



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**VILLAGE OF RUSSELLVILLE
TABLE OF CONTENTS**

TITLE	PAGE
Report of Independent Accountants	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types – For the Year Ended December 31, 1999	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – Enterprise Fund and Agency Fund – For the Year Ended December 31, 1999	4
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types – For the Year Ended December 31, 1998	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – Enterprise Fund and Agency Fund – For the Year Ended December 31, 1998	6
Notes to the Financial Statements	7
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	13
Schedule of Findings	15

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REPORT OF INDEPENDENT ACCOUNTANTS

Village of Russellville
Brown County
126 West South Street
Russellville, Ohio 45168

To the Village Council:

We have audited the accompanying financial statements of the Village of Russellville, Brown County, Ohio (the Village), as of and for the years ended December 31, 1999 and 1998. 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 generally accepted auditing standards 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 provide a reasonable basis for our opinion.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village as of December 31, 1999 and 1998, 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 October 25, 2000, 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.

This report is intended solely for the information and use of 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, appearing to read "Jim Petro".

Jim Petro
Auditor of State

October 25, 2000

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**VILLAGE OF RUSSELLVILLE
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$20,708	\$23,768	\$44,476
Intergovernmental Receipts	15,627	19,729	35,356
Charges for Services	9,356		9,356
Fines, Licenses, and Permits	1,058		1,058
Earnings on Investments	2,229	79	2,308
Miscellaneous	2,673	2,000	4,673
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	51,651	45,576	97,227
Cash Disbursements:			
Current:			
Security of Persons and Property	39,433	19,501	58,934
Transportation	1,768	17,002	18,770
General Government	31,953		31,953
Capital Outlay		118,000	118,000
	<hr/>	<hr/>	<hr/>
Total Disbursements	73,154	154,503	227,657
	<hr/>	<hr/>	<hr/>
Total Receipts (Under) Disbursements	(21,503)	(108,927)	(130,430)
Other Financing Receipts:			
Sale of Notes		91,000	91,000
	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts		91,000	91,000
	<hr/>	<hr/>	<hr/>
Excess of Cash Receipts and Other Financing Receipts (Under) Cash Disbursements	(21,503)	(17,927)	(39,430)
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	49,028	74,832	123,860
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	<u>\$27,525</u>	<u>\$56,905</u>	<u>\$84,430</u>

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

**VILLAGE OF RUSSELLVILLE
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGES IN FUND CASH BALANCES - ENTERPRISE FUND AND AGENCY FUND
 FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>Enterprise</u>	<u>Agency</u>	<u>Totals (Memorandum Only)</u>
Operating Cash Receipts:			
Charges for Services	\$152,087	\$0	\$152,087
Earnings on Investments	6,503		6,503
Total Operating Cash Receipts	<u>158,590</u>	<u>0</u>	<u>158,590</u>
Operating Cash Disbursements:			
Personal Services	24,523		24,523
Fringe Benefits	4,304		4,304
Contractual Services	76,175		76,175
Supplies and Materials	15,188		15,188
Total Operating Cash Disbursements	<u>120,190</u>	<u>0</u>	<u>120,190</u>
Operating Income	<u>38,400</u>	<u>0</u>	<u>38,400</u>
Non-Operating Cash Receipts:			
Intergovernmental Receipts	2,500		2,500
Other Non-Operating Receipts		1,603	1,603
Total Non-Operating Cash Receipts	<u>2,500</u>	<u>1,603</u>	<u>4,103</u>
Non-Operating Cash Disbursements:			
Debt Service:			
Redemption of Principal	18,782		18,782
Interest	43,649		43,649
Other Debt Service	116		116
Other Non-Operating Cash Disbursements	3,571	1,603	5,174
Total Non-Operating Cash Disbursements	<u>66,118</u>	<u>1,603</u>	<u>67,721</u>
Excess of Receipts (Under) Disbursements	(25,218)	0	(25,218)
Fund Cash Balances, January 1	<u>301,574</u>		<u>301,574</u>
Fund Cash Balances, December 31	<u>\$276,356</u>	<u>\$0</u>	<u>\$276,356</u>

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

**VILLAGE OF RUSSELLVILLE
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED DECEMBER 31, 1998**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$19,503	\$23,547	\$43,050
Intergovernmental Receipts	28,467	44,670	73,137
Charges for Services	16,125		16,125
Fines, Licenses, and Permits	1,349		1,349
Earnings on Investments	2,356	1,273	3,629
Miscellaneous	15,985	47	16,032
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	83,785	69,537	153,322
Cash Disbursements:			
Current:			
Security of Persons and Property	40,678	43,764	84,442
Transportation	1,313	72,697	74,010
General Government	30,797		30,797
	<hr/>	<hr/>	<hr/>
Total Disbursements	72,788	116,461	189,249
Total Receipts Over/(Under) Disbursements	10,997	(46,924)	(35,927)
Restated Fund Cash Balances, January 1 (See Note #8)	<hr/>	<hr/>	<hr/>
	38,032	121,756	159,788
Fund Cash Balances, December 31	<hr/> \$49,029 <hr/>	<hr/> \$74,832 <hr/>	<hr/> \$123,861 <hr/>

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

**VILLAGE OF RUSSELLVILLE
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGES IN FUND CASH BALANCES - ENTERPRISE FUND AND AGENCY FUND
 FOR THE YEAR ENDED DECEMBER 31, 1998**

	<u>Enterprise</u>	<u>Agency</u>	<u>Totals (Memorandum Only)</u>
Operating Cash Receipts:			
Charges for Services	\$46,573	\$0	\$46,573
Earnings on Investments	5,901		5,901
Total Operating Cash Receipts	<u>52,474</u>	<u>0</u>	<u>52,474</u>
Operating Cash Disbursements:			
Personal Services	24,004		24,004
Fringe Benefits	2,550		2,550
Contractual Services	1,611		1,611
Supplies and Materials	13,095		13,095
Capital Outlay	1,096,850		1,096,850
Total Operating Cash Disbursements	<u>1,138,110</u>	<u>0</u>	<u>1,138,110</u>
Operating (Loss)	<u>(1,085,636)</u>	<u>0</u>	<u>(1,085,636)</u>
Non-Operating Cash Receipts:			
Intergovernmental Receipts	350,763		350,763
Sale of Bonds	794,564		794,564
Other Non-Operating Receipts	321	1,739	2,060
Total Non-Operating Cash Receipts	<u>1,145,648</u>	<u>1,739</u>	<u>1,147,387</u>
Non-Operating Cash Disbursements:			
Debt Service:			
Redemption of Principal	9,089		9,089
Interest	22,127		22,127
Fiscal Charge	18,514		18,514
Other Non-Operating Cash Disbursements	2,529	1,739	4,268
Total Non-Operating Cash Disbursements	<u>52,259</u>	<u>1,739</u>	<u>53,998</u>
Excess of Receipts Over Disbursements	7,753	0	7,753
Restated Fund Cash Balances, January 1 (See Note #8)	<u>293,822</u>		<u>293,822</u>
Fund Cash Balances, December 31	<u>\$301,575</u>	<u>\$0</u>	<u>\$301,575</u>

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

**VILLAGE OF RUSSELLVILLE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Russellville, Brown County, Ohio (the Village), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general governmental services, including sewer utilities, park operations (leisure time activities), and police services.

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

B. Basis of Accounting

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

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

C. Cash and Investments

Certificates of deposit are valued at cost.

D. Fund Accounting

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Fund

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

Street Construction, Maintenance and Repair Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village streets.

Fire Levy Fund - This fund receives property taxes to provide fire protection services.

Police Levy Fund - This fund receives property taxes to provide police protection services.

VILLAGE OF RUSSELLVILLE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. 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 Fund: *Sewer Fund* - This fund receive charges for services from residents to cover the cost of providing this utility. This fund also received Ohio Public Works revenues, along with a Loan from the Ohio Water Development Authority to finance the sewer construction.

4. Fiduciary Funds (Agency Funds)

Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant fiduciary fund:

Mayor's Court Fund - This fund receives fines and forfeitures money to be distributed to the Village and the State.

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.

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 1999 and 1998 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.

VILLAGE OF RUSSELLVILLE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>1999</u>	<u>1998</u>
Demand deposits	\$ 128,786	\$ 393,436
Certificates of deposit	<u>232,000</u>	<u>32,000</u>
Total deposits	<u>\$ 360,786</u>	<u>\$ 425,436</u>

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by the financial institution's public entity deposit pool.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 1999 and 1998 follows:

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 45,076	\$ 51,651	\$ 6,575
Special Revenue	42,961	136,576	93,615
Enterprise	<u>500,000</u>	<u>161,090</u>	<u>(338,910)</u>
Total	<u>\$ 588,037</u>	<u>\$ 349,317</u>	<u>\$ (238,720)</u>

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 82,640	\$ 73,154	\$ 9,486
Special Revenue	101,352	154,503	(53,151)
Enterprise	<u>335,000</u>	<u>186,308</u>	<u>148,692</u>
Total	<u>\$ 518,992</u>	<u>\$ 413,965</u>	<u>\$ 105,027</u>

1998 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 47,535	\$ 83,785	\$ 36,250
Special Revenue	59,390	69,537	10,147
Enterprise	<u>1,040,000</u>	<u>1,198,122</u>	<u>158,122</u>
Total	<u>\$ 1,146,925</u>	<u>\$ 1,351,444</u>	<u>\$ 204,519</u>

**VILLAGE OF RUSSELLVILLE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

1998 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 85,047	\$ 72,788	\$ 12,259
Special Revenue	181,473	116,461	65,012
Enterprise	1,334,014	1,190,369	143,645
Total	\$ 1,600,534	\$ 1,379,618	\$ 220,916

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, 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.

5. DEBT

Debt outstanding at December 31, 1999 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan	\$ 977,892	2.20%
Fire Truck Note	91,000	5.25%
Total	\$ 1,068,892	

The Ohio Water Development Authority (OWDA) loan relates to a sewer plant project that was mandated by the Ohio Environmental Protection Agency. The Village borrowed \$1,005,763 from OWDA for this project. The loans will be repaid in semiannual installments of \$31,216, including interest, over 20 years. The loan is collateralized by sewer receipts.

In 1999, a note was entered into for the purchase of a Village fire truck pumper. Principal and interest payments are made annually for ten years in the amount of \$11,914, including interest.

VILLAGE OF RUSSELLVILLE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)

5. DEBT (Continued)

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

Year ending December 31:	OWDA Loan	Fire Truck Note
2000	\$ 31,216	\$ 11,914
2001	62,432	11,914
2002	62,432	11,914
2003	62,432	11,914
2004	62,432	11,914
Subsequent	<u>1,423,546</u>	<u>59,022</u>
Total	<u>\$ 1,704,490</u>	<u>\$ 118,592</u>

6. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Police and Firemen's Disability and Pension Funds (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 healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 1999 and 1998, members of PFDPF contributed 10% of their wages to the PFDPF. The Village contributed an amount equal to 19.5% of their wages. PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 1999.

7. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles
- Errors and omissions

**VILLAGE OF RUSSELLVILLE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

8. RESTATEMENT OF PRIOR YEAR FUND BALANCES

The fund balances of the Capital Projects and Enterprise funds as of December 31, 1997, have been restated. In prior years, the District has recognized revenue and expenditures for sewer related capital projects in the Capital Projects Fund. This activity was presented in a Sewer Fund which should have been classified as an Enterprise Fund. The effect of this change in presentation has decreased the Capital Projects Fund and increased the Enterprise Fund balances by \$287,616.

These changes had the following effects on fund balance as it was previously reported as of December 31, 1997.

	<u>Enterprise Fund</u>	<u>Capital Projects</u>
Fund Balance as previously Reported December 31, 1997	\$ 6,206	\$287,616
Restatement of Sewer Fund	<u>287,616</u>	<u>(287,616)</u>
Restatement January 1, 1998	<u>\$293,822</u>	<u>\$ 0</u>



STATE OF OHIO
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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON
INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Village of Russellville
Brown County
126 West South Street
Russellville, Ohio 45168

To the Village Council:

We have audited the financial statements of the Village of Russellville, Brown County, Ohio (the Village), as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated October 25, 2000. We conducted our audit in accordance with generally accepted auditing standards 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: 1999-30408-001 through 1999-30408-004.

We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter date October 25, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of Russellville'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 1999-30408-005 through 1999-30408-008.

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 October 25, 2000.

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 believe none of the reportable conditions described above are material weaknesses.

This report is intended for the information and use of management, 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, appearing to read "Jim Petro", written in a cursive style.

Jim Petro
Auditor of State

October 25, 2000

**VILLAGE OF RUSSELLVILLE
SCHEDULE OF FINDINGS
DECEMBER 31, 1999 AND 1998**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 1999-30408-001

Finding for Recovery

The former Sewer Billing Clerk, Jean Elsten, was hired as Sewer Billing Clerk in 1998. Council approved her rate of pay to be \$6.75 per hour. During 1998, she was paid \$7.31 per hour for 17 pay periods, at 24 hours per pay period (total - \$2982.48). Her correct amount of pay should have been \$2,754 (6.75 X 17 pay periods X 24 hours) which resulted in an overpayment of \$228.48.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code, Section 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Jean Elsten and Ohio Casualty Insurance Company, her bonding company, jointly and severally, in the amount of \$228.48 in the favor of the Village of Russellville.

FINDING NUMBER 1999-30408-002

Noncompliance Citations

Ohio Rev. Code, Section 5705.41 (D), requires 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 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 subdivision's 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 for two exceptions to the above requirements:

- A. Then and Now Certificates- If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the 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.
- B. If the amount involved is less than \$1,000 dollars, the Clerk may authorize payment through a Then and Now Certificate without affirmation of the Village Council, if such expenditure is otherwise valid.

Ninety-seven percent were noted where the invoice was dated prior to the purchase order. These did not meet the exceptions provided in the Code.

**VILLAGE OF RUSSELLVILLE
SCHEDULE OF FINDINGS
DECEMBER 31, 1999 AND 1998
(Continued)**

FINDING NUMBER 1999-30408-003

Noncompliance Citation

Ohio Rev. Code, Section 5705.41(B), prohibits a subdivision from making an expenditure unless it has been properly appropriated.

The following funds had expenditures which exceeded appropriations as of December 31, 1999: Fire Levy Fund in the amount of \$69,175 and the State Grant Police Fund in the amount of \$1,002. At December 31, 1998, the following funds had expenditures which exceeded appropriations: Policy Levy Fund in the amount of \$1,535 and the Cops Fast Grant Fund in the amount of \$4,086.

We compared the actual disbursements and the appropriation resolution at the legal level of control which is at the fund, function, object level at December 31, 1999 and 1998 and noted sixty four percent of the line items tested had expenditures exceed appropriations.

FINDING NUMBER 1999-30408-004

Noncompliance Citation

Ohio Rev. Code, Section 5705.42, states, when the United States government or the state or any department, division, agency, authority, or unit thereof makes a grant or loan of money to any political subdivision of this state to aid in paying the cost of any program, activity, or function of such subdivision, or enters into any agreement with the subdivision for the making of any such grant or loan of money, the amount thereof is deemed appropriated for such purpose by the taxing authority of the subdivision as provided by law and shall be recorded as such by the fiscal officer of the subdivision, and is deemed in process of collection within the meaning of Section 5705.41 of the Ohio Rev. Code.

The fiscal officer did not record the Ohio Public Works money granted to the Village, nor was the money included in appropriations in fiscal year 1998. Adjustments were made to the financial statements to include receipts and expenditures for year ending December 31, 1998.

We recommend the Village review Auditor of State Bulletin #2000-08 as to the proper treatment of this type of funding.

FINDING NUMBER 1999-30408-005

Reportable Condition

Time Sheets

Time sheets are not required for all of the Village of Russellville's hourly employees. Many employees are paid an hourly rate of pay as approved by the Council. Without time sheets, employees could be paid for more hours than they worked. To ensure the hours paid agree to the hours worked, we recommend all hourly employees complete and submit a time sheet for each pay period, and the immediate supervisor, Council, or the Mayor be responsible for approving (by signing or initialing) all time sheets authorizing the hours worked.

**VILLAGE OF RUSSELLVILLE
SCHEDULE OF FINDINGS
DECEMBER 31, 1999 AND 1998
(Continued)**

FINDING NUMBER 1999-30408-006

Reportable Condition

Budgetary Monitoring Controls

The Village's current system of internal control does not address the need for monitoring of budgetary financial information. The lack of such controls reduces the Village's ability to determine its financial status at any given time and may result in obligations being incurred without the available resources. We recommend on a monthly basis, detailed budget and actual financial statements be presented to Council for review. Council should carefully review this information and make appropriate inquiries to help determine the continued integrity of the financial information and accept the information officially in the minutes.

FINDING NUMBER 1999-30408-007

Reportable Condition

Sewer Cash Receipts

The following weaknesses were noted concerning subsidiary records for charges for services in the sewer fund:

- The subsidiary ledger (Payment Register Report) could not be traced to the general ledger for October, November, and December 1999.
- The Payment Register could not be tied to the deposit for October, November, and December 1999.
- Billing registers for the entire year were not presented for audit.
- Payment registers were not filed in sequence to date of receipts.
- A fee schedule for utility cash receipts was not approved by Council.
- The rates utilized for billing customers were not in agreement with the rates the Village stated were used for billing.
- Billing stubs were not date stamped and maintained for all utility cash receipts.
- Monthly revenue/expenditure reports were not reviewed by governing body.

To increase controls over sewer fund charges for services, we recommend:

- The subsidiary ledger (Payment Register Report) be reconciled to the general ledger on a monthly basis. This can be completed by agreeing amounts recorded in the Payment Register Report to amounts recorded in the general ledger.
- Payment Register Report amount be reconciled to the deposit slip amount. The Payment Register
- Report should be ran for each daily deposit and compared to the deposit slip.
- Billing registers be maintained for all billings.

**VILLAGE OF RUSSELLVILLE
SCHEDULE OF FINDINGS
DECEMBER 31, 1999 AND 1998
(Continued)**

FINDING NUMBER 1999-30408-007 (Continued)

- Payment Register Reports be maintained in sequential order in a binder for easy review and to help ensure completeness of the reports.
- A fee schedule be established and reviewed by Council.
- The utility system rates charged be in accordance with rates established by Council.
- Billing stubs be individually stamped with the date the stub was received, and the billing stubs should be maintained in the sequence they are posted to the payment register.
- Monthly revenue and expenditure reports be reviewed and approved by the governing body.

FINDING NUMBER 1999-30408-008

Reportable Condition

Monitoring Village's Financial Activity

The small size of the Village's staff does not allow for an adequate segregation of duties; the Clerk must perform all accounting functions. It is, therefore, important that Village Council monitor financial activity closely.

While Village Council does approve all purchase orders, there is no documentation of the extent to which Council uses other financial information to monitor financial activity. For each regular meeting, the Clerk provides Council a list of checks issued.

Village Council should carefully review this list in conjunction with authorized purchase orders, cash reconciliations, investment schedules, appropriations journal, receipts journals, the mayor's court monthly report and monthly bank reconciliation. They should also make appropriate inquiries to help determine the continued integrity of financial information. This information also provides important data necessary to manage the Village, and can help answer questions such as the following:

Inquiries Relevant to Overall Village Operations:

- Are current receipts sufficient to cover expenditures?
- Are expenditures in line with prior year costs?
- If unusual fluctuations in receipts or expenditures occur, is the reason understood, and has it been appropriately budgeted?
- Are anticipated receipts being timely received?
- Is the Village maximizing its return on invested cash balances?

Due to lack of segregation of duties, we also recommend the Village have all checks signed by an appointed Council Member or the Mayor along with the Clerk. Dual signatures reduces the risk of improper/unauthorized expenditures.



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OFFICE OF THE AUDITOR

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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
NOVEMBER 16, 2000**