



Dave Yost • Auditor of State

VILLAGE OF RUSSELLVILLE
BROWN COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Village of Russellville
Brown County
203 East Main Street, PO Box 158
Russellville, Ohio 45168

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Russellville, Brown County, Ohio (the Village) as of and for the years ended December 31, 2017 and 2016.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 2 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Basis for Opinion Qualification

At December 31, 2017, the balance of the Village's bank account was \$13,637 higher than the reconciled Village total fund balances, which represents 212.9% of the General fund balance, 8.7% of the Special Revenue funds balance, 41.1% of the Enterprise fund balance and 262.1% of the Agency fund balance at December 31, 2017. We were unable to obtain sufficient appropriate audit evidence identifying the funds which the unreconciled amount applied. Consequently, we were unable to determine an accurate book balance for the individual fund types.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2017 and 2016, and the respective changes in financial position thereof for the years then ended.

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the possible effects of the matter described in the *Basis for Opinion Qualification* paragraph, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Village of Russellville, Brown County as of December 31, 2017 and 2016, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2018, 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 grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio
November 13, 2018

Village of Russellville, Ohio

Brown County

*Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types*

For the Year Ended December 31, 2017

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$23,252	\$47,027	\$70,279
Intergovernmental	11,295	47,923	59,218
Charges for Services		90,958	90,958
Fines, Licenses and Permits	45,377		45,377
Earnings on Investments	70	4	74
Miscellaneous	2,304	10,295	12,599
<i>Total Cash Receipts</i>	<u>82,298</u>	<u>196,207</u>	<u>278,505</u>
Cash Disbursements			
Current:			
Security of Persons and Property		168,306	168,306
Leisure Time Activities		14,382	14,382
Transportation		17,025	17,025
General Government	89,459	1,594	91,053
Capital Outlay		85,000	85,000
Debt Service:			
Principal Retirement		17,503	17,503
Interest and Fiscal Charges		2,407	2,407
<i>Total Cash Disbursements</i>	<u>89,459</u>	<u>306,217</u>	<u>395,676</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(7,161)</u>	<u>(110,010)</u>	<u>(117,171)</u>
Other Financing Receipts (Disbursements)			
Sale of Bonds		85,000	85,000
Advances In	3,000	3,000	6,000
Advances Out	(3,000)	(3,000)	(6,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>0</u>	<u>85,000</u>	<u>85,000</u>
<i>Net Change in Fund Cash Balances</i>	(7,161)	(25,010)	(32,171)
<i>Fund Cash Balances, January 1</i>	<u>13,567</u>	<u>181,397</u>	<u>194,964</u>
Fund Cash Balances, December 31			
Restricted		156,387	156,387
Assigned	5,680		5,680
Unassigned (Deficit)	726		726
<i>Fund Cash Balances, December 31</i>	<u>\$6,406</u>	<u>\$156,387</u>	<u>\$162,793</u>

See accompanying notes to the basic financial statements

Village of Russellville, Ohio

Brown County

Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)

All Proprietary and Fiduciary Fund Types

For the Year Ended December 31, 2017

	Proprietary Fund Types	Fiduciary Fund Types	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$175,535	\$0	\$175,535
<i>Total Operating Cash Receipts</i>	<u>175,535</u>	<u>0</u>	<u>175,535</u>
Operating Cash Disbursements			
Personal Services	5,162		5,162
Fringe Benefits	839		839
Contractual Services	65,661	5,138	70,799
Supplies and Materials	41,251		41,251
<i>Total Operating Cash Disbursements</i>	<u>112,913</u>	<u>5,138</u>	<u>118,051</u>
<i>Operating Income (Loss)</i>	<u>62,622</u>	<u>(5,138)</u>	<u>57,484</u>
Non-Operating Receipts (Disbursements)			
Special Assessments	589		589
Other Non-Operating Cash Receipts		50,644	50,644
Capital Outlay	(15,000)		(15,000)
Principal Retirement	(60,074)		(60,074)
Interest and Other Fiscal Charges	(1,622)		(1,622)
Other Non-Operating Cash Disbursements		(41,797)	(41,797)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(76,107)</u>	<u>8,847</u>	<u>(67,260)</u>
<i>Net Change in Fund Cash Balances</i>	<u>(13,485)</u>	<u>3,709</u>	<u>(9,776)</u>
<i>Fund Cash Balances, January 1</i>	<u>46,635</u>	<u>1,494</u>	<u>48,129</u>
<i>Fund Cash Balances, December 31</i>	<u>\$33,150</u>	<u>\$5,203</u>	<u>\$38,353</u>

See accompanying notes to the basic financial statements

Village of Russellville, Ohio
Brown County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 1 - Reporting Entity

The Village of Russellville (the Village), Brown County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides park operations, fire services and police services. The Village contracts with the Brown County Rural Water Association to provide sewer utility services.

Joint Ventures, Jointly Governed Organizations, Public Entity Risk Pools and Related Organizations

The Village participates in a public entity risk pool. Note 7 to the financial statements provides additional information for this entity. The Village's management believes these financial statements present all activities for which the Village is financially accountable.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

Street Construction Maintenance and Repair The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

Fire Fund This Fund is used to account for a property tax levy and charges for services to provide fire protection to the Village.

Police Fund This fund is used to account for a property tax levy to provide police services to the Village.

EMS Fund This fund is used to account for a property tax levy and changes for services to provide emergency medical services.

Village of Russellville, Ohio
Brown County
Notes to the Financial Statements
For the Year Ended December 31, 2017

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

Sewer Fund The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

Fiduciary Funds Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency fund accounts for Mayor's Court fines and forfeitures.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements 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 the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

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

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

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 approve estimated resources.

Encumbrances The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated

A summary of 2017 budgetary activity appears in Note 4.

Village of Russellville, Ohio
Brown County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Deposits and Investments

The Village invests all available funds in an interest-bearing checking account and an interest-bearing savings account.

Capital Assets

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

Nonspendable The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

Restricted Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Committed Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Note 3 - Compliance

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Fire Fund by \$16,539 and in the EMS Fund by \$91,757 for the year ended December 31, 2017.

Village of Russellville, Ohio
Brown County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 4 - Budgetary Activity

Budgetary activity for the year ending December 31, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$97,225	\$81,893	(\$15,332)
Special Revenue	235,490	278,974	43,484
Enterprise	150,542	159,361	8,819
Total	\$483,257	\$520,228	\$36,971

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$102,755	\$89,459	\$13,296
Special Revenue	201,657	305,535	(103,878)
Enterprise	175,838	141,998	33,840
Total	\$480,250	\$536,992	(\$56,742)

Note 5 – Deposits and Investments

The Village maintains a deposit and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at December 31 was as follows:

Demand deposits	2017 \$110,921
Other time deposits (savings accounts)	100,455
Total deposits	\$211,376

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation. The Village's deposits are collateralized by the financial institution's public entity deposit pool.

Note 6 – Taxes

Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December

Village of Russellville, Ohio
Brown County
Notes to the Financial Statements
For the Year Ended December 31, 2017

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.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

Note 7 - Risk Management

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

The Village insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

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 coverage for its members. York Insurance Services Group, Inc. (York) functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by York. 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 and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2017, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

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

Financial Position

PEP's financial statements (audited by other auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2017.

	<u>2017</u>
Assets	\$44,452,326
Liabilities	(13,004,011)
Net Position	\$31,448,315

At December 31, 2017 the liabilities above include approximately \$11.8 million of estimated incurred claims payable. The assets above also include approximately \$11.2 million of unpaid claims to be billed. The Pool's membership increased to 527 members in 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017, the Village's share of these unpaid claims collectible in future years is approximately \$8,000.

Village of Russellville, Ohio
Brown County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

<u>2017 Contributions to PEP</u>
\$ 15,198

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

Note 8 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

The Village's elected officials and employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 %, of their gross salaries and the Village contributed an amount equaling 14 %, of participants' gross salaries. The Village has paid all contributions required through December 31, 2016.

Note 9 - Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2017.

Note 10 – Debt

Debt outstanding at December 31, 2017 was as follows:

	Principal	Interest Rate
EMS Building General Obligation Bonds	\$461	3.25%
Ohio Water Development Authority Loan	30,471	2.20%
Brush Truck Bond	30,752	2.50%
Ambulance Bond	80,175	3.35%
Total	\$141,859	

The Village issued general obligation bonds in 2012 for the purchase of a new EMS building. The bonds will be repaid in monthly installments with an interest rate of 3.25%. The bonds are scheduled to mature in 2019.

Village of Russellville, Ohio
Brown County
Notes to the Financial Statements
For the Year Ended December 31, 2017

The Village issued general obligation bond in 2016 for the purchase of a fire truck for the Fire Department. The Bonds will be repaid in monthly installments with an interest rate of 2.5%. The bonds are scheduled to mature in 2021.

In addition, the Village issued general obligation bond in 2017 for the purchase of an ambulance for the EMS Department. The Bonds will be repaid in monthly installments with an interest rate of 3.35%. The bonds are scheduled to mature in 2027.

The Ohio Water Development Authority (OWDA) loan relates to a sewer plant expansion project the Ohio Environmental Protection Agency mandated. The OWDA approved up to \$993,897 in loans to the Village for this project. The Village will repay the loans in semiannual installments of \$30,848, including interest, over 20 years. Sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements. The Village issued general obligation bonds to finance the purchase of a new Brush truck and plowing equipment for Village road maintenance.

Amortization

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

Year Ending December 31:	OWDA Loan	EMS Building Bonds	Brush Truck Bonds	Ambulance Bonds
2018	\$30,848	\$461	\$9,519	\$10,015
2019			9,519	10,014
2020			9,519	10,015
2021			3,965	10,014
2022				10,015
2023-2027				44,232
Total	<u>\$30,848</u>	<u>\$461</u>	<u>\$32,522</u>	<u>\$94,307</u>

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Village of Russellville, Ohio*Brown County**Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)**All Governmental Fund Types**For the Year Ended December 31, 2016*

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$24,106	\$46,414	\$70,520
Intergovernmental	13,187	44,633	57,820
Charges for Services	9,602	83,361	92,963
Fines, Licenses and Permits	49,160	0	49,160
Earnings on Investments	80	11	91
Miscellaneous	2,161	335	2,496
<i>Total Cash Receipts</i>	<u>98,296</u>	<u>174,754</u>	<u>273,050</u>
Cash Disbursements			
Current:			
Security of Persons and Property		119,669	119,669
Leisure Time Activities		6,228	6,228
Transportation		17,435	17,435
General Government	92,718	8,126	100,844
Capital Outlay		44,698	44,698
Debt Service:			
Principal Retirement		14,669	14,669
Interest and Fiscal Charges		1,221	1,221
<i>Total Cash Disbursements</i>	<u>92,718</u>	<u>212,046</u>	<u>304,764</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>5,578</u>	<u>(37,292)</u>	<u>(31,714)</u>
Other Financing Receipts (Disbursements)			
Sale of Bonds		44,698	44,698
<i>Total Other Financing Receipts (Disbursements)</i>	<u>0</u>	<u>44,698</u>	<u>44,698</u>
<i>Net Change in Fund Cash Balances</i>	5,578	7,406	12,984
<i>Fund Cash Balances, January 1</i>	<u>7,989</u>	<u>173,991</u>	<u>181,980</u>
Fund Cash Balances, December 31			
Restricted		181,397	181,397
Assigned	5,530		5,530
Unassigned (Deficit)	8,037		8,037
<i>Fund Cash Balances, December 31</i>	<u>\$13,567</u>	<u>\$181,397</u>	<u>\$194,964</u>

See accompanying notes to the basic financial statements

Village of Russellville, Ohio*Brown County**Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)**All Proprietary and Fiduciary Fund Types**For the Year Ended December 31, 2016*

	Proprietary Fund Types	Fiduciary Fund Types	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$180,403	\$0	\$180,403
<i>Total Operating Cash Receipts</i>	<u>180,403</u>	<u>0</u>	<u>180,403</u>
Operating Cash Disbursements			
Personal Services	5,177		5,177
Fringe Benefits	936		936
Contractual Services	66,745	10,826	77,571
Supplies and Materials	67,300		67,300
<i>Total Operating Cash Disbursements</i>	<u>140,158</u>	<u>10,826</u>	<u>150,984</u>
<i>Operating Income (Loss)</i>	<u>40,245</u>	<u>(10,826)</u>	<u>29,419</u>
Non-Operating Receipts (Disbursements)			
Special Assessments	1,934		1,934
Other Non-Operating Cash Receipts		58,061	58,061
Capital Outlay	(783)		(783)
Principal Retirement	(58,733)		(58,733)
Interest and Other Fiscal Charges	(2,962)		(2,962)
Other Non-Operating Cash Disbursements		(45,741)	(45,741)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(60,544)</u>	<u>12,320</u>	<u>(48,224)</u>
<i>Net Change in Fund Cash Balances</i>	<u>(20,299)</u>	<u>1,494</u>	<u>(18,805)</u>
<i>Fund Cash Balances, January 1</i>	<u>66,934</u>	<u>0</u>	<u>66,934</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$46,635</u></u>	<u><u>\$1,494</u></u>	<u><u>\$48,129</u></u>

See accompanying notes to the basic financial statements

Village of Russellville, Ohio
Brown County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 1 - Reporting Entity

The Village of Russellville (the Village), Brown County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides park operations, fire services and police services. The Village contracts with the Brown County Rural Water Association to provide sewer utility services.

Joint Ventures, Jointly Governed Organizations, Public Entity Risk Pools and Related Organizations

The Village participates in a public entity risk pool. Note 7 to the financial statements provides additional information for this entity. The Village's management believes these financial statements present all activities for which the Village is financially accountable.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

Street Construction Maintenance and Repair The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

Fire Fund This Fund is used to account for a property tax levy and charges for services to provide fire protection to the Village.

Police Fund This fund is used to account for a property tax levy to provide police services to the Village.

EMS Fund This fund is used to account for a property tax levy and changes for services to provide emergency medical services.

Village of Russellville, Ohio
Brown County
Notes to the Financial Statements
For the Year Ended December 31, 2016

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

Sewer Fund The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

Fiduciary Funds Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency fund accounts for Mayor's Court fines and forfeitures.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements 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 the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

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

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

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 approve estimated resources.

Encumbrances The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated

A summary of 2016 budgetary activity appears in Note 4.

Village of Russellville, Ohio
Brown County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Deposits and Investments

The Village invests all available funds in an interest-bearing checking account and an interest-bearing savings account.

Capital Assets

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

Nonspendable The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

Restricted Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Committed Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Note 3 - Compliance

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General Fund by \$7,849; in the Street Construction Maintenance and Repair Fund by \$160; in the Fire Fund by \$42,302; in the Police Fund by \$1,509; and in the Sewer Fund by \$10,999 for the year ended December 31, 2016.

Village of Russellville, Ohio
Brown County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 4 - Budgetary Activity

Budgetary activity for the year ending December 31, 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$90,292	\$98,015	\$7,723
Special Revenue	207,009	217,259	10,250
Enterprise	168,572	165,951	(2,621)
Total	\$465,873	\$481,225	\$15,352

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$84,632	\$92,481	(\$7,849)
Special Revenue	174,270	210,086	(35,816)
Enterprise	175,251	186,250	(10,999)
Total	\$434,153	\$488,817	(\$54,664)

Note 5 – Deposits and Investments

The Village maintains a deposit and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at December 31 was as follows:

Demand deposits	2016 \$142,698
Other time deposits (savings accounts)	100,395
Total deposits	\$243,093

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation. The Village's deposits are collateralized by the financial institution's public entity deposit pool.

Note 6 – Taxes

Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December

Village of Russellville, Ohio
Brown County
Notes to the Financial Statements
For the Year Ended December 31, 2016

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.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

Note 7 - Risk Management

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

The Village insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

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 coverage for its members. York Insurance Services Group, Inc. (York) functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by York. 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 and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2016, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

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

Financial Position

PEP's financial statements (audited by other auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2016.

	<u>2016</u>
Assets	\$42,182,281
Liabilities	<u>(13,396,700)</u>
Net Position	<u>\$28,785,581</u>

At December 31, 2016 the liabilities above include approximately 12.0 million of estimated incurred claims payable. The assets above also include approximately \$11.5 million of unpaid claims to be billed. The Pool's membership increased to 520 members in 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, the Village's share of these unpaid claims collectible in future years is approximately \$8,000.

Village of Russellville, Ohio
Brown County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

<u>2016 Contributions to PEP</u>
\$ 14,429

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

Note 8 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

The Village's elected officials and employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 %, of their gross salaries and the Village contributed an amount equaling 14 %, of participants' gross salaries. The Village has paid all contributions required through December 31, 2016.

Note 9 - Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2016.

Note 10 – Debt

Debt outstanding at December 31, 2016 was as follows:

	Principal	Interest Rate
EMS Building General Obligation Bonds	\$5,547	3.25%
Ohio Water Development Authority Loan	90,545	2.20%
Brush Truck Loan	38,343	2.50%
Total	\$134,435	

The Village issued general obligation bonds in 2012 for the purchase of a new EMS building. The bonds will be repaid in monthly installments with an interest rate of 3.25%. The bonds are scheduled to mature in 2019.

Village of Russellville, Ohio
Brown County
Notes to the Financial Statements
For the Year Ended December 31, 2016

The Village also issued general obligation bond in 2016 for the purchase of a fire truck for the Fire Department. The Bonds will be repaid in monthly installments with an interest rate of 2.5%. The bonds are scheduled to mature in 2021.

The Ohio Water Development Authority (OWDA) loan relates to a sewer plant expansion project the Ohio Environmental Protection Agency mandated. The OWDA approved up to \$993,897 in loans to the Village for this project. The Village will repay the loans in semiannual installments of \$30,848, including interest, over 20 years. Sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements. The Village issued general obligation bonds to finance the purchase of a new Brush truck and plowing equipment for Village road maintenance.

Amortization

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

Year Ending December 31:	OWDA Loan	EMS Building Bonds	Brush Truck Bonds
2017	\$61,695	\$5,595	\$9,519
2018	30,848		9,519
2019			9,519
2020			9,519
2021			3,965
Total	<u>\$92,543</u>	<u>\$5,595</u>	<u>\$42,041</u>

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Village of Russellville
Brown County
203 East Main Street
PO Box 158
Russellville, Ohio 45168

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Village of Russellville, Brown County, Ohio (the Village) as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, and have issued our report thereon dated November 13, 2018 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. We consider findings 2017-005 and 2017-006 described in the accompanying schedule of findings to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2017-001 and 2017-004 described in the accompanying schedule of findings to be significant deficiencies.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2017-001 through 2017-004.

Village's Response to Findings

The Village's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not subject the Village's response to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

November 13, 2018

**VILLAGE OF RUSSELLVILLE
BROWN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING 2017-001

Noncompliance/Significant Deficiency

Ohio Admin. Code § 117-2-02(C)(1) states all local public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted appropriation balances. This also means the accounting system should report appropriations, encumbrances, unencumbered cash balances, and estimated receipts, and should compare budgetary data to actual results.

Furthermore, all public officials are responsible for the design and operation of a system of internal control that is adequate to provide reasonable assurance regarding the achievement of objectives for their respective public offices in certain categories. "Internal control" includes a process effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the reliability of financial reporting, and should consist of monitoring, which is a process that assesses the quality of internal control performance over time.

The Village failed to accurately post estimated resources and appropriations to the accounting system. The Village also did not maintain its appropriations resolutions for the audit period; see Finding 2017-002. We contacted the County Auditor's office and obtained the Village's appropriations that were filed for 2016 and 2017, and identified the following differences between the accounting system and the budgetary documents filed with the County Auditor's office each fiscal year as follows:

Appropriations	Per Appropriation Resolutions	Amount Posted to System	Variance
1000 General Fund-2016	\$84,632	\$115,186	(\$30,554)
2011 SCMR Fund-2016	24,620	25,620	(1,000)
2901 Fire Fund-2016	72,710	127,408	(54,698)
2902 Police Fund-2016	21,393	22,943	(1,550)
2903 EMS Fund-2016	53,947	55,448	(1,501)
5201 Sewer Fund-2016	175,251	190,971	(15,720)
1000 General Fund-2017	102,755	106,575	(3,820)
2901 Fire Fund-2017	92,702	134,402	(41,700)
2902 Police Fund-2017	21,625	23,125	(1,500)
2903 EMS Fund-2017	51,510	151,390	(99,880)
5201 Sewer Fund-2017	175,838	181,496	(5,658)

Estimated Resources	Per Certificate of Estimated Resources	Amount Posted to System	Variance
1000 General Fund-2016	\$90,292	\$117,292	(\$27,000)
2902 Police Fund-2016	17,255	18,548	(1,293)
5201 Sewer Fund-2016	168,572	170,475	(1,904)
2901 Fire Fund-2017	66,000	63,000	3,000
2902 Police Fund-2017	19,900	22,500	(2,600)
2903 EMS Fund-2017	127,000	129,600	(2,600)

**FINDING 2017-001
(Continued)**

In addition, the Village did not have procedures in place for effective monitoring of the Village's financial activity, and the accuracy of accounting and financial reporting, as follows:

- There was no evidence that the 2016 and 2017 information generated by the accounting system used by the Fiscal Officer to prepare the financial statements and footnotes were reviewed by Village Council.

The Village Fiscal Officer has sole responsibility over accounting and reporting. Due to the small size of the Village, it is important that Council take an active role in monitoring the budget and financial reports. Failure to accurately record estimated receipts and appropriations in the accounting system may result in an inability for Council to properly monitor the activity and budgetary status of the Village, results in inaccurate financial statements and note disclosure, and increases the risk that overspending, errors, theft and fraud could occur and not be detected in a timely manner. The budgetary amounts were corrected in the notes to the financial statements.

We recommend the Village accurately record estimated receipts and appropriations in the accounting system to properly monitor the financial activity of the Village and include accurate budgetary information in the annual financial statements. We further recommend that Council document their review of the financial reports prepared by the Fiscal Officer in the Village minutes.

FINDING 2017-002

Noncompliance

Ohio Rev. Code § 149.351 provides that no public records shall be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commissions provided for under Ohio Rev. Code Sections 149.38 to 149.42.

The Village failed to provide the following records:

- Validated deposits slips for two receipts tested in 2017, and detail for a \$174,183 deposit in 2016.
- Documentation for the Brush Truck Bonds Issuance totaling \$44,698 in 2016.
- Pooled collateral statement for First State Bank at December 31, 2017.
- Annual appropriations resolutions for 2016 and 2017 approved on January 12, 2016 and February 14, 2017, respectively, and supplemental appropriations resolutions approved on December 12, 2017 and December 28, 2017 in the minutes. We contacted the County Auditor's office and obtained the Village's appropriations that were filed for 2016 and 2017.

**FINDING 2017-002
 (Continued)**

- Supporting invoice documentation for Check # 23736, posted April 28, 2016, in the amount of \$50 to Elizabeth Neu; Check # 24122, posted September 22, 2015, in the amount of \$23.11 to the Brown County Auditor; Check # 24440, posted March 14, 2017, in the amount of \$7,556 to the Ohio Public Risk Insurance Agency; Check # 24878, posted October 19, 2017, in the amount of \$10,819 to Vogelpohl Fire Equipment, Inc.; Check # 24960, posted November 15, 2017, in the amount of \$280 to Lucas Reub; Check # 25037, posted December 28, 2017, in the amount of \$1,100 to Jim Griffith; and, Check # 25042, posted December 28, 2017, in the amount of \$1,793 to David Grimes. By performing alternative procedures we determined that these expenditures were for a proper public purpose.
- Supporting documentation for two disbursements posted in January 2018 (to determine if they were properly encumbered as of December 31, 2017).
- Insurance policies effective during 2016 and 2017.

Failure to maintain proper documentation could result in difficulties supporting the actions taken by the Village and noncompliance. The Village should develop policies and procedures outlining the security of all records or take a written inventory of all records noting the records description and location. All records should be maintained in a secure central location, such as locked file cabinets or in a locked office, with access limited to specific officials and/or personnel. Disposal of records should only be made in accordance with an approved records retention schedule.

We recommend that the Village maintain all records required by law.

FINDING 2017-003

Noncompliance

Ohio Rev. Code § 5705.41(B) states that no subdivision or taxing unit is to expend money unless it has been appropriated. The Village had expenditures in excess of appropriations in the following funds:

Fund	Expenditures plus Encumbrances	Appropriations	Variance
General Fund-2016	\$ 92,481	\$ 84,632	\$ (7,849)
SCMR Fund-2016	24,780	24,620	(160)
Fire Fund-2016	115,102	72,710	(42,302)
Police Fund-2016	22,902	21,393	(1,509)
Sewer Fund-2016	186,250	175,251	(10,999)
Fire Fund-2017	109,241	92,702	(16,539)
EMS Fund-2017	143,267	51,510	(91,757)

Expenditures in excess of appropriations can result in overspending and deficit fund balances.

The Village should routinely compare actual expenditures to current appropriations and amend appropriations when needed as limited by the estimated resources available.

FINDING 2017-004

Noncompliance/Significant Deficiency

Ohio Rev. Code § 1907.24(C), 2303.201(C), 2743.70 (A), 2949.091(A)-(B), and 3109.14 state that all moneys collected during a month and owed to the state shall be transmitted on or before the twentieth day of the following month by the clerk of the court to the treasurer of the state.

Ohio Rev. Code § 2949.094(A) & (C) when read together, state the court in which any person is convicted of or pleads guilty to any moving violation shall impose an additional court cost of ten dollars upon the offender. If the person is convicted, pleads guilty, or forfeits bail, the clerk shall transmit thirty five percent of all additional court costs to the state treasury of which ninety-seven percent shall be credited to the drug law enforcement fund and the remaining three percent shall be credited to the justice program services fund, the clerk shall transmit fifteen percent of all additional costs to the county or municipal indigent drivers alcohol treatment fund under the control of that court. The Court shall transmit fifty percent of all additional costs to the state treasury to be credited to the indigent defense support fund. All costs should be transmitted to the appropriate entities by the twenty third day of the following month the costs were collected.

Ohio Admin. Code § 117-2-02(A) requires public offices to maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

We identified the following conditions related to the above criteria:

- The Mayor's Court activity was documented in the Village accounting system. The Village utilized the *nCourt* system for the processing of online court payments. However, there was no evidence that the Village Court computer system was properly maintained or reconciled with the Village accounting system.
- Dockets were not provided for 11 of 12 months for 2016.
- 13 citations for 2016 and 26 citations for 2017 were missing from the Village's records.
- Fines for two cases in 2016 and four cases in 2017 did not agree with the Fine Schedule.
- Receipts for four cases in 2017 did not trace to the docket.
- In September 2016, the Village collected but failed to remit \$10 for a non-moving violation and \$30 for a felony charge.
- In October 2017, the Village incorrectly reported its total of moving and non-moving violations resulting in an underpayment to the State of Ohio of \$53.
- The Court failed to remit money collected to the State of Ohio by the 20th of the following month for three months in 2016 and 11 months in 2017. At December 31, 2017, the Court's balance due to the State of Ohio totaled \$570. The Village paid the balance due on October 18, 2018.

**FINDING 2017-004
(Continued)**

- The Court failed to remit money collected to Brown County for three months in 2017. At December 31, 2017, the Court's balance due to Brown County totaled \$74. The Village paid the balance due on October 18, 2018.
- Monthly reports of fines and monies collected were not formally approved by the Mayor, Village Council, or their designee.
- A separate bank account was not established to account for the court receipt and disbursement activity.

Failure to accurately maintain the Mayor's Court cashbook, dockets, and citations reduces the accountability over the Court receipts and disbursements, and increases the risk that errors, theft and fraud could occur and not be detected in a timely manner.

We recommend that the Village remit amounts owed to the State of Ohio and Brown County promptly each month. Control procedures should be put into place to help assure that all Mayor's Court receipts and disbursements are properly accounted for. We recommend the implementation of the following controls:

- The Village should use and maintain prenumbered citations to provide accountability over all fines, and document any voided citations;
- The Village should establish a Mayor's Court bank account to improve financial reporting and accountability over receipts and disbursements;
- All cash receipts should be recorded in the *nCourt* accounting system, and the system cashbook balance should be reconciled to the bank balance monthly;
- A docket should be prepared and maintained each court date;
- Fine amounts should be verified to the authorized fine schedule;
- Amounts should be remitted to the appropriate entities in a timely manner.
- Monthly Mayor's Court reports should receive a documented supervisory review.

FINDING 2017-005

Material Weakness

In our audit engagement letter, as required by AU-C Section 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16.

**FINDING 2017-005
(Continued)**

We identified the following conditions related to the above criteria:

- Principal Retirement and Interest and Fiscal Charges totaling \$30,180 and \$668, respectively, in 2017 in the Enterprise Fund were disbursed in 2017 but not recorded in the accounting system until 2018, resulting in an understatement of cash disbursements and an overstatement of cash fund balance.
- Intergovernmental receipts totaling \$1,913 in the General Fund and \$43 in the Street Construction Maintenance and Repair Fund were deposited in 2017 but not recorded in the accounting system until 2018, resulting in an understatement of Intergovernmental Receipts and cash fund balance.
- Remittances of Mayor's Court activity to the Village were incorrectly posted as Transfers Out of the Agency Fund and Transfers In to the General Fund rather than to Non-Operating Cash Disbursements in the Agency Fund and Fines, Licenses, and Permits receipts in the General Fund in the amounts of \$45,741 and \$41,797 in 2016 and 2017 respectively.
- Mayor's Court receipts totaling \$58,061 in 2016 and \$50,644 in 2017 in the Agency Fund were incorrectly posted to Fines, Licenses and Permits rather than to Non-Operating Cash Receipts.
- Assigned Fund Balance totaling \$5,530 in 2016 and \$5,680 in 2017 in the General Fund was incorrectly classified as Unassigned Fund Balance.
- Intergovernmental receipts totaling \$1,508 in 2017 in the Street Construction Maintenance and Repair Fund were incorrectly posted to the General Fund.
- Homestead and Rollback receipts totaling \$3,778 in 2016 and \$3,769 in 2017 in the General Fund and Vehicle Registration and Homestead and Rollback receipts totaling \$11,203 in 2016 and \$8,590 in 2017 in the Special Revenue Funds were incorrectly posted to Property and Other Local Taxes Receipts rather than Intergovernmental Receipts.
- Intergovernmental receipts in 2017 in the General Fund were incorrectly posted to Property Taxes and Miscellaneous receipts in the amount of \$423 and \$377, respectively.
- Property Taxes receipts in the General Fund and Special Revenue Funds were incorrectly posted at net resulting in Property and Other Local Taxes, and General Government and Security of Persons and Property disbursements, being understated by \$281 and \$1,497, respectively, in 2016.
- EMS receipts in the Special Revenue Funds were incorrectly posted at net resulting in Charges for Services receipts and Security of Persons and Property disbursements being understated by \$697 in 2016 and \$682 in 2017.
- Brown County Rural Water Association receipts in the Enterprise Fund were incorrectly posted at net resulting in Charges for Services receipts and Contractual Services disbursements being understated by \$16,386 in 2016 and \$16,763 in 2017.

**FINDING 2017-005
(Continued)**

- Bond Proceeds and Capital Outlay disbursements each totaling \$85,000 in the Special Revenue Funds for the purchase of an ambulance in 2017 were incorrectly posted to Miscellaneous receipts and Security of Persons and Property disbursements, respectively.
- Contractual Services disbursements totaling \$710 in 2017 in the Enterprise Fund were incorrectly posted to Interest and Fiscal Charges.
- Bond Proceeds and Capital Outlay disbursements each totaling \$44,698 in the Special Revenue Funds for the purchase of a brush truck in 2016 were incorrectly posted to Other Financing Sources and Security of Persons and Property disbursements, respectively.
- Interest and Fiscal Charges totaling \$367 in 2016 in the Enterprise Fund were incorrectly posted to Principal Retirement.

The financial statements and accounting records have been adjusted for these errors, where applicable.

The Village did not have procedures in place for effective monitoring of the Village's financial activity, and the accuracy of accounting and financial reporting. The Village Fiscal Officer has sole responsibility over accounting and reporting. Due to the small size of the Village, it is important that Council take an active role in monitoring the posting of such activity. Failure to accurately post financial activity and monitor financial activity increases the risk that errors, theft and fraud could occur and not be detected in a timely manner.

We recommend due care be exercised when posting entries to the financial records and financial statement preparation to prevent errors and to assist in properly reflecting the Village's financial activity. The Village should refer to Ohio Administrative Code 117-7-01 and the Ohio Village Officer's Handbook for guidance when posting transactions. In addition, we recommend that Village Council adopt procedures for ongoing reviews of the activity recorded in the underlying accounting records and reported on the financial statements so that errors can be detected and corrected in a timely manner.

FINDING 2017-006

Material Weakness

When designing the public office's system in internal control and the specific control activities, management should consider ensuring that accounting records are properly designed, verifying the existence and valuation of assets and periodically reconcile them to the accounting records, and performing analytical procedures to determine the reasonableness of financial data.

The Village did not complete accurate monthly bank reconciliations from July 31, 2017 to December 31, 2017. The reconciliation prepared for December 2017 listed bank balances that did not agree with the bank statements from the Village's financial institutions and an unsupported other adjusting factors due in part to the Village failing to record a debt payment totaling \$30,848 and receipts totaling \$1,956 to the accounting system.

**FINDING 2017-006
(Continued)**

Once known factors were considered, the updated variance at December 31, 2017, showed the bank balance was \$13,637 more than the Village's fund balance recorded in the accounting system and on the adjusted financial statements. We were unable to obtain sufficient appropriate audit evidence identifying the funds which the unreconciled amount applied. Consequently, we were unable to determine an accurate book balance for the individual fund types and resulted in a modified audit opinion. Therefore, no adjustment was posted to the accounting system or financial statements.

Accurate preparation and timely review of bank reconciliations are basic and essential internal control components for sound fiscal management. Failure to reconcile the Village accounts with the accounting system could increase the likelihood of errors being made and not detected and corrected in a timely manner. This condition increases the risk of misappropriation or theft, and reduces the Village's ability to monitor banking activities.

We recommend the Village reconcile all active bank accounts on a monthly basis. The Village should document and adequately explain all adjusting factors. Adjustments should be documented, and any unexplained differences should be investigated and resolved immediately. For guidance the Village should utilize the Village Officer's Handbook.

Officials' Response:

The Village has experienced an excessive amount of turnover in the Fiscal Officer position during the 2016-2017 audit period. At this time we have reviewed the recommendations and corrected several areas and will continue to implement the recommendations presented.



VILLAGE OF RUSSELLVILLE

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS DECEMBER 31, 2017 AND 2016

Finding Number	Finding Summary	Status	Additional Information
2015-001	Significant posting and classification errors	Not Corrected	Reissued as Finding 2017-005
2015-002	Appropriations exceeding available resources	Corrected	

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Dave Yost • Auditor of State

VILLAGE OF RUSSELLVILLE

BROWN 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
DECEMBER 11, 2018**