



OHIO AUDITOR OF STATE
KEITH FABER



**VILLAGE OF RUSSELLVILLE
BROWN COUNTY
DECEMBER 31, 2019 AND 2018**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Russellville, Brown County, Ohio (the Village) as of and for the years ended December 31, 2019 and December 31, 2018.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2019 and December 31, 2018, and the respective changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Village of Russellville, Brown County as of December 31, 2019 and December 31, 2018, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Emphasis of Matter

As discussed in Note 12 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Village. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 11, 2021, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio
March 9, 2021

Village of Russellville, Ohio*Brown County**Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)**All Governmental Fund Types**For the Year Ended December 31, 2019*

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$25,322	\$50,816	\$76,138
Intergovernmental	39,954	79,972	119,926
Charges for Services		128,174	128,174
Fines, Licenses and Permits	72,250		72,250
Earnings on Investments	98	29	127
Miscellaneous	2,995	6,886	9,881
<i>Total Cash Receipts</i>	<u>140,619</u>	<u>265,877</u>	<u>406,496</u>
Cash Disbursements			
Current:			
Security of Persons and Property	50,598	159,665	210,263
Public Health Services	76,970		76,970
Leisure Time Activities		2,067	2,067
Transportation		19,462	19,462
General Government	41,814	7,355	49,169
Capital Outlay	14,000	19,925	33,925
Debt Service:			
Principal Retirement	391	16,797	17,188
Interest and Fiscal Charges	118	2,735	2,853
<i>Total Cash Disbursements</i>	<u>183,891</u>	<u>228,006</u>	<u>411,897</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(43,272)</u>	<u>37,871</u>	<u>(5,401)</u>
Other Financing Receipts (Disbursements)			
Loans Issued	8,000		8,000
Advances In	2,096		2,096
Advances Out	(2,096)		(2,096)
Other Financing Sources	(36)		(36)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>7,964</u>	<u>0</u>	<u>7,964</u>
<i>Net Change in Fund Cash Balances</i>	<u>(35,308)</u>	<u>37,871</u>	<u>2,563</u>
<i>Fund Cash Balances, January 1</i>	<u>85,584</u>	<u>128,881</u>	<u>214,465</u>
Fund Cash Balances, December 31			
Restricted		166,752	166,752
Unassigned (Deficit)	50,276		50,276
<i>Fund Cash Balances, December 31</i>	<u>\$50,276</u>	<u>\$166,752</u>	<u>\$217,028</u>

See accompanying notes to the basic financial statements

Village of Russellville, Ohio

Brown County

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

All Proprietary and Fiduciary Fund Types

For the Year Ended December 31, 2019

	Proprietary Fund Types	Fiduciary Fund Types	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$192,383		\$192,383
<i>Total Operating Cash Receipts</i>	192,383	0	192,383
Operating Cash Disbursements			
Personal Services	6,541		6,541
Employee Fringe Benefits	1,790		1,790
Contractual Services	92,222	21,338	113,560
Supplies and Materials	30,042		30,042
<i>Total Operating Cash Disbursements</i>	130,595	21,338	151,933
<i>Operating Income (Loss)</i>	61,788	(21,338)	40,450
Non-Operating Receipts (Disbursements)			
Capital Outlay	(28,438)		(28,438)
Interest and Other Fiscal Charges	(2,096)		(2,096)
Other Non-Operating Cash Receipts		90,779	90,779
Other Non-Operating Cash Disbursements		(67,498)	(67,498)
<i>Total Non-Operating Receipts (Disbursements)</i>	(30,534)	23,281	(7,253)
<i>Income (Loss) before Advances</i>	31,254	1,943	33,197
Advances In	2,096		2,096
Advances Out	(2,096)		(2,096)
<i>Net Change in Fund Cash Balances</i>	31,254	1,943	33,197
<i>Fund Cash Balances, January 1</i>	45,844	313	46,157
<i>Fund Cash Balances, December 31</i>	\$77,098	\$2,256	\$79,354

Village of Russellville, Ohio
Brown County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 1 - Reporting Entity

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

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

The Village participates in Public Entities Pool of Ohio. Note 7 to the financial statements provides additional information for this entity.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

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

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

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

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

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

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

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

Village of Russellville, Ohio
Brown County
Notes to the Financial Statements
For the Year Ended December 31, 2019

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

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

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

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

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

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

A summary of 2019 budgetary activity appears in Note 4.

Deposits and Investments

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

Capital Assets

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

Village of Russellville, Ohio
Brown County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

Fund Balance

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

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

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

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

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

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

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

Note 3 - Compliance

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General Fund by \$19,602; the Fire Department Fund by \$3,350; the EMS Services Fund by \$15,539; and the Sewer Operating Fund by \$41,236 for the year ended December 31, 2019.

Village of Russellville, Ohio
Brown County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 4 - Budgetary Activity

Budgetary activity for the year ending 2019 follows:

2019 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$137,123	\$148,619	\$11,496
Special Revenue	212,971	265,877	52,906
Enterprise	181,500	192,383	10,883
Total	\$531,594	\$606,879	\$75,285

2019 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$174,178	\$193,780	(\$19,602)
Special Revenue	213,311	228,115	(14,804)
Enterprise	118,025	161,357	(43,332)
Total	\$505,514	\$583,252	(\$77,738)

Note 5 – Deposits and Investments

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

Demand deposits	2019 \$195,835
Other time deposits (savings and NOW accounts)	100,547
Total deposits	296,382

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Village of Russellville, Ohio
Brown County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 6 – Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

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

Note 7 - Risk Management

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

The Village of Russellville is insured with American Alternative Insurance Company, which is an Admitted Carrier in Ohio with an A.M. Best Rating A.

Risk Pool Membership

The Village is a member of the Public Entities Pool of Ohio (The Pool). The Pool assumes the risk of loss up to the limits of the Village's policy. The Pool covers the following risks:

- General liability and casualty
- Public official's liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

Village of Russellville, Ohio
Brown County
Notes to the Financial Statements
For the Year Ended December 31, 2019

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

	<u>2019</u>
Cash and investments	\$ 38,432,610
Actuarial liabilities	\$14,705,917

During 2019 the Village did not make significant changes to coverage.

Note 8 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2019.

Note 9- Postemployment Benefits

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which includes multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2019. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2019.

Note 10 – Debt

Debt outstanding at December 31, 2019 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Brush Truck Bond Obligation	\$12,470	2.5%
Ambulance Bond Obligation	\$64,623	3.35%
Police Vehicle	\$7,609	8.82%
Total	<u>\$84,702</u>	

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

Village of Russellville, Ohio
Brown County
Notes to the Financial Statements
For the Year Ended December 31, 2019

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

The Village also took out a loan in the amount of \$8,000 in 2019 for the purchase of a police vehicle for the Police Department. The loan will be repaid in monthly payments with an interest rate of 5.84%. The loan is scheduled to be paid off in 2022.

Amortization

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

Year Ending December 31:	Brush Truck Bond Obligation	Ambulance Bond Obligation	Police Cruiser
2020	\$9,519	\$10,015	\$3,046
2021	3,172	10,014	3,046
2022		10,015	2,538
2023		10,014	
2024		10,015	
2025-2027		23,367	
Total	\$12,691	\$73,440	\$8,630

Note 11 – Contingent Liabilities

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

Note 12 – COVID-19

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Village. The Village’s investments of the pension and other employee benefit plan in which the Village participates fluctuate with market conditions, and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the Village’s future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

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Village of Russellville, Ohio*Brown County**Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)**All Governmental Fund Types**For the Year Ended December 31, 2018*

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$27,132	\$56,041	\$83,173
Intergovernmental	79,099	159,909	239,008
Charges for Services		95,825	95,825
Fines, Licenses and Permits	80,389		80,389
Earnings on Investments	84	3	87
Miscellaneous	549	9,396	9,945
<i>Total Cash Receipts</i>	<u>187,253</u>	<u>321,174</u>	<u>508,427</u>
Cash Disbursements			
Current:			
Security of Persons and Property	51,986	271,533	323,519
Leisure Time Activities		15,807	15,807
Transportation		18,292	18,292
General Government	54,089	10,611	64,700
Capital Outlay		14,985	14,985
Debt Service:			
Principal Retirement		16,432	16,432
Interest and Fiscal Charges		3,020	3,020
<i>Total Cash Disbursements</i>	<u>106,075</u>	<u>350,680</u>	<u>456,755</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>81,178</u>	<u>(29,506)</u>	<u>51,672</u>
Other Financing Receipts (Disbursements)			
Advances In	2,000	4,000	6,000
Advances Out	(4,000)	(2,000)	(6,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(2,000)</u>	<u>2,000</u>	<u>0</u>
<i>Net Change in Fund Cash Balances</i>	79,178	(27,506)	51,672
<i>Fund Cash Balances, January 1</i>	<u>6,406</u>	<u>156,387</u>	<u>162,793</u>
Fund Cash Balances, December 31			
Restricted		128,881	128,881
Unassigned (Deficit)	85,584		85,584
<i>Fund Cash Balances, December 31</i>	<u><u>\$85,584</u></u>	<u><u>\$128,881</u></u>	<u><u>\$214,465</u></u>

See accompanying notes to the basic financial statements

Village of Russellville, Ohio

Brown County

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

All Proprietary and Fiduciary Fund Types

For the Year Ended December 31, 2018

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals</u>
	<u>Enterprise</u>	<u>Agency</u>	<u>(Memorandum Only)</u>
Operating Cash Receipts			
Charges for Services	\$181,639		\$181,639
<i>Total Operating Cash Receipts</i>	<u>181,639</u>	<u>0</u>	<u>181,639</u>
Operating Cash Disbursements			
Personal Services	4,161		4,161
Employee Fringe Benefits	903		903
Contractual Services	90,922	18,039	108,961
Supplies and Materials	41,886		41,886
Other	322		322
<i>Total Operating Cash Disbursements</i>	<u>138,194</u>	<u>18,039</u>	<u>156,233</u>
<i>Operating Income (Loss)</i>	<u>43,445</u>	<u>(18,039)</u>	<u>25,406</u>
Non-Operating Receipts (Disbursements)			
Special Assessments	15,097		15,097
Capital Outlay	(15,000)		(15,000)
Principal Retirement	(30,512)		(30,512)
Interest and Other Fiscal Charges	(336)		(336)
Other Non-Operating Cash Receipts		89,222	89,222
Other Non-Operating Cash Disbursements		(76,073)	(76,073)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(30,751)</u>	<u>13,149</u>	<u>(17,602)</u>
<i>Net Change in Fund Cash Balances</i>	12,694	(4,890)	7,804
<i>Fund Cash Balances, January 1</i>	<u>33,150</u>	<u>5,203</u>	<u>38,353</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$45,844</u></u>	<u><u>\$313</u></u>	<u><u>\$46,157</u></u>

Village of Russellville, Ohio
Brown County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 1 - Reporting Entity

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

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

The Village participates in Public Entities Pool of Ohio. Note 7 to the financial statements provides additional information for this entity.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

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

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

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

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

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

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

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

Village of Russellville, Ohio
Brown County
Notes to the Financial Statements
For the Year Ended December 31, 2018

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

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

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

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

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

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

A summary of 2018 budgetary activity appears in Note 4.

Deposits and Investments

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

Capital Assets

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

Village of Russellville, Ohio
Brown County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

Fund Balance

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

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

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

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

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

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

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

Note 3 – Compliance

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General Fund by \$15,213; the Street Construction, Maintenance and Repair Fund by \$1,721; and the EMS Fund by \$16,249 for the year ended December 31, 2018.

Village of Russellville, Ohio
Brown County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 4 - Budgetary Activity

Budgetary activity for the year ending 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$100,775	\$187,253	\$86,478
Special Revenue	172,590	321,174	148,584
Enterprise	165,542	196,736	31,194
Total	\$438,907	\$705,163	\$266,256

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$102,755	\$117,968	(\$15,213)
Special Revenue	347,717	350,800	(3,083)
Enterprise	190,838	184,293	6,545
Total	\$641,310	\$653,061	(\$11,751)

Note 5 – Deposits and Investments

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

Demand deposits	2018 \$160,127
Other time deposits (savings and NOW accounts)	100,495
Total deposits	260,622

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Village of Russellville, Ohio
Brown County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 6 – Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

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

Note 7 - Risk Management

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

The Village of Russellville is insured with American Alternative Insurance Company, which is an Admitted Carrier in Ohio with an A.M. Best Rating A.

Risk Pool Membership

The Village is a member of the Public Entities Pool of Ohio (The Pool). The Pool assumes the risk of loss up to the limits of the Village's policy. The Pool covers the following risks:

- General liability and casualty
- Public official's liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

Village of Russellville, Ohio
Brown County
Notes to the Financial Statements
For the Year Ended December 31, 2018

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

	<u>2018</u>
Cash and investments	\$ 35,381,789
Actuarial liabilities	\$12,965,015

During 2018 the Village did not make significant changes to coverage.

Note 8 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2018.

Note 9- Postemployment Benefits

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which includes multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2018. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2018.

Note 10 – Debt

Debt outstanding at December 31, 2018 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Brush Truck Bond Obligation	\$21,883	2.5%
Ambulance Bond Obligation	\$72,612	3.35%
Total	\$94,495	

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

Village of Russellville, Ohio
Brown County
Notes to the Financial Statements
For the Year Ended December 31, 2018

mature in 2021.

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

Amortization

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

Year Ending December 31:	Brush Truck Bond Obligation	Ambulance Bond Obligation
2019	\$9,519	\$10,014
2020	9,519	10,015
2021	3,172	10,014
2022		10,015
2023		10,014
2024-2027		33,381
Total	\$22,210	\$83,453

Note 11 – Contingent Liabilities

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

Note 12 – COVID-19

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Village. The Village’s investments of the pension and other employee benefit plan in which the Village participates fluctuate with market conditions, and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the Village’s future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

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OHIO AUDITOR OF STATE KEITH FABER



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

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

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Village of Russellville, Brown County, Ohio (the Village) as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, and have issued our report thereon dated March 9, 2021 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. We also noted the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Village.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings that we consider material weaknesses. We consider Findings 2019-001 through 2019-002 and Findings 2019-004 through 2019-006 to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2019-003 and 2019-004.

Village's Response to Findings

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

Purpose of this Report

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



Keith Faber
Auditor of State
Columbus, Ohio
March 9, 2021

**VILLAGE OF RUSSELLVILLE
BROWN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2019 AND 2018**

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

FINDING NUMBER 2019-001

Material Weakness

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

Sound accounting practices require accurately posting estimated receipts and appropriations to the ledgers to provide information for budget versus actual comparison and to allow the Council to make informed decisions regarding budgetary matters.

The Appropriation resolution and subsequent amendments establish the legal spending authority of the Village and the appropriation ledger provides the process by which the Village controls spending, it is therefore necessary the amounts appropriated by the Council are precisely stated and accurately posted to the appropriation ledger.

The original certificate and amendments establish the amounts available for expenditures for the Village and the receipts ledger provides the process by which the Village controls what is available, it is therefore necessary the amounts estimated by the County Budget Commission are posted accurately to the receipts ledger.

This resulted in inaccurate amounts being reported in the Village’s budgetary activity footnote to the financial statements.

The Village did not have procedures in place to accurately post authorized budgetary measures to the accounting system. The appropriations and/or amendments thereof approved by Council were not properly posted to the accounting system as follows:

Appropriations	Per Appropriation Resolutions	Amount Posted to System	Variance
1000 General Fund – 2018	\$102,755	\$113,024	\$10,269
2011 SCMR Fund – 2018	34,120	34,815	695
2051 Federal Grant – 2018	120,000	129,555	9,555
2901 Fire Department Fund – 2018	114,687	104,055	(10,632)
2902 Police Protection Fund – 2018	21,625	24,720	3,095
2903 EMS Services Fund – 2018	55,585	81,951	26,366
5201 Sewer Operating Fund – 2018	190,838	188,604	(2,234)
1000 General Fund – 2019	174,178	204,633	30,455
2011 SCMR Fund – 2019	25,900	29,600	3,700
2021 State Highway Fund – 2019	1,500	1,800	300
2051 Federal Grant Fund – 2019	0	10,093	10,093
2901 Fire Department Fund – 2019	73,000	104,329	31,329

**FINDING NUMBER 2019-001
 (Continued)**

Appropriations	Per Appropriation Resolutions	Amount Posted to System	Variance
2903 EMS Services Fund – 2019	88,991	138,313	49,322
5201 Sewer Operating Fund – 2019	118,025	221,980	103,955

Additionally, the approved Certificate of Estimated Resources and/or amendments thereof was not posted to the accounting system as follows:

Estimated Receipts	Per Certificate of Estimated Resources	Amount Posted to System	Variance
1000 General Fund -2018	\$100,775	\$115,404	\$14,629
2051 Federal Grant Fund – 2018	0	114,560	114,560
5201 Sewer Operating Fund – 2018	165,542	190,542	25,000
EMS State Pass Thru Grant – 2019	30,000	0	(30,000)

Failure to accurately post the appropriations and estimated resources to the ledgers could result in overspending and negative cash balances. In addition, this could lead to inaccurate reporting of the budgetary information in the financial statements. The budgetary information in the notes to the financial statements were adjusted.

To effectively control the budgetary cycle and to maintain accountability over receipts and expenditures, the Village should post to the ledgers, on a timely basis, estimated resources as certified by the budget commission and appropriations approved by the Council. The Village should then monitor budget versus actual reports to help ensure amended certificates of resources and appropriations have been properly posted to the ledgers.

FINDING NUMBER 2019-002

Material Weakness

Maintaining organized documentation and support for financial transactions is essential in assuring the Village financial statements are not materially misstated and that all expenditures are made for a proper public purpose.

The Village was unable to provide the following documentation and supporting records for audit:

- Validated deposit slips for two receipts tested in 2018.
- Documentation for 2019 Loan for the purchase of a Police Cruiser.
- Annual appropriation resolution for 2019 and supplemental appropriation resolutions for 2018 and 2019. We contacted the County Auditor's office and obtained the Village's appropriations that were filed for 2018 and 2019.
- Insurance policies effective during 2018 and 2019.
- Support for fiscal officer's bond from September 14, 2018 to December 31, 2019. (As noted in Management Letter Noncompliance Finding #4)

**FINDING NUMBER 2019-002
 (Continued)**

- Disbursement folders for January and February 2020.
- Supporting invoice documentation for check #26389 posted December 12, 2019, in the amount of \$774.01 to Johnson's Fire Equipment Company and Check #26132 posted August 2, 2019, in the amount of \$6,373.50 to Covalen. Alternate audit procedures were performed to determine these expenditures were for a proper public purpose.
- Case files / dockets were not provided for 214 of the 609 cases for 2018 and for all the paid cases for 2019. In addition, all citations for 2019 were missing from the Village's records. As a result, alternative procedures were performed in order to support the completeness and accuracy of the Mayor's Court Agency Fund receipts (See Finding Number 2019-004).

Failure to maintain underlying documentation and support of financial transactions can increase the risk of fraud, result in financial statement misstatements, and expenditures that are not for a proper public purpose. Also, failure to maintain proper documentation could result in difficulties supporting the actions taken by the Village and noncompliance. The Village should develop policies and procedures outlining the security of all records or take a written inventory of all records noting the records description and location. All records should be maintained in a secure central location, such as locked file cabinets or in a locked office, with access limited to specific officials and/or personnel. Disposal of records should only be made in accordance with an approved records retention schedule.

The Village should maintain all invoices, purchase orders and other support for all financial transactions and all records should be maintained in an orderly manner to support all transactions.

FINDING NUMBER 2019-003

Noncompliance

Ohio Rev. Code § 5705.41(B) prohibits a subdivision or taxing unit from making any expenditure of money unless it has been appropriated in accordance with the Ohio Revised Code.

Due to inadequate policies and procedures in approving and reviewing budget versus actual information, the Village had expenditures in excess of appropriations in the following funds:

As of December 31, 2019:

Fund	Expenditure plus Encumbrances	Appropriations	Variance
1000 General Fund	\$193,780	\$174,178	(19,602)
2901 Fire Department Fund	76,350	73,000	(3,350)
2903 EMS Services Fund	104,530	88,991	(15,539)
5201 Sewer Operating Fund	161,357	118,025	(43,332)

As of December 31, 2018:

Fund	Expenditure plus Encumbrances	Appropriations	Variance
1000 General Fund	\$ 117,968	\$ 102,755	\$ (15,213)
2021 SCMR Fund	35,841	34,120	(1,721)
2903 EMS Services Fund	71,834	55,585	(16,249)

**FINDING NUMBER 2019-003
(Continued)**

Failure to have adequate appropriations in place at the time expenditures are made could cause expenditures to exceed available resources, further resulting in deficit spending practices.

The Village Council should closely monitor expenditures and appropriations and make the necessary appropriation amendments, if possible, to reduce the likelihood of expenditures exceeding appropriations. Additionally, the Fiscal Officer should deny payment requests exceeding appropriations when appropriations are inadequate to cover the expenditures.

FINDING NUMBER 2019-004

Noncompliance/Material Weakness

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

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

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

We identified the following conditions related to the above criteria:

- The Mayor's Court activity was documented in the Village accounting system. The Village utilized the *nCourt* system for the processing of online court payments. However, there was no evidence that the Village Court computer system was properly maintained or reconciled with the Village accounting system.
- Case files / dockets were not provided for 214 of the 609 cases for 2018 and for all the paid cases for 2019. In addition, all citations for 2019 were missing from the Village's records. As a result, alternative procedures were performed in order to support the completeness and accuracy of the Mayor's Court Agency Fund receipts (See Finding Number 2019-002).
- Fines for four cases in 2018 and eleven cases in 2019 did not agree with the Fine Schedule.
- Although all disbursements have been paid, the Court failed to timely remit money collected to the State of Ohio by the 20th of the following month for eight months in 2018 and two months in 2019. For example, January and February 2018 amounts were paid November 21, 2018 and March and April 2018 amounts were paid December 27, 2018.
- The Court failed to remit money collected to Brown County for the month of December 2019.

**FINDING NUMBER 2019-004
(Continued)**

- Monthly reports of fines and monies collected were not formally approved by the Mayor, Village Council, or their designee.
- A separate bank account was not established to account for the court receipt and disbursement activity.

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

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

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

FINDING NUMBER 2019-005

Material Weakness

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

The Village misclassified and misposted various revenues and expenditures in the annual financial report submitted to the Auditor of State for fiscal years 2019 and 2018, as follows:

December 31, 2019 Financial Statements:

- General Fund Intergovernmental receipts in the amount of \$3,680 were incorrectly posted as tax receipts.

**FINDING NUMBER 2019-005
(Continued)**

- General Fund Property and Other Local Taxes Receipts were overstated in the amount of \$9,384 due to posting of all Homestead and Rollback to General Fund as tax revenues which includes amounts relating to the Fire Department Fund, Police Protection Fund, and EMS Services Fund in the amounts of \$3,951, \$3,457, and \$1,976, respectively which represents Intergovernmental Revenues.
- General Fund Principal and Interest and Fiscal Charges Expenditures in the amounts of \$391 and \$118 respectively were incorrectly posted as General Government Expenditures.
- General Fund Intergovernmental receipts in the amount of \$10,093 were incorrectly posted as a transfer in.
- General Fund Intergovernmental receipts in the amount of \$17,941 were not recorded in the accounting system and were included as an other adjusting factor on the December 31, 2019 bank reconciliation.
- General Fund Loan Issued and corresponding Capital Outlay disbursement in the amount of \$8,000 relating to a police cruiser purchase was not recorded.
- General Fund Public Health disbursements in the amount of \$76,970 were incorrectly posted to General Government disbursements.
- General Fund Capital Outlay disbursements in the amount of \$6,000 were incorrectly posted to General Government disbursements.
- General Fund Security of Persons and Property disbursements in the amount of \$50,598 were incorrectly posted to General Government disbursements.
- Brown County Rural Water Association receipts in the Sewer Fund were incorrectly posted at net resulting in Charges for Services receipts and Contractual Services disbursements being understated by \$16,606.
- Remittances of Mayor's Court activity to the Village were incorrectly posted as Transfers Out of the Agency Fund and Transfers In to the General Fund rather than to Non-Operating Cash Disbursements in the Agency Fund and Fines, Licenses, and Permits receipts in the General Fund in the amount of \$67,498.
- Mayor's Court receipts totaling \$90,779 in the Agency Fund were incorrectly posted to Fines, Licenses and Permits rather than to Non-Operating Cash Receipts.
- EMS Services Fund Capital Outlay Disbursements in the amount of \$19,925 were incorrectly posted as Other Financing Uses.
- Federal Grant Fund Transfers Out and Intergovernmental receipts were overstated in the amount of \$10,093 due to originally being posted to an incorrect fund.
- EMS Services Fund receipts were incorrectly posted at net resulting in Charges for Services receipts and Contractual Services disbursements being understated by \$5,225.
- General Fund and Sewer Operating Fund advance activity was incorrectly recorded as a Transfer in the amount of \$2,096.

FINDING NUMBER 2019-005
(Continued)

- Sewer Operating Fund Contractual Services expenditures were incorrectly classified as Other Financing Uses in the amount of \$3,425.
- Sewer Operating Fund Charges for Services Receipts in the amount of \$2,393 were not recorded in the accounting system and were included as an other adjusting factor on the December 31, 2019 bank reconciliation.
- Permissive Motor Vehicle License receipt in the amount of \$495 was incorrectly posted to the General Fund as Property and Other Local Taxes Revenues instead of the Permissive Motor Vehicle License Tax Fund as Intergovernmental Revenues.
- Street Construction, Maintenance and Repair Fund intergovernmental revenues in the amount of \$1,236 were incorrectly classified as Tax revenues.
- Permissive Motor Vehicle License Tax Intergovernmental Revenues in the amount of \$2,049 were incorrectly posted to the Street Construction, Maintenance and Repair Fund as Tax revenues.
- Fire Department Principal Retirement expenditures in the amount of \$483 were incorrectly posted as interest expenditures.
- EMS Services Fund interest and fiscal charges expenditures in the amount of \$293 were incorrectly posted as principal retirement expenditures.
- Fire Department Fund General Government Expenditures were incorrectly posted as Security of Persons and Property Expenditures in the amount of \$1,201.
- EMS Services Fund General Government Expenditures were incorrectly posted as Security of Persons and Property Expenditures in the amount of \$1,201.

December 31, 2018 Financial Statements:

- General Fund Security of Persons and Property disbursements in the amount of \$48,461 were incorrectly posted to General Government disbursements.
- Brown County Rural Water Association receipts in the Sewer Operating Fund were incorrectly posted at net resulting in Charges for Services receipts and Contractual Services expenses being understated by \$17,630.
- Sewer Fund Special Assessment revenues were overstated by \$8,744 due to the duplicate posting of the receipt.
- Sewer Fund Charges for Services revenues were overstated by \$11,691 due to the duplicate posting of receipt amounts of \$6,512 and \$5,179.
- Remittances of Mayor's Court activity to the Village were incorrectly posted as Transfers Out of the Agency Fund and Transfers In to the General Fund rather than to Non-Operating Cash Disbursements in the Agency Fund and Fines, Licenses, and Permits receipts in the General Fund in the amounts of \$76,073.
- Mayor's Court receipts totaling \$89,222 in the Agency Fund were incorrectly posted to Fines, Licenses and Permits rather than to Non-Operating Cash Receipts.

FINDING NUMBER 2019-005
(Continued)

- Federal Grant Fund Public Safety disbursements in the amount of \$114,560 were incorrectly posted to General Government disbursements.
- Fire Department Fund Capital Outlay disbursements in the amount of \$14,985 were incorrectly posted as Federal Grant Fund Capital Outlay disbursements.
- Permissive Motor Vehicle License receipt in the amount of \$530 was incorrectly posted to the Mayor's Court Fund as Fines, Licenses and Permits instead of the Permissive Motor Vehicle License Tax Fund as Intergovernmental Revenues.
- Sewer Operating Fund receipts in the amount of \$2,813 was incorrectly posted to the Mayor's Court Fund as Fines, Licenses and Permits instead of the Sewer Operating Fund as Charges for Services.
- Sewer Operating Fund special assessment receipts were incorrectly posted at net resulting in Special Assessment revenue and Other Expenses being understated by \$322.
- Sewer Operating Fund Contractual Services expenditures were incorrectly posted as Principal Retirement expenditures.
- EMS Services Fund receipts were incorrectly posted as net resulting in Charges for services receipts and Security of Persons and Property disbursements being understated by \$4,300.
- Principal and Interest disbursements in the amount of \$1,695 were incorrectly posted to the EMS Services Fund instead of the Fire Department Fund.
- Principal and Interest disbursements in the amount of \$2,341 were incorrectly posted to the Fire Department Fund instead of the EMS Services Fund.
- General Fund Intergovernmental Revenues in the amount of \$378 was incorrectly posted to the Street Construction, Maintenance and Repair Fund.
- Street Construction, Maintenance and Repair Fund intergovernmental revenues in the amount of \$1,273 were incorrectly classified as Tax revenues.
- Permissive Motor Vehicle License Tax Intergovernmental Revenues in the amount of \$2,399 were incorrectly posted to the Street Construction, Maintenance and Repair Fund as Tax revenues.
- Fire Department, Police Protection, and EMS Services Fund Intergovernmental Revenues were incorrectly classified as Tax Revenues in the following amounts respectively: \$3,280; \$2,916; and \$1,701.
- Property Tax Receipts in the General Fund and Special Revenue Funds were incorrectly posted at net resulting in Property and Other Local Taxes and General Government disbursements being understated by \$1,176 and \$2,251 respectively.
- Homestead and Rollback receipts in the amount of \$758 were incorrectly posted to the General Fund which should have been posted to the Fire Department Fund; Police Protection Fund; and EMS Services Fund in amounts of \$364; \$273; and \$121 respectively.
- EMS Services Fund Principal Retirement expense in the amount of \$750 was incorrectly posted as interest and fiscal charges expense.

**FINDING NUMBER 2019-005
(Continued)**

- Fire Department Fund Principal Retirement expenditures in the amount of \$815 were incorrectly classified as Security of Persons and Property Expenditures.
- Street Construction, Maintenance and Repair Fund Tax Receipts were overstated in the amount of \$258
- General Fund Fines, Licenses, and Permits Receipts were overstated in the amount of \$976
- General Fund Intergovernmental Revenues in the amount of \$4,535 were incorrectly classified as Tax revenues.
- General Fund General Government expenditures in the amount of \$3,294 were not posted to the accounting system.
- General Fund Interest Revenues in the amount of \$25 were not posted to the accounting system.

In addition, January 1, 2018 beginning fund balances for the audit period differed from December 31, 2017 ending fund balances reported in the prior year report as a result of unsupported adjustments posted by the Fiscal Officer during the audit period as follows:

- January 1, 2018 General Fund balance was understated \$12,806 from the prior year report ending balance.
- January 1, 2018 Sewer Operating Fund balance was understated \$22,735 from the prior year report ending balance.
- January 1, 2018 Special Revenue Fund balance was overstated \$10,603 from the prior year report ending balance.

The Village has adjusted the financial statements and accounting system, where appropriate, to correct these errors.

To ensure the Village's financial statements and notes to the financial statements are complete and accurate, the Village should adopt policies and procedures, including a final review of the statements and footnotes by the Village Fiscal Officer and Village Council to identify and correct errors and omissions.

We also recommend the Village Fiscal Officer refer to the Ohio Admin. Code 117-7-01 and the Ohio Village Officer's Handbook for guidance when posting transactions and also take due care in posting transactions in order to ensure the annual financial statements reflect the appropriate activity for the Village's receipts and disbursements. In addition, we recommend that Village Council adopt procedures for ongoing reviews of the activity recorded in the underlying accounting records and reported on the financial statements so that errors can be detected and corrected in a timely manner.

FINDING NUMBER 2019-006

Material Weakness

Sound accounting practices require that when designing the public office's system of internal control and the specific control activities, management should ensure adequate security of assets and records, and verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.

FINDING NUMBER 2019-006
(Continued)

The reconciliation of cash (bank) balances to accounting system records (book) to the accounting system is the most basic and primary control process performed. Lack of completing an accurate and timely reconciliation may allow for accounting errors, theft and fraud to occur without timely detection.

The Village Fiscal Officer is responsible for reconciling the book (fund) balance to the total bank balance on a monthly basis, and the Village Council is responsible for reviewing the reconciliations and related support.

Accurate monthly bank to book reconciliations were not properly prepared for each month of 2018 or 2019. Various errors were identified in the reconciliation process. Some of the more significant items are indicated below:

- During 2018, none of the months were determined to be properly reconciled. We noted "other adjusting factors" ranging from approximately \$9,000 to \$70,000 throughout the year. As a result, proof of cash procedures were performed in order to test the December 31, 2018 reconciliation.
- In 2018, fund balance adjustment entries were made to the accounting system in the net amount of (\$24,938) which were not properly supported to identify what the entries were correcting or adjusting for and were determined through proof of cash procedures to have been calculated and performed in error.
- For 2018, duplicated receipts in the amount of \$21,669 were found to have overstated the accounting system balance. This amount related to the following funds:
 - Sewer Operating Fund - \$20,435
 - General Fund - \$976
 - Street Construction, Maintenance and Repair Fund - \$258
- In 2018, monthly interest revenue was determined to not have been posted for six months.
- For 2019, two receipts totaling \$20,334 were not recorded in the accounting system. These items were included as other adjusting factors on the December 31, 2019 bank reconciliation and indicated as receipts not in the accounting system and also indicated as unsure of what fund the receipts should be posted to. Through audit procedures, \$17,941 was determined to relate to the General Fund and \$2,393 was determined to relate to the Sewer Operating Fund.
- For 2019, the year-end outstanding check listing was found to include electronic warrants that had either cleared the bank account or were never expensed and should not have been included on the listing.
- For 2019, there were also long outstanding checks included on the year-end outstanding check listing which should be evaluated to determine whether they should be either voided; voided and reissued; or paid into an unclaimed monies fund.

In addition to the aforementioned items, we also noted the Village maintained a separate bank account titled "Shop with a Cop" which was not maintained in the accounting system. Although its activity and balance was not determined to be material, this account should have been included in the accounting system and the monthly bank reconciliation process.

**FINDING NUMBER 2019-006
(Continued)**

Failure to properly reconcile monthly increases the possibility that the Village will not be able to identify, assemble, analyze, classify, and record its transactions correctly or to document compliance with finance related legal and contractual requirements. Further, the lack of accurate monthly reconciliations increases the risk of theft/fraud over the cash cycle and could lead to inaccurate reporting in the annual financial statements.

The Village Fiscal Officer should record all transactions and prepare monthly bank to book cash reconciliations, which include all bank accounts and all fund balances. Variances should be investigated, documented and corrected. In addition, the Village Council should review the monthly cash reconciliations including the related support (such as reconciling items) and document the reviews. Auditor of State Bulletin 91-11 should be reviewed for the accounting procedures to follow regarding, stale-dated warrants / checks issued by the governmental entity.

Official's Response:

During the 2018 – 2019 audit period, the Village had several Fiscal Officers. We have reviewed your recommendations and corrected several areas and will continue to implement the recommendations presented.

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VILLAGE OF RUSSELLVILLE

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the Years Ended December 31, 2019 and 2018

Finding Number	Finding Summary	Status	Additional Information
2017-001	Significant Deficiency – Budgetary Information within UAN System	Not Corrected	Reissued as Finding 2019-001
2017-002	Noncompliance Citation – Ohio Rev. Code Section 149.351	Not Corrected	Reissued as Finding 2019-002
2017-003	Noncompliance Citation – Ohio Rev. Code Section 5705.41(B)	Not Corrected	Reissued as Finding 2019-003
2017-004	Noncompliance Citation/ Significant Deficiency – Mayor’s Court	Not Corrected	Reissued as Finding 2019-004
2017-005	Material Weakness – Financial Reporting	Not Corrected	Reissued as Finding 2019-005
2017-006	Material Weakness – Cash Reconciliation Process	Partially Corrected	Reissued as Finding 2019-006

OHIO AUDITOR OF STATE KEITH FABER



VILLAGE OF RUSSELLVILLE

BROWN COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

This is a true and correct copy of the report, which is required to be filed pursuant to Section 117.26, Revised Code, and which is filed in the Office of the Ohio Auditor of State in Columbus, Ohio.



Certified for Release 5/6/2021

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov