



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



VILLAGE OF RUSSELLVILLE  
BROWN COUNTY

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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, 2001 and 2000. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village as of December 31, 2001 and 2000, and its combined cash receipts and disbursements and reserve for encumbrances 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 August 23, 2002 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of management, Village Council, and other officials authorized to receive this report under Section 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". The signature is stylized with a large, looping initial "J" and a horizontal line extending to the right.

**Jim Petro**  
Auditor of State

August 23, 2002

**VILLAGE OF RUSSELLVILLE  
BROWN COUNTY**

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

	<b>General</b>	<b>Special Revenue</b>	<b>Totals (Memorandum Only)</b>
<b>Cash Receipts:</b>			
Property Tax and Other Local Taxes	\$20,300	\$25,052	\$45,352
Intergovernmental Receipts	12,699	20,077	32,776
Charges for Services	17,170		17,170
Fines, Licenses, and Permits		546	546
Earnings on Investments	12,746		12,746
Miscellaneous	601	6,000	6,601
Total Cash Receipts	63,516	51,675	115,191
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	29,784	13,490	43,274
Transportation	1,885	23,229	25,114
General Government	14,402		14,402
Debt Service:			
Principal Payments		16,395	16,395
Interest Payments		7,434	7,434
Total Cash Disbursements	46,071	60,548	106,619
Total Receipts Over/(Under) Disbursements	17,445	(8,873)	8,572
<b>Other Financing Receipts and (Disbursements):</b>			
Transfers-Out	(11,034)		(11,034)
Total Other Financing Receipts/(Disbursements)	(11,034)	0	(11,034)
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	6,411	(8,873)	(2,462)
Fund Cash Balances, January 1	19,314	58,068	77,382
<b>Fund Cash Balances, December 31</b>	<b>\$25,725</b>	<b>\$49,195</b>	<b>\$74,920</b>

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

**VILLAGE OF RUSSELLVILLE  
BROWN COUNTY**

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

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$146,860	\$0	\$146,860
Other Operating Cash Receipts	5,619		5,619
Total Operating Cash Receipts	<u>152,479</u>	<u>0</u>	<u>152,479</u>
<b>Operating Cash Disbursements:</b>			
Personal Services	42,998		42,998
Travel Transportation	250		250
Contractual Services	34,046		34,046
Supplies and Materials	15,622		15,622
Total Operating Cash Disbursements	<u>92,916</u>	<u>0</u>	<u>92,916</u>
Operating Income/(Loss)	<u>59,563</u>	<u>0</u>	<u>59,563</u>
<b>Non-Operating Cash Receipts:</b>			
Other Non-Operating Receipts	2,146	631	2,777
Total Non-Operating Cash Receipts	<u>2,146</u>	<u>631</u>	<u>2,777</u>
<b>Non-Operating Cash Disbursements:</b>			
Debt Service	62,432		62,432
Other Non-Operating Cash Disbursements	1,896	706	2,602
Total Non-Operating Cash Disbursements	<u>64,328</u>	<u>706</u>	<u>65,034</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	(2,619)	(75)	(2,694)
Transfers-In	11,034		11,034
Net Receipts Over/(Under) Disbursements	8,415	(75)	8,340
Fund Cash Balances, January 1	280,144	75	280,219
<b>Fund Cash Balances, December 31</b>	<b><u>\$288,559</u></b>	<b><u>\$0</u></b>	<b><u>\$288,559</u></b>

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



**VILLAGE OF RUSSELLVILLE  
BROWN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL  
GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<b>General</b>	<b>Special Revenue</b>	<b>Totals (Memorandum Only)</b>
<b>Cash Receipts:</b>			
Property Tax and Other Local Taxes	\$17,149	\$22,634	\$39,783
Intergovernmental Receipts	16,139	19,248	35,387
Charges for Services	20,918		20,918
Fines, Licenses, and Permits		280	280
Earnings on Investments	16,082		16,082
Miscellaneous	4,061	5,339	9,400
Total Cash Receipts	74,349	47,501	121,850
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	45,776	9,486	55,262
Transportation	2,633	13,023	15,656
General Government	20,014		20,014
Debt Service:			
Principal Payments		14,828	14,828
Interest Payments		9,001	9,001
Total Cash Disbursements	68,423	46,338	114,761
Total Receipts Over/(Under) Disbursements	5,926	1,163	7,089
<b>Other Financing Receipts and (Disbursements):</b>			
Transfers-Out	(14,137)		(14,137)
Total Other Financing Receipts/(Disbursements)	(14,137)	0	(14,137)
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(8,211)	1,163	(7,048)
Fund Cash Balances, January 1	27,525	56,905	84,430
<b>Fund Cash Balances, December 31</b>	<b>\$19,314</b>	<b>\$58,068</b>	<b>\$77,382</b>

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

**VILLAGE OF RUSSELLVILLE  
BROWN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - PROPRIETARY  
AND SIMILAR FIDUCIARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$136,698	\$0	\$136,698
Miscellaneous	88		88
Total Operating Cash Receipts	<u>136,786</u>	<u>0</u>	<u>136,786</u>
<b>Operating Cash Disbursements:</b>			
Personal Services	37,359		37,359
Contractual Services	19,249		19,249
Supplies and Materials	28,301		28,301
Total Operating Cash Disbursements	<u>84,909</u>	<u>0</u>	<u>84,909</u>
Operating Income/(Loss)	<u>51,877</u>	<u>0</u>	<u>51,877</u>
<b>Non-Operating Cash Receipts:</b>			
Other Non-Operating Receipts	385	150	535
Total Non-Operating Cash Receipts	<u>385</u>	<u>150</u>	<u>535</u>
<b>Non-Operating Cash Disbursements:</b>			
Debt Service	62,432		62,432
Other Non-Operating Cash Disbursements	179	75	254
Total Non-Operating Cash Disbursements	<u>62,611</u>	<u>75</u>	<u>62,686</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	(10,349)	75	(10,274)
Transfers-In	14,137		14,137
Net Receipts Over/(Under) Disbursements	3,788	75	3,863
Fund Cash Balances, January 1	276,356	0	276,356
<b>Fund Cash Balances, December 31</b>	<b><u>\$280,144</u></b>	<b><u>\$75</u></b>	<b><u>\$280,219</u></b>

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

**VILLAGE OF RUSSELLVILLE  
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000**

**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 protection.

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 Deposits**

The Village maintains all funds in interest-bearing checking accounts and certificates of deposit. Certificates of deposit are valued at cost.

**D. Fund Accounting**

The Village uses fund accounting to segregate cash that is 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.

**VILLAGE OF RUSSELLVILLE  
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Police Levy Fund

This fund receives property taxes to provide police protection services.

**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 receives charges for services from residents to cover the cost of providing this utility.

**4. Fiduciary Fund (Agency Fund)**

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 (Agency)

This fund receives fines collected by Mayor's Court which are 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.

**VILLAGE OF RUSSELLVILLE  
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**3. Encumbrances**

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Village did not encumber all commitments required by Ohio law; however, there were no material outstanding encumbrances at December 31, 2001 or 2000.

A summary of 2001 and 2000 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.

**2. EQUITY IN POOLED CASH DEPOSITS**

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

	2001	2000
Demand deposits	\$130,968	\$125,601
Certificates of deposit	232,511	232,000
Total deposits	\$363,479	\$357,601

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

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2001 and 2000 follows:

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$42,089	\$63,516	\$21,427
Special Revenue	49,753	51,675	1,922
Enterprise	153,464	165,659	12,195
Total	\$245,306	\$280,850	\$35,544

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$61,400	\$57,105	\$4,295
Special Revenue	107,104	60,548	46,556
Enterprise	233,608	157,244	76,364
Total	\$402,112	\$274,897	\$127,215

**VILLAGE OF RUSSELLVILLE  
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$34,587	\$74,349	\$39,762
Special Revenue	54,575	47,501	(7,074)
Enterprise	150,500	151,308	808
Total	\$239,662	\$273,158	\$33,496

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$61,050	\$82,560	(\$21,510)
Special Revenue	112,542	46,338	66,204
Enterprise	226,856	147,520	79,336
Total	\$400,448	\$276,418	\$124,030

Contrary to Ohio Law, expenditures exceeded appropriations in the General Fund in 2000 by \$21,510.

**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 payments, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

**5. DEBT**

Debt outstanding at December 31, 2001 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan	\$937,784	2.20%
Fire Truck Note	59,778	5.25%
Total	\$997,562	

**VILLAGE OF RUSSELLVILLE  
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**5. DEBT (Continued)**

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 loan will be repaid in semiannual installments of \$31,216, including interest, over 20 years. The loan is collateralized by sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Fire Truck Note was issued in 1999 to provide for the purchase of a fire truck pumper. Principal and interest payments are made annually for ten years in the amount of \$11,914, including interest. The Village has prepaid the 2002 and 2003 annual payments.

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

Year ending December 31:	<u>OWDA Loan</u>	<u>Fire Truck Note</u>
2002	\$31,216	\$0
2003	62,432	0
2004	62,432	11,914
2005	62,432	11,914
2006	62,432	11,914
Subsequent	<u>1,298,681</u>	<u>35,194</u>
Total	<u><u>\$1,579,625</u></u>	<u><u>\$70,936</u></u>

**6. RETIREMENT SYSTEMS**

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. OP&F and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2001 and 2000, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant wages. For 2001 and 2000, PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2001 and from January 1, 2000 through June 30, 2000. PERS temporarily reduced the employer contribution rate to 8.13%, effective July 1, 2000 through December 31, 2000. The Village has paid all contributions required through December 31, 2001.

**7. RISK MANAGEMENT**

The Village has obtained commercial insurance for the following risks:

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

**VILLAGE OF RUSSELLVILLE  
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**8. COMPLIANCE**

Contrary to Ohio law, the Village did not account for \$200,000 in Sewer Enterprise Fund certificates of deposit within the accounting system. Adjustments have been made to include these amounts on the Village's records and the financial statements. The Village also did not maintain an accurate receipt ledger or appropriation ledger, and did not properly maintain minutes for all Village Council meetings.





STATE OF OHIO  
OFFICE OF THE AUDITOR

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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 accompanying financial statements of the Village of Russellville, Brown County, Ohio (the Village), as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated August 23, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2001-30408-001 through 2001-30408-005. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated August 23, 2002.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2001-30408-001 through 2001-30408-003, and 2001-30408-006 through 2001-30408-008.

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 is a material weakness. 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 August 23, 2002.

This report is intended solely for the information and use of management and the Village Council, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

**Jim Petro**  
Auditor of State

August 23, 2002

VILLAGE OF RUSSELLVILLE  
BROWN COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2001 AND 2000

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

FINDING NUMBER 2001-30408-001

**Material Noncompliance/Reportable Condition**

Ohio Rev. Code, Section 5705.41(D), provides that no subdivision or taxing unit shall make any contract or 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 requirement:

- 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 Council may authorize the issuance of a warrant in payment of amount due upon such contract or order by resolution within thirty (30) days from the receipt of such certificate.
- B. If the amount involved is less than one thousand dollars (\$1,000), the fiscal officer may authorize payment through a Then and Now Certificate without affirmation of the Council, if such expenditure is otherwise valid.

Where a continuing contract is to be performed in whole or in part in an ensuing fiscal year, only the amount required to meet those amounts in the fiscal year in which the contract is made need be certified.

Contrary to the above requirement, the availability of funds was not certified for 90% of disbursements tested. Failure to certify the availability of funds and encumber appropriations can result in overspending funds and negative cash balances. Therefore, we recommend the Village obtain approved purchase orders, which contain the Clerk's certification that the amount required to meet the obligation has been lawfully appropriated and authorized, prior to making a commitment.

FINDING NUMBER 2001-30408-002

**Material Noncompliance/Reportable Condition**

Ohio Rev. Code, Section 733.28, requires the Village Clerk to maintain the books of the Village and exhibit accurate statements of all monies received and expended. The Village's fiscal officer did not maintain an accurate receipt ledger or appropriation ledger. The Village was therefore unable to monitor compliance with its budget or monitor the Village's financial activity accurately.

Ohio Admin. Code, Section 117-2-02(A)\*, requires governments to maintain an accounting system and accounting records sufficient to identify, assembler, 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. Per Ohio Admin. Code, Section 117-2-02(C), accounting records that can help achieve these objectives include:

**FINDING NUMBER 2001-30408-002**  
**(Continued)**

1. Cash journal, which typically includes the amount, date, receipt number, check number, account code, purchase order number, and any other information necessary to properly classify the transaction.
2. Receipts ledger, which typically assembles and classifies receipts into separate accounts for each type of receipt of each fund.
3. Appropriation ledger, which assembles and classifies disbursements into separate accounts, for at a minimum, each account listed in the appropriation resolution.

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 balances of appropriations.

Ohio Admin. Code, Section 117-9-01\*, provides suggested account classifications. These accounts classify receipts by source (taxes or charges for services, for example) and classify disbursements by program (security of persons and property, for example) or object (personal services, for example). Using these classifications and the aforementioned accounting records will provide the Village with information required to monitor compliance with the budget, and prepare annual reports in the format required by the Auditor of State.

\* Prior to July 1, 2000, these requirements were included in Ohio Administrative Code, Chapter 117-5.

**FINDING NUMBER 2001-30408-003**

**Material Noncompliance/Reportable Condition**

Ohio Rev. Code, Section 121.22, provides that the minutes of a regular or special meeting of any public body shall be promptly prepared, filed, and maintained and shall be open to public inspection. The Village did not present minutes during the audit for the February, March, or April 2000 Village Council meetings. Failure to prepare and/or properly maintain minutes does not provide for sufficient documentation of official actions taken by Village Council and could result in actions being taken which are not authorized by Village Council. We recommend that the Village promptly prepare, file, and maintain minutes for all regular and special meetings.

**FINDING NUMBER 2001-30408-004**

**Material Noncompliance**

Ohio Rev. Code, Section 5705.41(B), prohibits expenditures in excess of appropriations. Expenditures exceeded appropriations for the year ended December 31, 2000, as follows:

Year End	Fund	Appropriation Amount	Expenditure Amount	Variance
2000	General	\$61,050	\$82,560	(\$21,510)

The Clerk should deny payment requests exceeding appropriations. If funds exist, the Clerk may request Council to approve increased expenditure levels by increasing appropriations and amending estimated resources.

**FINDING NUMBER 2001-30408-005**

**Material Noncompliance**

Ohio Rev. Code, Section 5705.10, provides that all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose is to be paid into a special fund for such purpose. The Village has \$200,000 of Sewer Enterprise Fund certificates of deposit which have not been posted to the accounting system and have not been included on the Village's cash reconciliations. Failure to post all funds results in fund balances being reported incorrectly and does not enable management to accurately monitor Village financial activity. The money should be posted to the Sewer Enterprise Fund in the accounting system and reflected on the cash reconciliations. The financial statements were adjusted to include these funds.

**FINDING NUMBER 2001-30408-006**

**Reportable Condition**

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 available resources. We recommend that detailed budget versus actual financial statements be presented to Council monthly for review. Council should carefully review this information and make appropriate inquiries to help determine the continued integrity of the financial information and accept this information officially in the minutes.

**FINDING NUMBER 2001-30408-007**

**Reportable Condition**

The small size of the Village's staff does not allow for an adequate segregation of duties; the Clerk-Treasurer must perform all accounting functions. Therefore, it is 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-Treasurer provides Council with a list of checks issued.

Village Council should carefully review the list in conjunction with authorized purchase orders, cash reconciliations, appropriations ledger, receipts ledger, mayor's court monthly reports, and mayor's court monthly bank reconciliations. Council's review and approval of these documents should be officially documented in the minutes. Council 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:

- Are current receipts sufficient to cover expenditures?
- Are expenditures in line with prior year expenditures?
- 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?

**FINDING NUMBER 2001-30408-007  
(Continued)**

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 reduce the risk of improper/unauthorized expenditures.

**FINDING NUMBER 2001-30408-008**

**Reportable Condition**

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 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. The employees' immediate supervisor(s), Council, or the Mayor should be responsible for approving (by signing or initialing) all time sheets authorizing the hours worked.

**VILLAGE OF RUSSELLVILLE  
BROWN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2001 AND 2000**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain:</i></b>
1999-30408-001	Finding for Recovery issued against former Sewer Billing Clerk and the bonding company in the amount of \$228.48 for overpayment of wages.	No	Village Solicitor has been unable to locate former Sewer Billing Clerk.
1999-30408-002	Citation of ORC, 5705.41(D), for not certifying availability of funds for expenditure.	No	Not corrected, see Finding Number 2001-30408-001.
1999-30408-003	Citation of ORC, 5705.41(B), for expenditures in excess of appropriations.	No	Not corrected, see Finding Number 2001-30408-004.
1999-30408-004	Citation of ORC, 5705.42, for not posting/budgeting Ohio Public Works Grant money.	N/A	Finding is no longer valid; the Village did not receive any Ohio Public Works Grant money during the current audit period.
1999-30408-005	Reportable condition for time sheets not being completed for Village payroll.	No	Not corrected, see Finding Number 2001-30408-008.
1999-30408-006	Reportable condition for lack of monitoring of budgetary status.	No	Not corrected, see Finding Number 2001-30408-006.
1999-30408-007	Reportable condition for poor controls over sewer cash receipts.	Yes	N/A
1999-30408-008	Reportable condition for lack of Village Council monitoring of financial activity.	No	Not corrected, see Finding Number 2001-30408-007.







STATE OF OHIO  
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  
SEPTEMBER 17, 2002**