



**Auditor of State
Betty Montgomery**

VILLAGE OF RUSSELLVILLE
BROWN COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Russellville, Brown County, Ohio (the Village), as of and for the years ended December 31, 2003 and 2002. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village as of December 31, 2003 and 2002, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2004 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of management, Village Council and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

November 15, 2004

**VILLAGE OF RUSSELLVILLE
BROWN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	Governmental Fund Types		Totals (Memorandum Only)
	General	Special Revenue	
Cash Receipts:			
Property Tax and Other Local Taxes	\$21,714	\$15,420	\$37,134
Intergovernmental Receipts	21,632	65,142	86,774
Charges for Services	16,167		16,167
Fines, Licenses, and Permits		4,204	4,204
Earnings on Investments	1,536		1,536
Miscellaneous	5,755	6,915	12,670
	66,804	91,681	158,485
Total Cash Receipts			
Cash Disbursements:			
Current:			
Security of Persons and Property	34,261	56,665	90,926
Transportation	1,488	22,875	24,363
General Government	37,270		37,270
Debt Service:			
Principal Payments		20,652	20,652
Interest Payments		2,262	2,262
	73,019	102,454	175,473
Total Cash Disbursements			
Total Receipts (Under) Disbursements	(6,215)	(10,773)	(16,988)
Fund Cash Balances, January 1	32,198	39,982	72,180
Fund Cash Balances, December 31	\$25,983	\$29,209	\$55,192
Reserves for Encumbrances, December 31	\$2,521	\$0	\$2,521

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

**VILLAGE OF RUSSELLVILLE
BROWN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$131,033	\$0	\$131,033
Total Operating Cash Receipts	131,033	0	131,033
Operating Cash Disbursements:			
Personal Services	30,875		30,875
Contractual Services	37,766		37,766
Supplies and Materials	19,425		19,425
Total Operating Cash Disbursements	88,066	0	88,066
Operating Income	42,967	0	42,967
Non-Operating Cash Receipts:			
Other Non-Operating Receipts	3,313	5,298	8,611
Total Non-Operating Receipts	3,313	5,298	8,611
Non-Operating Cash Disbursements:			
Debt Service:			
Principal Payments	44,720		44,720
Interest Payments	17,712		17,712
Non-Operating Disbursements		5,303	5,303
Total Non-Operating Cash Disbursements	62,432	5,303	67,735
Receipts (Under) Disbursements	(16,152)	(5)	(16,157)
Fund Cash Balances, January 1	251,507	25	251,532
Fund Cash Balances, December 31	<u>\$235,355</u>	<u>\$20</u>	<u>\$235,375</u>
Reserve for Encumbrances, December 31	<u>\$5,956</u>	<u>\$0</u>	<u>\$5,956</u>

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

**VILLAGE OF RUSSELLVILLE
BROWN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	Governmental Fund Types		Totals (Memorandum Only)
	General	Special Revenue	
Cash Receipts:			
Property Tax and Other Local Taxes	\$19,820	\$23,634	\$43,454
Intergovernmental Receipts	37,329	22,856	60,185
Charges for Services	17,514		17,514
Fines, Licenses, and Permits		3,038	3,038
Earnings on Investments	2,301		2,301
Miscellaneous	1,944	8,722	10,666
Total Cash Receipts	78,908	58,250	137,158
Cash Disbursements:			
Current:			
Security of Persons and Property	28,150	29,392	57,542
Leisure Time Activities	9,508		9,508
Transportation	1,262	28,306	29,568
General Government	33,234		33,234
Debt Service:			
Principal Payments		8,978	8,978
Interest Payments		2,666	2,666
Miscellaneous	106		106
Total Cash Disbursements	72,260	69,342	141,602
Total Receipts Over/(Under) Disbursements	6,648	(11,092)	(4,444)
Other Financing Receipts and (Disbursements):			
Other Financing Sources	325	379	704
Other financing Uses	(500)		(500)
Refund of Prior Year Expenditures		1,500	1,500
Total Other Financing Receipts/(Disbursements)	(175)	1,879	1,704
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	6,473	(9,213)	(2,740)
Fund Cash Balances, January 1	25,725	49,195	74,920
Fund Cash Balances, December 31	\$32,198	\$39,982	\$72,180
Reserves for Encumbrances, December 31	\$2,928	\$0	\$2,928

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

**VILLAGE OF RUSSELLVILLE
BROWN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$158,085	\$0	\$158,085
Total Operating Cash Receipts	158,085	0	158,085
Operating Cash Disbursements:			
Personal Services	41,369		41,369
Contractual Services	52,233		52,233
Supplies and Materials	44,611		44,611
Total Operating Cash Disbursements	138,213	0	138,213
Operating Income	19,872	0	19,872
Non-Operating Cash Receipts:			
Other Non-Operating Receipts	5,656	3,923	9,579
Total Non-Operating Cash Receipts	5,656	3,923	9,579
Non-Operating Cash Disbursements:			
Debt Service:			
Principal payments	43,752		43,752
Interest Payments	18,680		18,680
Other Non-Operating Cash Disbursements	148	3,898	4,046
Total Non-Operating Cash Disbursements	62,580	3,898	66,478
Excess of Receipts Over/(Under) Disbursements	(37,052)	25	(37,027)
Fund Cash Balances, January 1	288,559		288,559
Fund Cash Balances, December 31	<u>\$251,507</u>	<u>\$25</u>	<u>\$251,532</u>
Reserve for Encumbrances, December 31	<u>\$3,196</u>	<u>\$0</u>	<u>\$3,196</u>

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

**VILLAGE OF RUSSELLVILLE
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Russellville, Brown County, Ohio (the Village), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides 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 disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

C. Cash Deposits

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

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Fund

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

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

Fire Levy Fund – This fund receives property tax money, and monies received from other Townships to provide fire protection services.

Police Levy Fund – This fund receives property tax receipts to provide police protection services.

**VILLAGE OF RUSSELLVILLE
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Enterprise Funds

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

Sewer Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

4. Fiduciary Funds (Agency Fund)

Trust funds are used to account for resources restricted by legally binding trust agreements. Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant fiduciary funds:

Mayor's Court – This fund receives fines due the Village collected by the Mayor's Court.

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be re-appropriated. The Village did not use the encumbrance method of accounting. The budgetary presentations have been adjusted to include material items that should have been encumbered.

A summary of 2003 and 2002 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

**VILLAGE OF RUSSELLVILLE
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2003	2002
Demand deposits	\$58,567	\$91,712
Certificates of deposit	<u>232,000</u>	<u>232,000</u>
Total deposits	<u>\$ 290,567</u>	<u>\$ 323,712</u>

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.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2003 and 2002 follows:

2003 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$39,145	\$66,804	\$27,659
Special Revenue	36,940	91,681	54,741
Enterprise	158,085	134,346	(23,739)
Total	<u>\$234,170</u>	<u>\$292,831</u>	<u>\$58,661</u>

2003 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$75,533	\$75,540	(\$7)
Special Revenue	76,945	102,454	(25,509)
Enterprise	209,616	156,454	53,162
Total	<u>\$362,094</u>	<u>\$334,448</u>	<u>\$27,646</u>

2002 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$59,695	\$79,233	\$19,538
Special Revenue	46,422	60,129	13,707
Enterprise	150,500	163,741	13,241
Total	<u>\$256,617</u>	<u>\$303,103</u>	<u>\$46,486</u>

**VILLAGE OF RUSSELLVILLE
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$101,100	\$75,688	\$25,412
Special Revenue	79,492	69,342	10,150
Enterprise	235,783	203,989	31,794
Total	\$416,375	\$349,019	\$67,356

Contrary to Ohio law, budgetary expenditures exceeded appropriations as follows: For 2003 the Fire Levy Fund for \$49,059; for 2002 the State Highway Fund \$342 and Police Protection \$6,121.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due the following June 20.

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

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

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

5. DEBT

Debt outstanding at December 31, 2003 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan	\$771,481	2.20%
Fire Truck Note	30,148	5.25%
Total	\$801,629	

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, 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
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

5. DEBT (Continued)

The Fire Truck Note was issued in 1999 to purchase a Fire Pumper for fire protection services. Principal and interest payments are made annually for \$11,914 for a ten year period. The Village has made several extra payments during the life of the note, paying ahead of the required amortization schedule.

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

	OWDA Loan	Fire Truck Note
Year ending December 31:		
2004	\$62,432	\$11,914
2005	62,432	11,914
2006	62,432	8,891
2007	62,432	
2008	62,432	
2009-2013	312,160	
2014-2018	<u>311,820</u>	
Total	<u>\$936,140</u>	<u>\$32,719</u>

6. RETIREMENT SYSTEMS

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

Contribution rates are also prescribed by the Ohio Revised Code. For 2003 and 2002, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant [and 24% of fire participant] wages. PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2002 through December 31, 2003. PERS temporarily reduced the employer contribution rate to 8.13%, effective July 1, 2000 through December 31, 2003. The Village has paid all contributions required through December 31, 2003.

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.

**VILLAGE OF RUSSELLVILLE
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

8. RELATED PARTY TRANSACTIONS

- A. A village council member is part owner of a storage facility from which the Village acquired storage rental space during 2003 and 2002. The Village paid \$600 semi-annually for this rental space, making a total of \$2,400 paid during 2003 and 2002. Village records show that the Village has been renting this building since January 5, 1998 through the present time.
- B. During the audit period we noted that the Mayor's sons had did some work for the village and received compensation in the amount of \$681.50.



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Russellville, Brown County, Ohio (the Village), as of and for the years ended December 31, 2003 and 2002 and have issued our report thereon dated November 15, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items number 2003-001 through 2003-004 and 2003-008. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated November 15, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However we noted certain matters involving internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2003-001 through 2003-007.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We consider item 2003-003 to be a material weakness. We also noted certain matters involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the Village in a separate letter dated November 15, 2004.

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

November 15, 2004

**VILLAGE OF RUSSELLVILLE
BROWN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2003-001

Material Noncompliance/Reportable Condition

Ohio Rev. Code, Section 5705.41(D), provides that no subdivision or taxing unit shall make any contract or order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon. This section also provides for two exceptions to the above requirement:

- A. Then and Now Certificates – If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Council may authorize the issuance of a warrant in payment of amount due upon such contract or order by resolution within thirty (30) days from the receipt of such certificate.

- B. If the amount involved is less than one thousand dollars (\$1,000), (\$3,000 after 4/7/2004), the fiscal officer may authorize payment through a Then and Now Certificate without affirmation of the Council, if such expenditure is otherwise valid.

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

Contrary to the above requirement, the availability of funds was not certified for disbursements tested and we noted uncertified commitments as follows: For 2003 in the General Fund \$2,521 and the Sewer Fund \$5,956; for 2002 in the General Fund \$2,928 and the Sewer \$3,196. The Village did not use purchase orders and certify funds since no appropriation ledgers were maintained to record the encumbrance of funds. The Village adjusted its budgetary presentation in Note 3 to include these amounts.

Failure to certify the availability of funds and encumber appropriations can result in overspending funds and negative cash balances. Therefore, we recommend the Village obtain approved purchase orders, which contain the Clerk's certification that the amount required to meet the obligation has been lawfully appropriated and authorized, prior to making a commitment. In addition, an appropriation ledger should be maintained.

FINDING NUMBER 2003-002

Material Noncompliance/Reportable Condition

Ohio Rev. Code, Section 733.28, requires the Village Clerk to maintain the books of the Village and exhibit accurate statements of all monies received and expended. The Village's fiscal officer did not maintain an accurate receipt ledger or appropriation ledger, budgetary estimated resources and appropriations were not maintained on the accounting system. Posting errors were noted in these records during the audit. Due to the inaccuracy of their ledgers the Village was therefore unable to monitor compliance with its budget or monitor the Village's financial activity accurately.

**FINDING NUMBER 2003-002
 (Continued)**

Ohio Admin. Code, Section 117-2-02(A)*, requires governments to maintain an accounting system and accounting records sufficient to identify, assembler, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements. Per Ohio Admin. Code, Section 117-2-02(C), accounting records that can help achieve these objectives include:

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

All local public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

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

FINDING NUMBER 2003-003

Material Noncompliance/Reportable Condition/Material Weakness

Ohio Rev. Code Section 5705 prescribes budgetary laws for the Village. The Village did not comply with the following sections of the code:

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

Year	Fund	Appropriations	Disbursement	Variance
2002	State Highway	4,400.00	4,742.00	(342.00)
2002	Police Protection	23,000.00	29,121.00	(6,121.00)
2003	Fire Levy	16,000.00	63,059.00	(47,059.00)

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

**FINDING NUMBER 2003-003
 (Continued)**

- B. Ohio Rev. Code, Section 5705.10, provides that all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose is to be paid into a special fund for such purpose. The Village did not always properly post intergovernmental and tax revenues. We recommend the Clerk exercise care when posting receipts to the cashbook. Any adjustments have been posted to the Village's accounting records and are reflected in the financial statements.
- C. Ohio Rev. Code, Section 5705.36, requires the Village to certify to the county auditor the total amount from all sources which is available for expenditures from each fund in the tax budget along with any balances that existed at the end of the preceding year on or about the first day of each fiscal year. The Village did not file a Certificate of the Total Amount from All Sources Available for Expenditures, and Balances for 2003 and 2002 until January 31 and March 1, respectively.
- D. Ohio Rev. Code, Section 5705.34, requires each taxing authority to pass an ordinance or resolution to authorize the necessary tax levies. Each authority is to certify the levies to the county auditor before October 1st. The Village did not pass an ordinance or resolution until 11/4/02 and 12/1/03.
- E. Ohio Rev. Code, Section 5705.38, requires a taxing authority to pass an annual appropriation measure on or about the first day of each fiscal year. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until April 1. The Village passed a temporary budget for 2002 and 2003 with a permanent budget passed in 2002 but not expressly in 2003.
- F. Ohio Rev. Code, Section 5705.39, prohibits appropriations in excess of estimated resources. This section further provides that no appropriation measure is to become 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. The Village did not obtain this certificate from the county auditor and appropriated in excess of estimated resources in the following funds:

Year	Fund	Estimated Resources	Appropriations	Variance
2002	General	85,420	101,100	(15,680)
2002	Street	26,297	31,500	(5,203)
2002	State	3,474	4,400	(926)
2002	MVL	0	4,592	(4,592)
2003	General	68,415	75,533	(7,118)
2003	Street	27,762	29,300	(1,538)
2003	State	5,037	5,300	(263)
2003	MVL	0	3,345	(3,345)
2003	Police	18,656	23,000	(4,344)

**FINDING NUMBER 2003-003
(Continued)**

This resulted from the Village not appropriately monitoring budgetary status and could result in overspending of Village Funds, which did happen in the Street Fund in 2002. We recommend the Village monitor appropriations as compared to estimated resources and obtain the required certificate from the county auditor.

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

FINDING NUMBER 2003-004

Material Noncompliance/Reportable Condition

Ohio Rev. Code, Section 102.03 (D)(E)(F) prohibits a public official or employee from using the authority or influence of office or employment to secure or solicit anything of value that is of such character as to manifest a substantial and improper influence upon the public official or employee with respect to that person's duties. The Village of Russellville rents a storage shed from council member Billy Kilgore who is part owner of the property the storage shed sits on. The council member signs the village vouchers for payment, approves payment of the bills, and endorses the check from the village for the rent of the storage building. The Village paid \$600 semi-annually for this rental space, making a total of \$2,400 paid during 2003 and 2002. Village records show that the Village has been renting this building since January 5, 1998 through the present time. We advise the Village to discuss all potential conflict of interest issues with legal counsel or to seek an opinion from the Ohio Ethics Commission.

Additionally, we noticed payments to the Mayor's sons for electric and other work and received compensation in the amount of \$681.50. This practice could lead to conflict of interest and should be avoided if at all possible. We advise the Village to discuss all potential conflict of interest issues with legal counsel or to seek an opinion from the Ohio Ethics Commission.

FINDING NUMBER 2003-005

Reportable Condition

The small size of the Village's staff does not allow for an adequate segregation of duties. The Clerk handles all the financial record keeping including receipting, depositing, check writing, check signing and posting. The weakness of this system is that it allows for diversion of funds through possible alteration of source documents. Also, bookkeeping errors may occur without detection in a timely manner.

The following conditions indicate a need for increased oversight of management by Council.

- i. Receipts have been posted incompletely and to incorrect funds and not detected; and
- ii. Disbursements were in excess of appropriations
- iii. Appropriations were in excess of estimated resources
- iv. Estimated receipts exceeded actual in some funds.

**FINDING NUMBER 2003-005
(Continued)**

To provide accountability and to strengthen internal accounting controls, officials should periodically review the records (i.e. reconciliations, etc), to determine accuracy and to verify that proper procedures were followed by the fiscal officer. These periodic reviews should be noted in the minutes and documents reviewed should be initialed by the reviewer.

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

FINDING NUMBER 2003-006

Reportable Condition

We noted that the Village paid approximately \$14,000 during the audit period to the Internal Revenue Service for fines and penalties for not filing their quarterly reports in a timely manner.

We also noted that Police and Fire withholdings and employers share was not paid to the Ohio Police and Fire Pension Fund in a timely manner. On October 1, 2003 the village issued a check for a penalty of \$3,339.85 for penalties and again on September 3, 2004, the village issued a check in the amount of \$3,000 for penalties.

This resulted in taxpayer's money not being used in a prudent manner. We recommend that the Village Officials review Internal Revenue Service rules and regulations and Ohio Police & Fire Pension Fund rules and regulations regarding payroll reporting and file the required reports by the due date.

FINDING NUMBER 2003-007

Reportable Condition

The Village failed to get the renewal for the Fire Levy on the ballot therefore they did not receive any tax money in 2003, which resulted in the loss of approximately \$18,000 of tax money. In order prevent these type of errors in the future, management needs to familiarize themselves with requirements concerning filing dates for levies and any other pertinent information that may be deemed necessary to assure there are no lapses in tax levies needed to operate their various services.

On July 15, 2003 the Village certified a copy of its resolution adopted by the Village on July 14, 2003 to the county auditor requesting the county auditor to certify the current tax valuation of the village and the amount of revenue that would be produced by a four mills, to levy a tax outside the ten-mill limitation for fire purposes. The proper paperwork was completed and the levy was placed on the ballot for the November 4, 2003 election. This levy was passed effective for the 2003 tax year which will be collected in 2004.

FINDING NUMBER 2003-008

Noncompliance Citation

Ohio Rev. Code, Section 121.22 requires all official actions of Council be recorded in the minute records. The minutes did not contain all budgetary actions, review or approval of the financial reports and monthly reports were not always documented in the minutes. The minutes are the official voice of Council and should contain all official actions of council. We recommend that all official actions of Council be listed in the minute records including approval of the monthly financial report, Mayor's Court report and approval of all budgetary actions.

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**VILLAGE OF RUSSELLVILLE
BROWN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2001-30408-001	Ohio Rev. Code, Section 5705.41D requires the use of purchase orders	No	Repeat as finding 2003-001
2001-30408-002	Ohio Rev Code, Section 733.28 & Ohio Admin Code, Section 117-2-02A & Ohio Admin Code Section 117-9-01 requires maintaining accurate books and using an accounting system and using account classifications	No	Repeat as finding 2003-002
2001-30408-004	Ohio Rev Code, Section 5705.41B prohibits expenditures in excess of appropriations	No	Repeat as finding 2003-003
2001-30408-003	Ohio Rev Code, Section 121.22 provides for prompt accurate minutes	No	Repeat as finding 2003-009
2001-30408-005	Ohio Rev Code, Section 5705.10 provides certificates of deposits be on the book	Yes	Corrected
2001-30408-006	Concerns on budgetary monitoring	No	Repeat as finding 2003-003
2001-30408-007	Segregation of duties	No	Repeat as finding 2003-005
2001-30408-008	Hourly employees timesheets	No	Included in the management letter



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**VILLAGE OF RUSSELLVILLE
BROWN COUNTY**

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 7, 2004**