

Village of Russellville  
Brown County  
Regular Audit  
For the Years Ended December 31, 2005 and 2004  
Fiscal Years Audited Under GAGAS: 2005 and 2004

BALESTRA, HARR & SCHERER, CPAs, INC.  
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# Mary Taylor, CPA

Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Village of Russellville, Brown County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2004 through December 31, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA  
Auditor of State

May 11, 2009

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**Independent Auditor's Report**

Village of Russellville  
203 East Main Street  
Russellville, OH 45168

To the Village Council:

We have audited the accompanying financial statements of the Village of Russellville, Brown County, (the Village) as of and for the years ended December 31, 2005 and 2004. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

Revisions to GAAP require the Village to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the funds accompanying financial statements presented for 2005 and 2004, the revisions require presenting entity wide statements and also to present it's larger (i.e., major) funds separately for 2005 and 2004. While the Village does not follow GAAP, generally accepted auditing standards require us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require, governments to reformat their statements. The Village has elected not to reformat its statements. Since the Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts are materially misstated under accounting basis the Auditor of State permits.

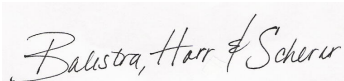
In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2005 and 2004, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2005 and 2004, or its changes in financial position for the years then ended.

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

Also, in our opinion, except for the omission of receipt and disbursement classifications, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village, as of December 31 2005 and 2004, and its unclassified cash receipts and unclassified disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion & Analysis for the year ended December 31, 2005 and 2004. The Village has not presented Management's Discussion & Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2008, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. It does not opine on the internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Balestra, Harr & Scherer, CPAs, Inc.

October 10, 2008

**VILLAGE OF RUSSELLVILLE  
BROWN COUNTY, OHIO**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
FOR THE YEAR ENDED DECEMBER 31, 2005**

|   | <u>Balance<br/>1/1/2005</u> | <u>Receipts</u>   | <u>Disbursements</u> | <u>Balance<br/>12/31/2005</u> |
|---|-----------------------------|-------------------|----------------------|-------------------------------|
| <b>General</b>                              | \$ 15,530                   | \$ 103,229        | \$ 78,956            | \$ 39,803                     |
| <b>Special Revenue:</b>                     |                             |                   |                      |                               |
| Street Construction, Maintenance and Repair | 20,922                      | 23,517            | 24,887               | 19,552                        |
| State Highway Improvement                   | 2,290                       | 1,751             | 1,948                | 2,093                         |
| Police Levy                                 | (10,450)                    | 17,094            | 39,883               | (33,239)                      |
| Fire Levy                                   | 25,287                      | 38,722            | 28,482               | 35,527                        |
| Total Special Revenue                       | <u>38,049</u>               | <u>81,084</u>     | <u>95,200</u>        | <u>23,933</u>                 |
| <b>Agency</b>                               | 2,504                       | 29,434            | 31,938               | -                             |
| <b>Enterprise</b>                           | <u>203,015</u>              | <u>181,901</u>    | <u>181,551</u>       | <u>203,365</u>                |
| Total All Funds:                            | <u>\$ 259,098</u>           | <u>\$ 395,648</u> | <u>\$ 387,645</u>    | <u>\$ 267,101</u>             |

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



**VILLAGE OF RUSSELLVILLE  
BROWN COUNTY, OHIO**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
FOR THE YEAR ENDED DECEMBER 31, 2004**

|   | <u>Balance<br/>1/1/2004</u> | <u>Receipts</u>   | <u>Disbursements</u> | <u>Balance<br/>12/31/2004</u> |
|---|-----------------------------|-------------------|----------------------|-------------------------------|
| <b>General</b>                              | \$ 25,983                   | \$ 60,486         | \$ 70,939            | \$ 15,530                     |
| <b>Special Revenue:</b>                     |                             |                   |                      |                               |
| Street Construction, Maintenance and Repair | 20,156                      | 22,580            | 21,814               | 20,922                        |
| State Highway Improvement                   | 594                         | 1,831             | 135                  | 2,290                         |
| Police Levy                                 | 8,509                       | 18,148            | 37,107               | (10,450)                      |
| Fire Levy                                   | (50)                        | 42,704            | 17,367               | 25,287                        |
| Total Special Revenue                       | <u>29,209</u>               | <u>85,263</u>     | <u>76,423</u>        | <u>38,049</u>                 |
| <b>Agency</b>                               | 20                          | 24,402            | 21,918               | 2,504                         |
| <b>Enterprise</b>                           | <u>235,355</u>              | <u>130,101</u>    | <u>162,441</u>       | <u>203,015</u>                |
| Total All Funds:                            | <u>\$ 290,567</u>           | <u>\$ 300,252</u> | <u>\$ 331,721</u>    | <u>\$ 259,098</u>             |

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

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

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

A. DESCRIPTION OF THE ENTITY

The Village of Russellville, Brown County, Ohio (the Village), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides sewer utilities, park operations, police protection, fire protection and a Mayor. The Village's management believes these financial statements present all activities for which the Village is financially accountable.

B. BASIS OF ACCOUNTING

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

GOVERNMENTAL FUNDS

General Fund

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

Special Revenue Funds

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

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

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

PROPRIETARY FUNDS

Enterprise Fund

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

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

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

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

C. BASIS OF ACCOUNTING

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

D. BUDGETARY PROCESS

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

*Appropriations:*

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

*Estimated Resources:*

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

*Encumbrances:*

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

A summary of 2005 and 2004 budgetary activity appears in Note 4.

E. PROPERTY, PLANT AND EQUIPMENT

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

**Village of Russellville**  
*Notes to the Financial Statements*  
For the Years Ended December 31, 2005 and 2004

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**NOTE 2 – CASH AND INVESTMENTS**

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

|                         | 2005      | 2004      |
|-------------------------|-----------|-----------|
| Demand deposits         | \$ 64,870 | \$ 27,098 |
| Certificates of deposit | 202,231   | 232,000   |
| Total deposits          | 267,101   | 259,098   |

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

**NOTE 3 – BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2005 and 2004 were as follows:

| 2005 Budgeted vs. Actual Receipts |                      |                    |             |
|-----------------------------------|----------------------|--------------------|-------------|
| Fund Type                         | Budgeted<br>Receipts | Actual<br>Receipts | Variance    |
| General                           | \$ 64,509            | \$ 103,229         | \$ 38,720   |
| Special Revenue                   | 139,153              | 81,084             | (58,069)    |
| Enterprise                        | 178,870              | 181,901            | 3,031       |
| Total                             | \$ 382,532           | \$ 366,214         | \$ (16,318) |

| 2005 Budgeted vs. Actual Budgetary Basis Expenditures |                            |                           |             |
|---|----------------------------|---------------------------|-------------|
| Fund Type   | Appropriation<br>Authority | Budgetary<br>Expenditures | Variance    |
| General   | \$ 40,030                  | \$ 78,956                 | \$ (38,926) |
| Special Revenue                                       | 101,639                    | 95,200                    | 6,439       |
| Enterprise  | 135,634                    | 181,551                   | (45,917)    |
| Total   | \$ 277,303                 | \$ 355,707                | \$ (78,404) |

| 2004 Budgeted vs. Actual Receipts |                      |                    |            |
|-----------------------------------|----------------------|--------------------|------------|
| Fund Type                         | Budgeted<br>Receipts | Actual<br>Receipts | Variance   |
| General                           | \$ 59,408            | \$ 60,486          | \$ 1,078   |
| Special Revenue                   | 81,952               | 85,263             | 3,311      |
| Enterprise                        | -                    | 130,101            | 130,101    |
| Total                             | \$ 141,360           | \$ 275,850         | \$ 134,490 |

**Village of Russellville**  
*Notes to the Financial Statements*  
For the Years Ended December 31, 2005 and 2004

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

| 2004 Budgeted vs. Actual Budgetary Basis Expenditures |                            |                           |             |
|---|----------------------------|---------------------------|-------------|
| Fund Type   | Appropriation<br>Authority | Budgetary<br>Expenditures | Variance    |
| General   | \$ 60,860                  | \$ 70,939                 | \$ (10,079) |
| Special Revenue                                       | 111,250                    | 76,423                    | 34,827      |
| Enterprise  | 186,660                    | 162,441                   | 24,219      |
| Total   | \$ 358,770                 | \$ 309,803                | \$ 48,967   |

**NOTE 4 – PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the County. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State and are reflected in the accompanying financial statements as Intergovernmental Receipts. Real property taxes are payable annually or semiannually to the County. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20 of the following year. Under certain circumstances, state statute permits later payment dates to be established.

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

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

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

**NOTE 6 – DEBT OBLIGATIONS**

Debt outstanding at December 31, 2005 was as follows:

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

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

**Village of Russellville**  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2005 and 2004*

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

Amortization of the above debt, including interest, follows:

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

**NOTE 7 – RETIREMENT SYSTEM**

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

The Ohio Revised Code also prescribes contribution rates. For 2005 and 2004, OP&F participants contributed 10 percent of their wages. The Village contributed an amount equal to 19.5 percent of police participant wages. OPERS members contributed 9.5 and 9 percent, respectively, of their gross salaries and the Village contributed an amount equaling 13.85 and 13.7 percent, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2005.

**NOTE 8 – RISK MANAGEMENT**

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

**NOTE 9 – COMPLIANCE AND ACCOUNTABILITY**

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

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

The Village failed to prepare and submit Federal Tax Forms 941 which is contrary to the Internal Revenue Code.

**Village of Russellville**  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2005 and 2004*

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

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

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

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

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## **Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

Village of Russellville  
203 East Main Street  
Russellville, Ohio 45168

We have audited the accompanying financial statements of the Village of Russellville, Brown County, Ohio (the Village), as of and for the years ended December 31, 2005 and 2004, wherein we noted the Village follows accounting practices the Auditor of State prescribes or permits, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America and the Village did not present receipts and disbursements in accordance with Ohio Administrative Code 117-2-01 (A) which requires the Village to classify receipts and disbursements transactions, and have issued our report thereon dated October 10, 2008. We conducted our engagement to audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Village's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings as items 2005-01, 2005-02, 2005-03, and 2005-10.

A material weakness is a reportable 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 caused by error or fraud 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 weakness. However, we consider Findings 2005-01, 2005-02, 2005-03, and 2005-10 to be material weaknesses.



Village of Russellville

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of  
Financial Statements Performed in Accordance With *Government Auditing Standards*

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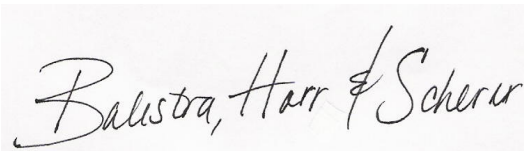
### **Compliance and Other Matters**

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 grant agreements, 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 *Governmental Auditing Standards* which is described in the accompanying Schedule of Findings as items 2005-04 through 2005-09.

We noted certain matters that we reported to management of the Village in a separate letter dated October 10, 2008.

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

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 cursive script that reads "Balestra, Harr & Scherer". The signature is written in dark ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.

October 10, 2008

**VILLAGE OF RUSSELLVILLE  
BROWN COUNTY**

Schedule of Findings and Responses  
For the Fiscal Years Ended December 31, 2005 and 2004

***Finding 2005-01***

***Reportable Condition/Material Weakness – Bank Reconciliations – Mayors Court***

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

***Client Response:***

In 2008, monthly bank reconciliations are being done.

***Finding 2005-02***

***Reportable Condition/Material Weakness – Controls over Accounting and Reporting***

The Village has experienced several accounting and reporting issues as evidenced by the number of report findings, including the delay in the completion of the 2005 financial statements.

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

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

Failure to implement controls over the financial accounting process has resulted in the Village's records being inaccurate. Furthermore, the Village has been delinquent in filing tax returns, and payroll withholdings have not been accurately and timely remitted to the appropriate agencies. The Clerk also failed to certify all appropriate budgetary documents with the County Auditor.

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

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

**VILLAGE OF RUSSELLVILLE  
BROWN COUNTY**

Schedule of Findings and Responses  
For the Fiscal Years Ended December 31, 2005 and 2004

***Finding 2005-02 (Continued)***

***Material Weakness – Controls over Accounting and Reporting (Continued)***

***Client Response:***

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

***Finding Number 2005-03***

***Reportable Condition/Material Weakness – Missing Supporting Documentation***

During the course of the audit, the auditors noted during the testing of payroll that 941's and workers compensation reports could not be provided by the client. Failure to maintain supporting documentation results in an inadequate audit trail. The Village should implement procedures to ensure that all supporting documentation is properly maintained.

***Client Response:***

The new Fiscal Officer understands the importance of keeping all payroll organized and readily available including 941's and workers compensation reports. This information will be archived in an organized fashion at the end of each year.

***Finding Number 2005-04***

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

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

***Client Response:***

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

***Finding Number 2005-05***

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

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

For the years ended 2004 and 2005, actual receipts were significantly less than the estimated receipts, reducing available resources below the level of appropriations, where the excess was spent leading to a negative fund balance in both 2004 and 2005 in the Police Fund.

**VILLAGE OF RUSSELLVILLE  
BROWN COUNTY**

Schedule of Findings and Responses  
For the Fiscal Years Ended December 31, 2005 and 2004

***Finding 2005-05 (Continued)***

***Material Noncompliance – Actual Receipts less than Estimated Receipts (Continued)***

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

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

***Client Response:***

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

***Finding Number 2005-06***

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

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

Appropriations were in excess of estimated resources plus unencumbered beginning balances in the following funds at 12/31/04:

- State Highway - \$23,756
- Sewer Fund - \$186,660

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

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

***Client Response:***

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

**VILLAGE OF RUSSELLVILLE  
BROWN COUNTY**

Schedule of Findings and Responses  
For the Fiscal Years Ended December 31, 2005 and 2004

***Finding Number 2005-07***

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

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

Expenditures plus outstanding encumbrances were in excess of appropriations in the General Fund (\$10,079) and the Police Fund (\$13,189) at year end in 2004 and in the General Fund (\$38,720), Street and Maintenance Fund (\$4,552), Fire Fund (\$1,007), and the Sewer Fund (\$45,917) at year end in 2005.

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

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

***Client Response:***

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

***Finding Number 2005-08***

***Material Noncompliance – Payroll Taxes and Filings***

Federal income tax regulations require the Village to prepare the IRS Tax Form 941 on a quarterly basis, and to make monthly deposits of Medicare and Income Tax withholdings. Various Ohio Revised Code Sections also require the Village to withhold from the employees' wages, or pay on behalf of the employees, a certain percentage of earned wages as defined and to remit to the appropriate system the amounts withheld, matched with an appropriate percentage of employer matching contributions.

The Village was delinquent in filing IRS Tax Forms 941 for the 1<sup>st</sup>, 2<sup>nd</sup>, 3<sup>rd</sup>, and 4<sup>th</sup> quarters in 2004, and the 1<sup>st</sup> and 2<sup>nd</sup> quarters in 2007. Furthermore, the Village did not remit payroll withholdings to the appropriate agencies accurately or in a timely manner.

Failure to file the required forms with the appropriate taxing agencies resulted in non-compliance with federal income tax requirements, and has resulted in unnecessary interest and penalties for which the Village is liable.

The Village should develop and implement procedures to ensure that all required tax deposits are made and the appropriate tax forms are prepared accurately and completely, and are submitted in accordance with applicable requirements. The Village should contact all taxing authorities (federal, state and local), as well as the Ohio Public Employees Retirement System, and obtain documentation to determine what forms have been submitted, those that remain unsubmitted, whether balances are still owed to these agencies, and to settle these liabilities to ensure accounts are up to date. We also recommend that the Village contact the Internal Revenue Service (IRS) taxpayer advocate services to determine whether the IRS can waive any of the penalties and interest incurred by the Village.

***Client Response:***

New procedures and calendar has been developed to insure that all taxes are paid timely and all reports are filed on time. If necessary, we will contact all agencies, but we feel all funds and reports are now current.

**VILLAGE OF RUSSELLVILLE  
BROWN COUNTY**

Schedule of Findings and Responses  
For the Fiscal Years Ended December 31, 2005 and 2004

***Finding Number 2005-09***

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

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

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

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

The Village Clerk did not file its 2004 and 2005 annual financial report with the Auditor of State within the time required to ensure compliance with the Ohio Revised Code. Furthermore, the Clerk did not publish notice in the local newspaper stating that the Village's annual financial report was available for public inspection.

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

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

***Client Response:***

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

***Finding Number 2005-10***

***Reportable Condition/Material Weakness – Monitoring of Budgetary Information***

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

***Client Response:***

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

**VILLAGE OF RUSSELLVILLE  
BROWN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2005**

| Finding Number | Finding Summary  | Fully Corrected? | Not Corrected; Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain: |
|----------------|--|------------------|---|
| 2003-001       | ORC 5705.41(D) Then and Now Certificate  | Yes              |   |
| 2003-002       | ORC 733.28 Maintain the books of the Village and exhibit accurate statements of all monies received and expended | Yes              |   |
| 2003-003A      | ORC 5705.41 (B) Expenditures exceeded appropriations   | Yes              | Not corrected, repeat as finding number 2005-07   |
| 2003-003B      | ORC 5705.10 Proper posting of intergovernmental and tax revenues   | Yes              |   |
| 2003-003C      | ORC 5705.36 Certification of total amount from all sources which is available for expenditures from each fund    | No               | Not corrected, repeat as finding number 2005-05   |
| 2003-003D      | ORC 5705.34 Certification of resolution authorizing the necessary tax levies                                     | No               | Re-issued as management letter comment  |
| 2003-003E      | ORC 5705.38 Certification of annual appropriation measure  | No               | Re-issued as management letter comment  |
| 2003-003F      | ORC 5705.39 Appropriations in excess of estimated resources  | No               | Not corrected, repeat as finding number 2005-06   |
| 2003-003G      | Monitoring of budgetary information  | No               | Not corrected, repeat as finding number 2005-10   |
| 2003-004       | ORC 102.03(D)(E)(F) Public official using the authority of office to secure or solicit anything of value         | Yes              |   |
| 2003-005       | Segregation of duties  | Yes              |   |
| 2003-006       | Filing of quarterly reports  | No               | Not corrected, repeat as finding number 2005-08   |
| 2003-007       | Renewal of tax levy on the ballot  | Yes              |   |
| 2003-008       | ORC 121.22 All actions of Council to be recorded in the minutes  | Yes              |   |







Mary Taylor, CPA  
Auditor of State

VILLAGE OF RUSSELLVILLE

BROWN COUNTY

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
MAY 21, 2009