

Village of Russellville  
Brown County  
Regular Audit  
For the Years Ended December 31, 2007 and 2006  
Years Audited Under GAGAS: 2007 and 2006

BALESTRA, HARR & SCHERER, CPAs, INC.  
528 South West Street, P.O. Box 687  
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# Mary Taylor, CPA

Auditor of State

Village Council  
Village of Russellville  
203 East Main Street  
P. O. Box 158  
Russellville, Ohio 45168

We have reviewed the *Independent Auditor's Report* of the Village of Russellville, Brown County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2006 through December 31, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

May 11, 2009

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**Independent Auditor's Report**

Village of Russellville  
203 East Main Street  
Russellville, OH 45168

To the Village Council:

We have audited the accompanying financial statements of the Village of Russellville, Brown County, (the Village) as of and for the years ended December 31, 2007 and 2006. 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.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require the Village to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the third following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2007 and 2006, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2007 and 2006, or its changes in financial position for the years then ended.

The accompanying financial statements present receipts and disbursements by fund and fund type only. Ohio Administrative Code Section 117-2-02(A) requires governments to classify receipt and disbursement transactions.

Also, in our opinion, except for the omission of receipt and disbursement classifications, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village, as of December 31 2007 and 2006, and its unclassified cash receipts and unclassified disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion & Analysis for the year ended December 31, 2007 and 2006. The Village has not presented Management's Discussion & Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2008, 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 testing of internal control over financial reporting and compliance and the results of that testing. It does not opine on the internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with Government Auditing Standards. You should read it in conjunction with this report in assessing the results of our audit.



Balestra, Harr & Scherer, CPAs, Inc.

October 10, 2008

**VILLAGE OF RUSSELLVILLE  
BROWN COUNTY, OHIO**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Balance 1/1/2007</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance 12/31/2007</u>
<b>General</b>	\$ 36,483	\$ 101,587	\$ 103,030	\$ 35,040
<b>Special Revenue:</b>				
Street Construction, Maintenance and Repair	8,429	23,117	33,881	(2,335)
State Highway Improvement	2,357	1,874	1,785	2,446
Police Levy	(44,332)	17,455	26,569	(53,446)
Fire Levy	60,478	66,082	29,528	97,032
Total Special Revenue	<u>26,932</u>	<u>108,528</u>	<u>91,763</u>	<u>43,697</u>
<b>Agency</b>	1,960	48,205	48,205	1,960
<b>Enterprise</b>	<u>158,522</u>	<u>195,368</u>	<u>239,701</u>	<u>114,189</u>
Total All Funds:	<u>\$ 223,897</u>	<u>\$ 453,688</u>	<u>\$ 482,699</u>	<u>\$ 194,886</u>

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

**VILLAGE OF RUSSELLVILLE  
BROWN COUNTY, OHIO**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Balance 1/1/2006</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance 12/31/2006</u>
<b>General</b>	\$ 39,803	\$ 80,633	\$ 83,953	\$ 36,483
<b>Special Revenue:</b>				
Street Construction, Maintenance and Repair	19,552	22,826	33,949	8,429
State Highway Improvement	2,093	1,845	1,581	2,357
Police Levy	(33,239)	16,395	27,488	(44,332)
Fire Levy	<u>35,527</u>	<u>45,597</u>	<u>20,646</u>	<u>60,478</u>
Total Special Revenue	<u>23,933</u>	<u>86,663</u>	<u>83,664</u>	<u>26,932</u>
<b>Agency</b>	-	46,526	44,566	1,960
<b>Enterprise</b>	<u>203,365</u>	<u>186,678</u>	<u>231,521</u>	<u>158,522</u>
Total All Funds:	<u>\$ 267,101</u>	<u>\$ 400,500</u>	<u>\$ 443,704</u>	<u>\$ 223,897</u>

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

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The most significant of the Village's accounting policies are described below.

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 sewer utilities, park operations, police protection, fire protection and a Mayor. 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 disbursement 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.

GOVERNMENTAL FUNDS

General Fund

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

Special Revenue Funds

These funds are used to account for the proceeds of 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 monies for constructing, maintaining and repairing Village streets.

*Street II Fund* – This fund receives a portion of the income tax receipts that are set aside for constructing, maintaining, and repairing Village street.

PROPRIETARY FUNDS

Enterprise Fund

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 enterprise fund:

*Water Fund* – This fund receives charges for services from residents to cover water service costs.

*Sewer Fund* – This fund receives charges for services from residents to cover sewer service costs.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONT'D)**

C. 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 on material matters, as prescribed or permitted by the Auditor of State.

D. BUDGETARY PROCESS

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

*Appropriations:*

Budgetary expenditure (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.

*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 annual appropriation measures.

*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 re-appropriated. The budgetary presentations have been adjusted to include material items that should have been encumbered.

A summary of 2007 and 2006 budgetary activity appears in Note 4.

E. 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*  
For the Years Ended December 31, 2007 and 2006

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**NOTE 2 – CASH AND INVESTMENTS**

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

	2007	2006
Demand deposits	\$ 25,164	\$ 21,666
Certificates of deposit	169,722	202,231
Total deposits	194,886	223,897

**Deposits:** Deposits are either (1) insured by the Federal Depository Insurance Corporation or (2) collateralized by securities specifically pledged by the financial institution to the Village.

**NOTE 3 – BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2007 and 2006 were as follows:

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 41,000	\$ 101,587	\$ 60,587
Special Revenue	158,071	108,508	(49,563)
Enterprise	148,000	195,368	47,368
Total	\$ 347,071	\$ 405,463	\$ 58,392

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 59,290	\$ 103,030	\$ (43,740)
Special Revenue	122,259	91,763	30,496
Enterprise	199,922	239,701	(39,779)
Total	\$ 381,471	\$ 434,494	\$ (53,023)

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 46,000	\$ 80,633	\$ 34,633
Special Revenue	119,475	86,663	(32,812)
Enterprise	180,000	186,678	6,678
Total	\$ 345,475	\$ 353,974	\$ 8,499

**Village of Russellville**  
*Notes to the Financial Statements*  
For the Years Ended December 31, 2007 and 2006

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**NOTE 3 – BUDGETARY ACTIVITY (CONT'D)**

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 44,691	\$ 83,953	\$ (39,262)
Special Revenue	99,497	83,664	15,833
Enterprise	168,409	231,521	(63,112)
Total	\$ 312,597	\$ 399,138	\$ (86,541)

**NOTE 4 – PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the County. 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. Real property taxes are payable annually or semiannually to the County. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20 of the following year. Under certain circumstances, state statute permits later payment dates to be established.

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 taxes, billing, collecting, and distributing all property taxes on behalf of the Village.

**NOTE 6 – DEBT OBLIGATIONS**

Debt outstanding at December 31, 2007 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan	\$ 582,487	2.20%
Total	\$ 582,487	

The Ohio Water Development Authority (OWDA) loan relates to a sewer plant expansion project that was mandated by the Ohio Environmental Protection Agency. The OWDA loaned the Village \$1,005,764 for this project. The loans will be repaid in semiannual installments of \$31,216, including interest over 20 years. The loan is collateralized by wastewater service charges and other revenues derived from the ownership and operation of its wastewater system (including, without limitation, any Special Assessment Funds). The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

**Village of Russellville**  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2007 and 2006*

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**NOTE 6 – DEBT OBLIGATIONS (CONT'D)**

Amortization of the above debt, including interest, follows:

Year Ending December 31	<u>OWDA Loans</u>
2008	\$ 62,432
2009	62,432
2010	62,432
2011	62,432
2012	62,432
2013-2018	<u>374,252</u>
	<u><u>686,412</u></u>

**NOTE 7 – RETIREMENT SYSTEM**

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

The Ohio Revised Code also prescribes contribution rates. For 2007 and 2006, OP&F participants contributed 10 percent of their wages. The Village contributed an amount equal to 19.5 percent of police participant wages. OPERS members contributed 9.5 and 9 percent, respectively, of their gross salaries and the Village contributed an amount equaling 13.85 and 13.7 percent, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2007.

**NOTE 8 – RISK MANAGEMENT**

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

**NOTE 9 – COMPLIANCE AND ACCOUNTABILITY**

The Village had negative fund balances which is contrary to the Ohio Revised Code.

The Village had expenditures in excess of appropriations which is contrary to the Ohio Revised Code.

The Village had actual receipts less than estimated resources which is contrary to the Ohio Revised Code.

**Village of Russellville**  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2007 and 2006*

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**NOTE 9 – COMPLIANCE AND ACCOUNTABILITY (CONT'D)**

The Village failed to file its annual financial reports and publish notice that such reports were available for public inspection which is contrary to the Ohio Revised Code.

The Village had appropriations in excess of estimated resources which is contrary to the Ohio Revised Code.

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**Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards***

Village of Russellville  
203 East Main Street  
Russellville, Ohio 45168

We have audited the accompanying financial statements of the Village of Russellville, (the Village), Brown County, as of and for the years ended December 31, 2007 and 2006, wherein we noted the Village follows accounting practices the Auditor of State prescribes or permits, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America and the Village did not present receipts and disbursements in accordance with Ohio Administrative Code 117-2-01 (A) which requires the Village to classify receipts and disbursements transactions, and have issued our report thereon dated October 10, 2008. Except as discussed in the previous sentence, we conducted our engagement to 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.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the Government's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Government's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Government's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiencies described in the accompanying schedule of findings to be a significant deficiencies in internal control over financial reporting: 2007-01, 2007-02 and 2007-08.

### **Internal Control Over Financial Reporting (Continued)**

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, we believe findings number 2007-01, 2007-02, and 2007-08 are also material weaknesses.

We also noted certain internal control matters that we reported to the Village's management in a separate letter dated October 10, 2008.

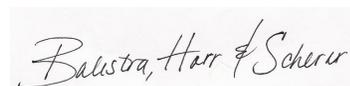
### **Compliance and Other Matters**

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, providing an opinion 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 that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2007-03 through 2007-07.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated October 10, 2008.

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Village's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of management and Village Council. We intend it for no one other than these specified parties.



Balestra, Harr & Scherer, CPAs, Inc.

October 10, 2008

**VILLAGE OF RUSSELLVILLE  
BROWN COUNTY**

Schedule of Findings and Responses  
For the Fiscal Years Ended December 31, 2007 and 2006

***Finding 2007-01***

***Significant Deficiency/Material Weakness – Bank Reconciliations – Mayors Court***

Bank reconciliations were not performed by the Mayors Court during the audit period. This resulted in an immaterially misstated cash balance in the agency fund in the County's annual financial report. Bank reconciliations should be performed within a timely period of receipt of bank statements. Failure to prepare bank reconciliations in a timely manner could result in a misstatement in the financial statements and failure to make timely correction of errors. The Village should implement procedures to ensure that bank reconciliations are prepared timely in the Mayors Court.

***Client Response:***

In 2008, monthly bank reconciliations are being done.

***Finding 2007-02***

***Significant Deficiency/Material Weakness – Controls over Accounting and Reporting***

The Village has experienced several accounting and reporting issues as evidenced by the number of report findings, including the delay in the completion of the 2007 and 2006 financial statements.

Financial information is vital to an organization's management in its continual effort to effectively make decisions to guide the organization. It is also important for management to receive timely feedback on the reliability of financial information summarized in the financial statements, notes to the financial statements, and schedules used to make these management decisions.

There was an obvious lack of controls over the financial accounting process, which need to be addressed promptly.

Failure to implement controls over the financial accounting process has resulted in the Village's records being inaccurate. The Clerk also failed to certify all appropriate budgetary documents with the County Auditor.

The Village should take the following steps in addressing these issues:

- Designate the Clerk and Trustees as having the primary responsibility of ensuring that all audit findings are properly addressed in a timely manner.
- Organize and hold monthly meetings to discuss and develop an action plan to address all audit findings, monitor progress on the action plan, and review specific action taken for each of the findings.
- Have the Clerk, in conjunction with the Trustees, develop a monthly, quarterly, and annual check sheet to document key actions performed which are an integral part of the financial accounting and reporting process. The check sheet(s) should include such items as monthly bank reconciliations, monthly financial reports, including a monthly review of budget and actual information and determination of whether budgetary documents require amendments, submission of various tax remittances for federal, state, and local governments, filing of appropriate forms for federal, state, and local governments, reconciliation of tax remittances with the appropriate tax forms, and any other key items. The check sheet should be prepared by the Clerk and approved by the Trustees.
- The Clerk should go over the check sheet at the monthly meetings, and it should be approved by the Trustees.

***Client Response:***

The Fiscal Officer, Mayor, and Council will take under advisement the above recommendations and will begin implementation of these steps.

**VILLAGE OF RUSSELLVILLE  
BROWN COUNTY**

Schedule of Findings and Responses  
For the Fiscal Years Ended December 31, 2007 and 2006

***Finding Number 2007-03***

***Material Noncompliance – Negative Fund Balances***

Ohio Revised Code Section 5705.10 states that money paid into a fund must be used only for the purposes for which such fund has been established. As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund. Instances of negative fund balances were noted. The Village should implement procedures to ensure that negative fund balances do not occur.

***Client Response:***

The current management and Fiscal Officer are now reviewing on a monthly basis the balance in each fund to assure that we have sufficient funds in each fund and funds will be transferred to cover any deficiency.

***Finding Number 2007-04***

***Material Noncompliance – Actual Receipts less than Estimated Receipts***

Ohio Rev. Code, Section 5705.36(A)(2) allows all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources. ORC Section 5705.36(A)(4) requires obtaining a reduced amended certificate if the amount of the deficiency will reduce available resources below the current level of appropriations.

For the years ended 2006 and 2007, actual receipts were significantly less than the estimated receipts, reducing available resources below the level of appropriations, where the excess was spent leading to a negative fund balance in both 2006 and 2007 in the Police Fund.

Since the expenditure of Village funds is based on the estimated resources, instances when actual receipts do not meet budgetary estimates could lead to overspending.

The Village Fiscal Officer should monitor estimated and actual receipts. When it is apparent that actual receipts will fall short of budgetary estimates, the Village Fiscal Officer should obtain a reduced amended certificate from the County Budget Commission. The Board of Trustees should then make corresponding reductions in appropriations.

***Client Response:***

We have implemented reports to council stating appropriations and spending, however we feel the need to review on at least a quarterly basis actual revenues. Therefore, the Fiscal Officer and Mayor will develop a report to compare estimated to actual revenues by year end.

**VILLAGE OF RUSSELLVILLE  
BROWN COUNTY**

Schedule of Findings and Responses  
For the Fiscal Years Ended December 31, 2007 and 2006

***Finding Number 2007-05***

***Material Noncompliance – Appropriations in Excess of Estimated Resources***

Ohio Revised Code Section 5705.39 provides in part that total appropriations from each fund shall not exceed the total estimated resources. No appropriation measure is effective until the County Auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

Appropriations were in excess of estimated resources plus unencumbered beginning balances in the following funds at 12/31/07:

- General - \$7,013

Appropriations in excess of estimated resources could result in overspending, leading to negative fund balances.

The Village should ensure appropriations and estimated resources are monitored, and that revisions are made as necessary.

***Client Response:***

The new fiscal officer and management understands the policy and procedures to assure that exceeding total estimated resources does not re-occur. We feel we have already implemented procedures to comply with these requirements by now having a cash journal and reconciliation process as well as obtaining all appropriate sign-offs by the county auditor.

***Finding Number 2007-06***

***Material Noncompliance – Expenditures in Excess of Appropriations***

Ohio Revised Code Section 5705.41(B) states in part that no subdivision or taxing unit is to expend money unless it has been appropriated.

Expenditures plus outstanding encumbrances were in excess of appropriations in the General Fund (\$39,262), Street and Maintenance Fund (\$13,952), and the Sewer Fund (\$63,112) at year end in 2006 and in the General Fund (\$43,740), Street and Maintenance Fund (\$8,575), and the Sewer Fund (\$39,779) at year end in 2007.

Expenditures in excess of appropriations could result in negative fund balances and overspending.

The Village should ensure that annual appropriations are passed timely, appropriations and expenditures are monitored, and that revisions are made as necessary.

***Client Response:***

The fiscal officer and mayor review spending on a monthly basis. A monthly appropriation report showing spending and balances available on the appropriation is presented to council monthly. The fiscal officer has been instructed by the mayor to deny payment requests if appropriated funds are not available. The fiscal officer also understands the process for appropriations and proper approval process.

**VILLAGE OF RUSSELLVILLE  
BROWN COUNTY**

Schedule of Findings and Responses  
For the Fiscal Years Ended December 31, 2007 and 2006

***Finding Number 2007-07***

***Material Noncompliance – Timely Filing of Financial Reports***

Ohio Revised Code Section 117.38 provides that cash-basis entities must file annual reports with the Auditor of State within 60 days of the fiscal year end. The Auditor of State (AoS) may prescribe by rule or guidelines the forms for these reports. However, if the AoS has not prescribed a reporting form, the public office shall submit its report on the form used by the public office. Any public office not filing the report by the required date shall pay a penalty of twenty-five dollars for each day the report remains unfiled, not to exceed seven hundred fifty dollars. The AOS may waive these penalties, upon the filing of the past due financial report.

The report shall contain the amount of: (A) receipts, and amounts due from each source; (B) expenditures for each purpose; (C) income of any public service industry that the entity owns or operates, as well as the costs of ownership or operation; and (D) public debt of each taxing district, the purpose of the debt, and how the debt will be repaid.

Also, the public office must publish notice in a local newspaper stating the financial report is available for public inspection at the office of the chief fiscal officer.

The Village Clerk did not file its 2006 and 2007 annual financial report with the Auditor of State within the time required to ensure compliance with the Ohio Revised Code. Furthermore, the Clerk did not publish notice in the local newspaper stating that the Village's annual financial report was available for public inspection.

Failure to file annual reports as required causes the audit to be delayed. Timely feedback on the reliability of financial information summarized in the financial statements, notes to the basic financial statements, and schedules is important, because management uses the information provided in the financial report to effectively make decisions and to guide the organization.

The Village should implement procedures to ensure that its annual financial report is filed accurately and timely, and that notice is published in the local newspaper stating that the financial report is available for public inspection.

***Client Response:***

In 2008, procedures have been developed to assure that we have the necessary information to file the annual financial statements timely.

***Finding Number 2007-08***

***Significant Deficiency/Material Weakness – Monitoring of Budgetary Information***

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.

***Client Response:***

Effective as of November 2008, we converted to the UAN system. Copies of the fund status, revenue status, warrant register, and appropriation status are reviewed at the monthly council meeting. Effective with the March 2009 council meeting, we will have the council approve the financial reports in the minutes.

**VILLAGE OF RUSSELLVILLE  
BROWN COUNTY**

Schedule of Findings and Responses  
For the Fiscal Years Ended December 31, 2007 and 2006

**VILLAGE OF RUSSELLVILLE  
BROWN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2007**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected; Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2005-01	Bank Reconciliations- Mayors Court	No	Not corrected, repeat as finding number 2007-01
2005-02	Controls Over Accounting and Reporting	No	Not corrected, repeat as finding number 2007-02
2005-03	Missing Supporting Documentation	Yes	
2005-04	ORC 5705.10 – Negative Fund Balances	No	Not corrected, repeat as finding number 2007-03
2005-05	ORC 5705.36 Certification of total amount from all sources which is available for expenditures from each fund	No	Not corrected, repeat as finding number 2007-04
2005-06	ORC 5705.39 Appropriations in excess of estimated resources	No	Not corrected, repeat as finding number 2007-05
2005-07	ORC 5705.41 (B) Expenditures exceeded appropriations	No	Not corrected, repeat as finding number 2007-06
2005-08	Payroll Taxes and Filings	Yes	
2005-09	Timely Filing of Financial Reports	No	Not corrected, repeat as finding number 2007-07
2005-10	Monitoring of Budgetary Information	No	Not corrected, repeat as finding number 2007-08





Mary Taylor, CPA  
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  
MAY 21, 2009