fines and forfeitures and is classified as an agency fund.

Rose Hill Cemetery Perpetual Care Fund – This nonexpendable trust fund receives a portion of proceeds from the sale of lots whereby the interest earned is used for the perpetual care of the cemetery.

Roseville Cemetery Perpetual Care Fund – This nonexpendable trust fund receives a portion of proceeds from the sale of lots whereby the interest earned is used for the perpetual care of the cemetery.

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must also approve estimated resources.

**VILLAGE OF ROSEVILLE
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law.

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 cash 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:

	<u>2002</u>	<u>2001</u>
Demand deposits	<u>\$252,167</u>	<u>\$239,016</u>
Total deposits	<u>252,167</u>	<u>239,016</u>
STAROhio	<u>534,183</u>	<u>524,695</u>
Total investments	<u>534,183</u>	<u>524,695</u>
Total deposits and investments	<u><u>\$786,350</u></u>	<u><u>\$763,711</u></u>

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

Investments: Investments in STAROhio and mutual funds are not evidenced by securities that exist in physical or book-entry form.

**VILLAGE OF ROSEVILLE
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending 2002 and 2001 follows:

2002 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	261,374	\$277,242	\$15,868
Special Revenue	284,741	317,541	32,800
Debt Service	4,836	0	(4,836)
Capital Projects	128,727	141,078	12,351
Enterprise	660,455	659,898	(557)
Total	\$1,340,133	\$1,395,759	\$55,626

2002 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$298,837	\$279,055	\$19,782
Special Revenue	364,956	312,531	52,425
Debt Service	4,836	4,836	0
Capital Projects	180,997	116,887	64,110
Enterprise	796,355	668,660	127,695
Total	\$1,645,981	\$1,381,969	\$264,012

2001 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$228,534	\$216,908	(\$11,626)
Special Revenue	308,022	305,001	(3,021)
Debt Service	7,254	9,672	2,418
Capital Projects	388,307	425,056	36,749
Enterprise	701,937	639,996	(61,941)
Total	\$1,634,054	\$1,596,633	(\$37,421)

2001 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$217,162	\$195,898	\$21,264
Special Revenue	410,120	354,041	56,079
Debt Service	4,836	4,836	0
Capital Projects	493,402	491,553	1,849
Enterprise	809,941	673,833	136,108
Total	\$1,935,461	\$1,720,161	\$215,300

**VILLAGE OF ROSEVILLE
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

4. PRIOR PERIOD RESTATEMENT

During 1999, the Village closed out a federal grant and certain transactions associated with the close out were not recorded correctly. As a result, the fund balances reported in the General Fund and Sewer Fund were overstated at December 31, 2000. The following restatements were necessary:

	<u>Balance</u> <u>January 1, 2001</u>	<u>Adjustments</u>	<u>Restated Balance</u> <u>January 1, 2001</u>
General Fund	\$ 21,562	\$ (7,481)	\$ 14,081
Sewer Fund	129,256	\$ (6,344)	\$122,912

During 2001, the Village reclassified its Income Tax Fund from an expendable trust fund type to a special revenue fund type, to better reflect income tax activity. The Village also reclassified its Rose Hill Cemetery Perpetual Care Fund and Roseville Cemetery Perpetual Care Fund from expendable trust funds to nonexpendable trust funds, based on more accurate information becoming available. The effect of these restatements is as follows:

	<u>Balance</u> <u>January 1, 2001</u>	<u>Adjustments</u>	<u>Restated Balance</u> <u>January 1, 2001</u>
Special Revenue Funds	\$131,460	\$ 82,086	\$ 213,546
Nonexpendable Trust Funds	0	\$ 47,432	\$ 47,432
Expendable Trust Funds	\$129,518	\$ (129,518)	\$ 0

5. 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.

6. LOCAL INCOME TAX

The Village levies a municipal income tax of 1 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.

**VILLAGE OF ROSEVILLE
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

7. DEBT

Debt outstanding at December 31, 2002 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Bonds - Municipal Building	\$22,603	7.00%
OWDA Loan (1995)	899,787	6.56%
Sewer Mortgage Revenue Bonds - Series 1989	911,000	5.00%
Sewer Mortgage Revenue Bonds - Series 1994	111,000	4.50%
OPWC Loan - I & I	134,348	2.00%
OWDA Loan (1999)	166,571	2.20%
Tractor Lease - Purchase	2,700	5.75%
Fire Pump Truck Lease- Purchase	97,440	5.75%
Police Car Loan	111	7.20%
Police Car Lease - Purchase	12,601	6.65%
Total	<u><u>\$2,358,161</u></u>	

The General Obligation Bonds - Municipal Building were issued for the purchase and renovation of the municipal building. These bonds are being retired through the Debt Service Fund with general property tax revenues and are collateralized by the Village's full faith and credit.

The Ohio Water Development Authority (OWDA) loans relate to water and sewer plant expansion projects that were mandated by the Ohio Environmental Protection Agency. The assets and revenues of the utilities are pledged for the repayment of these obligations. The OWDA Loan (1995) will be repaid in semiannual installments of \$42,700.50, including interest, over 25 years. The OWDA Loan (1999) will be repaid in semiannual installments of \$6,370.50, including interest, over 20 years.

The Sewer Mortgage Revenue Bonds were issued to finance sewer system capital improvements. The assets and revenues of the sewer utility are pledged for the repayment of these obligations. The Series 1989 loan will be repaid in annual installments ranging from \$ 62,000 to \$64,000, plus interest, and are due in year 2028. Interest is paid in annual installments at five percent of the outstanding loan balance. The Series 1994 loan will be repaid in annual installments ranging from \$6,000 to \$8,000, plus interest, and are due in year 2034.

The police car loan is a general obligation of the Village and will be repaid from the General Fund.

The OPWC Loan I & I relates to sewer system improvements. This loan will be repaid in annual installments of \$9,137, including interest, and is due in year 2020. The assets and revenues of the sewer utility are pledged for the repayment of this obligation.

**VILLAGE OF ROSEVILLE
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

7. DEBT (Continued)

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

Year ending December 31:	OWDA Loan (1995)	OWDA Loan (1999)	OPWC Loan I & I	Sewer Revenue Bonds (1989)	Sewer Revenue Bonds (1994)	General Obligation Bonds- Municipal Building
2003	\$85,401	\$12,741	\$9,137	\$63,550	\$6,995	\$4,836
2004	85,401	12,741	9,137	63,650	6,905	4,836
2005	85,401	12,741	9,137	63,700	6,815	4,836
2006	85,401	12,741	9,137	63,700	6,725	4,836
2007	85,401	12,741	9,137	63,650	6,635	4,836
2008-2037	1,152,911	133,783	114,208	1,328,250	177,050	3,224
Total	<u>\$1,579,916</u>	<u>\$197,488</u>	<u>\$159,893</u>	<u>\$1,646,500</u>	<u>\$211,125</u>	<u>\$27,404</u>

8. LEASE OBLIGATIONS

The lease obligations of the Village include: the fire pump truck lease which requires annual payments of \$36,285 through 2005 to be paid from the Fire Levy Fund; the tractor lease which requires annual payments of \$2,855 through 2003 to be paid from the General Fund; and the police car lease with the Ford Motor Credit Company which requires four annual payments of \$6,957 to be paid from the General Fund.

9. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Police & Fireman's Disability & Pension Fund (PFDPF). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. PFDPF and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including post-retirement health care, 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 2002 and 2001, members of PFDPF contributed 10% of their gross wages to the PFDPF. The Village contributed an amount equal to 19.5% of the participant wages. PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 2002.

10. RISK MANAGEMENT

The Village is a member of the Public Entities Pool of Ohio (PEP). The PEP assumes the risk of loss up to the limits of the Village's policy. The PEP may make supplemental premiums. The following risks are covered by the PEP:

- General liability and casualty;
- Employee Benefit Liability
- Automobile Liability

**VILLAGE OF ROSEVILLE
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

10. RISK MANAGEMENT (Continued)

The Village provides health insurance and dental and vision coverage to full-time employees through a private carrier.

Risk Pool Membership

The Village belongs to the Public Entities Pool of Ohio ("PEP"), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty insurance for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements, and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

PEP retains casualty risks up to \$250,000 per occurrence. Claims exceeding \$250,000 are reinsured with APEEP up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000, from the General Reinsurance Corporation.

If losses exhaust PEP's retained earnings, APEEP covers PEP losses up to \$5,000,000 per year, subject to a per-occurrence limit of \$2,000,000.

Property Coverage

PEP retains property risks, including automobile physical damage up to \$100,000 on any specific loss. The Travelers Indemnity Company reinsures specific losses exceeding \$100,000. The Travelers Indemnity Company also provides aggregate excess coverage for property including automobile physical damage subject to an annual stop loss. When the stop loss is reached in any year, the Travelers Indemnity Company provides coverage in excess of \$10,000.

The aforementioned casualty and property reinsurance agreements do not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

**VILLAGE OF ROSEVILLE
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

10. RISK MANAGEMENT (Continued)

Risk Pool Membership (Continued)

Financial Position

PEP's financial position statement (audited by other accountants) conforms with generally accepted accounting principles, and reported the following assets, liabilities, and retained earnings at December 31, 2001 and 2000 (the latest information available):

<u>Casualty Coverage</u>	<u>2001</u>	<u>2000</u>
Assets	\$19,358,458	\$17,112,129
Liabilities	(8,827,588)	(7,715,035)
Retained earnings	<u>\$10,530,870</u>	<u>\$9,397,094</u>
<u>Property Coverage</u>	<u>2001</u>	<u>2000</u>
Assets	1,890,323	1,575,614
Liabilities	(469,100)	(281,561)
Retained earnings	<u>1,421,223</u>	<u>1,294,053</u>

11. CONTINGENT LIABILITIES

Amounts received from grantor agencies are subject to audit and adjustment by the grantor. 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.



**Auditor of State
Betty Montgomery**

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

Village of Roseville
Muskingum County
107 Main Street
Roseville, Ohio 43777

To the Village Council:

We have audited the accompanying financial statements of the Village of Roseville, Muskingum County, Ohio (the Village), as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated April 30, 2003, wherein we disclosed the Village reclassified its Income Tax, Rose Hill Cemetery Perpetual Care and Roseville Cemetery Perpetual Care funds during 2001. 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 2002-31060-001 and 2002-31060-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated April 30, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings as items 2002-31060-003 and 2002-31060-004.

743 E. State St. / Athens Mall Suite B / Athens, OH 45701
Telephone: (740) 594-3300 (800) 441-1389 Fax: (740) 594-2110
www.auditor.state.oh.us

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable conditions described above to be material weaknesses. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated April 30, 2003.

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.

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

Betty Montgomery
Auditor of State

April 30, 2003

VILLAGE OF ROSEVILLE
MUSKINGUM COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001

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

Finding Number	2002-001
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Noncompliance Citation

Ohio Rev. Code § 5705.15 states the taxing authority of any political subdivision may transfer from one fund to another any public funds under its supervision, except the proceeds or balances of loans, bond issues, special levies for the payment of loans or bond issues, the proceeds or balances of funds derived from any excise tax levied by law for a specified purpose, and the proceeds or balances of any license fees imposed by law for a specified purpose.

During 2001, the Village transferred monies from the Permissive License Tax Fund to the Street Repaving Fund in the amount of \$22,889.80. Although the disbursements made with this transfer were of a proper public purpose for the Permissive License Tax Fund, this transfer is not permitted since the Permissive License Tax Fund is composed of proceeds of a license fee imposed by law for a specified purpose.

We recommend the Village refrain from making transfers from funds containing restricted monies. If the monies are needed for a specific proper public purpose, payments should be made from the fund the monies are in, rather than approving a transfer.

Finding Number	2002-002
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Noncompliance Citation

Ohio Rev. Code § 5705.41 (D) states that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer (Clerk-Treasurer) of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon. This section also provides two "exceptions" to the above requirements:

- A. Then and Now Certificate – If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was appropriated and free of any previous encumbrances, the taxing authority (Village Council) may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.
- B. If the amount involved is less than one thousand dollars (which was increased to \$3,000 on April 7, 2003), the fiscal officer may authorize it to be paid without affirmation of the taxing authority, upon completion of the then and now certificate, provided the expenditure is otherwise lawful.

The Clerk-Treasurer's certification was not obtained for approximately 20% of disbursements tested and the aforementioned exceptions were not followed. This could result in deficit spending. We recommend the Clerk-Treasurer's certification be obtained prior to incurring any Village obligations. The Clerk-Treasurer should deny requests for payments if appropriations are not available.

**VILLAGE OF ROSEVILLE
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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Finding Number	2002-003
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Material Weakness

Numerous receipt and disbursement transactions were misclassified on the Village's books, especially those transactions related to loan and grant monies received and disbursed for construction and improvement projects.

As a result, these transactions were also improperly classified on the Village's annual reports and reclassifications were necessary in order to properly reflect the Village's financial activity.

In addition, the Village neither posted all amendments to estimated resources in the receipts ledger, nor posted all supplemental appropriations approved by Council in the appropriations resolution. This resulted in inaccurate budgetary reports produced by the Village's accounting system and also resulted in the Village's annual reports to be misstated.

We recommend the Clerk-Treasurer review the Village Handbook for guidance on proper fund and account classifications whenever a question arises. We also recommend the Village post all budgetary measures to the accounting system as approved by Council and certified by the County Budget Commission.

Finding Number	2002-004
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Material Weakness – Issue II Program Accounting

The Village received a grant through the Ohio Public Works Commission (OPWC) for a desludging project and a street paving project. The Village did not record the grant proceeds or the payments made to the vendor.

As a result, not all Issue II program activity was properly reflected in the Desludging Project Fund or the Street Repaving Project Fund. Adjustments were made to properly reflect all Issue project activity in the accompanying financial statements.

We recommend the Clerk-Treasurer follow the guidance prescribed in Auditor of State Bulletin 2002-004.

**VILLAGE OF ROSEVILLE
MUSKINGUM COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2002 AND 2001**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
1999-001	24 C.F.R. Section 85.21 – CDBG receipts greater than \$5,000 were held by the Village longer 15 days	N/A	Finding No Longer Valid
1999-002	24 C.F.R. Section 85.36 –Purchase orders were not used for CDBG disbursements	N/A	Finding No Longer Valid



**Auditor of State
Betty Montgomery**

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

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

VILLAGE OF ROSEVILLE

MUSKINGUM 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 12, 2003**