

Village of Russellville
Brown County, Ohio

Regular Audit

January 1, 2008, through December 31, 2009
Fiscal Years Audited Under GAGAS: 2009 and 2008



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Mary Taylor, CPA

Auditor of State

Village Council
Village of Russellville
203 E. 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, 2008 through December 31, 2009. 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

September 28, 2010

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BROWN COUNTY
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Independent Auditor's Report

Village of Russellville
Brown County
203 East Main St.
Russellville, Ohio 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, 2009 and 2008. 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 the Comptroller General of the United States' *Government Auditing Standard*. Those standards require that we plan and perform the audit to reasonably assure 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 opinions.

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

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting its larger (i.e., major) funds separately. 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 GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2009 and 2008 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, 2009 and 2008, or its changes in financial position or cash flows, where applicable, for the years then ended.

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Also, 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 of Russellville, Brown County, as of December 31, 2009 and 2008, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Village has not presented Management's Discussion and 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 June 30, 2010, 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. While we did not opine on this internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That 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.

June 30, 2010

**VILLAGE OF RUSSELLVILLE
BROWN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Taxes	\$ 23,704	\$ 49,882	\$ 73,586
Intergovernmental	13,246	38,704	51,950
Special Assessments	-	500	500
Charges for Services	-	71,275	71,275
Fines, Licenses, and Permits	48,235	450	48,685
Earnings on Investments	10,356	223	10,579
Miscellaneous	2,862	-	2,862
	<u>98,403</u>	<u>161,034</u>	<u>259,437</u>
Total Cash Receipts			
	<u>98,403</u>	<u>161,034</u>	<u>259,437</u>
Cash Disbursements:			
Current:			
Security of Persons & Property	-	85,315	85,315
Transportation	-	22,243	22,243
General Government	88,124	1,624	89,748
Capital Outlay	-	137,631	137,631
	<u>88,124</u>	<u>246,813</u>	<u>334,937</u>
Total Cash Disbursements			
	<u>88,124</u>	<u>246,813</u>	<u>334,937</u>
Total Cash Receipts Over/(Under) Cash Disbursements	10,279	(85,779)	(75,500)
Other Financing Receipts and (Disbursements):			
Proceeds from Sale of Public Debt:			
Other Debt Proceeds	-	69,147	-
Advances-In	2,000	2,000	-
Advances-Out	(2,000)	(2,000)	-
	<u>-</u>	<u>69,147</u>	<u>69,147</u>
Total Other Financing Receipts/(Disbursements)			
	<u>-</u>	<u>69,147</u>	<u>69,147</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	10,279	(16,632)	(6,353)
Fund Cash Balances, January 1	<u>16,550</u>	<u>153,614</u>	<u>170,164</u>
Fund Cash Balances, December 31	<u>\$ 26,829</u>	<u>\$ 136,982</u>	<u>\$ 163,811</u>
Reserve for Encumbrances, December 31	<u>\$ 4,064</u>	<u>\$ 4,064</u>	<u>\$ 4,064</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 PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$ 133,256	\$ -	\$ 133,256
Total Operating Cash Receipts	<u>133,256</u>	<u>-</u>	<u>133,256</u>
Operating Cash Disbursements:			
Personal services	8,094	-	8,094
Fringe benefits	3,155	-	3,155
Contractual services	55,783	-	55,783
Supplies and Materials	36,727	-	36,727
Other	777	-	777
Total Operating Cash Disbursements	<u>104,536</u>	<u>-</u>	<u>104,536</u>
Operating Income	28,720	-	28,720
Non-Operating Cash Receipts/(Disbursements):			
Special Assessments	24,519	-	24,519
Other Non-Operating Revenues	-	45,892	45,892
Other Non-Operating Disbursements	-	(45,892)	(45,892)
Principal	(42,589)	-	(42,589)
Interest	(11,372)	-	(11,372)
Total Non-Operating Cash Receipts/(Disbursements)	<u>(29,442)</u>	<u>-</u>	<u>(29,442)</u>
Net Cash Receipts Over Cash Disbursements	(722)	-	(722)
Fund Cash Balances, January 1	<u>70,637</u>	<u>-</u>	<u>70,637</u>
Fund Cash Balances, December 31	<u>\$ 69,915</u>	<u>\$ -</u>	<u>\$ 69,915</u>
Reserve for Encumbrances, December 31	<u>\$ 1,507</u>	<u>\$ -</u>	<u>\$ 1,507</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 FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Taxes	\$ 25,775	\$ 34,400	\$ 60,175
Intergovernmental	64,059	29,425	93,484
Special Assessments	-	684	684
Charges for Services	-	43,025	43,025
Fines, Licenses, and Permits	43,534	-	43,534
Earnings on Investments	792	40	832
Miscellaneous	4,390	1,205	5,595
	<u>138,550</u>	<u>108,779</u>	<u>247,329</u>
Total Cash Receipts			
	<u>138,550</u>	<u>108,779</u>	<u>247,329</u>
Cash Disbursements:			
Current:			
Security of Persons & Property	4,868	37,058	41,926
Transportation		27,447	27,447
General Government	85,336	1,193	86,529
	<u>90,204</u>	<u>65,698</u>	<u>155,902</u>
Total Cash Disbursements			
	<u>90,204</u>	<u>65,698</u>	<u>155,902</u>
Total Cash Receipts Over/(Under) Cash Disbursements	48,346	43,081	91,427
Other Financing Receipts and (Disbursements):			
Transfers-In	-	79,218	79,218
Transfers-Out	(66,836)	(12,382)	(79,218)
	<u>(66,836)</u>	<u>66,836</u>	<u>-</u>
Total Other Financing Receipts/(Disbursements)			
	<u>(66,836)</u>	<u>66,836</u>	<u>-</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(18,490)	109,917	91,427
Fund Cash Balances, January 1	<u>35,040</u>	<u>43,697</u>	<u>78,737</u>
Fund Cash Balances, December 31	<u><u>\$ 16,550</u></u>	<u><u>\$ 153,614</u></u>	<u><u>\$ 170,164</u></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 PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$ 136,582	\$ -	\$ 136,582
Total Operating Cash Receipts	<u>136,582</u>	<u>-</u>	<u>136,582</u>
Operating Cash Disbursements:			
Personal services	21,016	-	21,016
Fringe benefits	8,549	-	8,549
Contractual services	40,127	-	40,127
Supplies and Materials	57,934	-	57,934
Other	2,457	-	2,457
Total Operating Cash Disbursements	<u>130,083</u>	<u>-</u>	<u>130,083</u>
Operating Income	6,499	-	6,499
Non-Operating Cash Receipts/(Disbursements):			
Special Assessments	12,381	-	12,381
Other Non-Operating Revenues	-	41,240	41,240
Other Non-Operating Disbursements	-	(43,200)	(43,200)
Principal	(49,890)	-	(49,890)
Interest	(12,542)	-	(12,542)
Total Non-Operating Cash Receipts/(Disbursements)	<u>(50,051)</u>	<u>(1,960)</u>	<u>(52,011)</u>
Net Cash Receipts Over Cash Disbursements	(43,552)	(1,960)	(45,512)
Fund Cash Balances, January 1	<u>114,189</u>	<u>1,960</u>	<u>116,149</u>
Fund Cash Balances, December 31	<u><u>\$ 70,637</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 70,637</u></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 utility, 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 PRESENTATION – FUND 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.

Fire Department Fund: The Fire Department Fund is used to account for a property tax levy and charges for services to provide fire protection.

Police Protection Fund: The Police Protection Fund is used to account for a property tax levy to provide police services.

EMS Services Fund: The EMS Services Fund is used to account for a property tax levy and charges for services to provide emergency medical services.

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

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:

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

FIDUCIARY FUNDS

Agency Fund

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 the activities of the Village's Mayor's Court.

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 budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds are legally required to be budgeted and appropriated. The primary level of budgetary control is at the item level within each fund. Any budgetary modifications at this level may only be made by resolution of the Village's Council.

Appropriations:

A temporary appropriation measure to control cash disbursements may be passed on or about January 1 of each year for the period January to March 31. An annual appropriation measure must be passed by April 1 of each year for the period January 1 to December 31. The appropriations measure may be amended or supplemented during the year as new information becomes available. The Village did not adopt supplemental appropriations during 2009 and 2008. Administrative control is maintained through the establishment of budgets. Appropriated funds may not be expended for purposes other than those designated in the appropriation ordinance without authority from Council.

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

Estimated Resources:

The County Budget Commission determines if the budget substantiates a need to levy the full amount of authorized property tax rates and reviews receipt estimates. The County Budget Commission certifies its actions to the Village by September 1. As part of this certification, the Village receives the official certificate of estimated resources, which states the projective receipts of each fund. On or about January 1, the certificate is amended to include unencumbered fund balances at December 31 of the preceding year. Further amendments may be made during the year if the Village determines that receipts collected will be greater than or less than the prior estimates, and the Budget Commission finds the revised estimates to be reasonable. Prior to December 31, the Village must revise its budget so that the total contemplated expenditures from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure.

Encumbrances:

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation,

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be re-appropriated. The Village had outstanding encumbrances at December 31, 2009.

A summary of 2009 and 2008 budgetary activity appears in Note 4.

E. CASH AND CASH EQUIVALENTS

The Village's accounting basis includes investments as assets. This basis does not report disbursements for investment purchases or receipts for investment sales. The Village reports gains or losses at the time of sale as receipts or disbursements, respectively.

F. PROPERTY, PLANT AND EQUIPMENT

Capital assets are not capitalized in any of the Village's funds. Instead, capital acquisition and construction costs are reflected as expenditures in the fund in the year expended. The costs of normal maintenance and repairs are also expended, along with improvements. Depreciation is not recorded.

G. INTERGOVERNMENTAL REVENUES

Intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursable basis are recorded when received in accordance with the Village's regulatory basis of accounting.

Village of Russellville
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008

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

H. TOTAL COLUMNS ON FINANCIAL STATEMENTS

Total columns on the financial statements are captioned “Total (Memorandum Only)” to indicate that they are presented only to facilitate financial analysis. Interfund-type eliminations have not been made in the aggregation of this data.

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 bank amount of cash and investments at December 31 was as follows:

	2009	2008
Demand deposits	\$ 207,172	\$ 34,856
Certificates of Deposit	27,000	207,000
Total deposits and investments	\$ 234,172	\$ 241,856

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, 2009 and 2008 were as follows:

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 88,392	\$ 98,403	\$ 10,011
Special Revenue	173,994	230,181	56,187
Enterprise	146,109	157,775	11,666
Total	\$ 408,495	\$ 486,359	\$ 77,864

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 95,661	\$ 92,188	\$ 3,473
Special Revenue	217,015	246,813	(29,798)
Enterprise	175,092	160,004	15,088
Total	\$ 487,768	\$ 499,005	\$ (11,237)

Village of Russellville
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008

NOTE 3 – BUDGETARY ACTIVITY (COND'T)

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 131,495	\$ 138,550	\$ 7,055
Special Revenue	122,797	187,997	65,200
Enterprise	187,000	148,963	(38,037)
Total	\$ 441,292	\$ 475,510	\$ 34,218

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 97,548	\$ 157,040	\$ (59,492)
Special Revenue	103,177	78,080	25,097
Enterprise	192,616	192,515	101
Total	\$ 393,341	\$ 427,635	\$ (34,294)

The Village made expenditures of funds that had not been appropriated in 2009 and 2008.

The Village made expenditures of funds that had not been encumbered in 2008.

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 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.

NOTE 4 – PROPERTY TAX (CONT'D)

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

Village of Russellville
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008

NOTE 5 – DEBT OBLIGATIONS

Debt outstanding at December 31, 2009 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan	\$ 490,008	2.20%
Fire Truck General Obligation Bond	69,147	5.00%
Total	\$ 559,155	

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.

The Fire Truck General Obligation Bond was issued on May 19, 2009 for the purpose of purchasing fire engine and tank. The bond will mature on April 1, 2014.

Amortization of the above debt, including interest, follows:

Year Ending December 31	OWDA Loans	General Obligation Bond	Total
2010	\$ 31,216	\$ 15,902	\$ 47,118
2011	62,432	15,902	\$ 78,334
2012	62,432	15,902	\$ 78,334
2013	62,432	15,902	\$ 78,334
2014	62,432	15,901	\$ 78,333
2015-2019	249,728		\$ 249,728
	\$ 530,672	\$ 79,509	\$ 610,181

NOTE 6 – 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 2009 and 2008, 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 10 percent of their gross salaries and the Village contributed an amount equaling 14 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2009.

Village of Russellville
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008

NOTE 7 – RISK MANAGEMENT

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

The Village insures against injuries to employees through the Ohio Bureau of Workers Compensation.

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, EP retains insured risks up to an amount specified in the contracts. At December 31, 2008, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2008 and 2007 (the latest information available):

	2008	2007
Assets	\$ 35,769,535	\$ 37,560,071
Liabilities	<u>(15,310,206)</u>	<u>(17,340,825)</u>
Net Assets	<u>\$ 20,459,329</u>	<u>\$ 20,219,246</u>

At December 31, 2008 and 2007, respectively, the liabilities above include approximately \$13.8 million and \$15.9 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$12.9 million and \$15.0 million of unpaid claims to be billed to approximately 445 member governments in the future years is approximately \$27,000.

Village of Russellville
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008

NOTE 7 – RISK MANAGEMENT (CONT'D)

Based on discussions with PEP the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

	<u>2008</u>	<u>2009</u>
<u>Contributions to P.E.P.</u>	8,845	8,361

After completing one year of membership, members may withdraw on each anniversary of the date they joined PEP. They must provide written notice to PEP 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the withdrawal.



**Report On Internal Control Over Financial Reporting and On Compliance and Other Matters Required by
*Government Auditing Standards***

Village Council
Village of Russellville
Brown County
203 East Main St
Russellville, Ohio 45168

We have audited the financial statements of the Village of Russellville, Brown County, (the Village) as of and for the years ended December 31, 2009 and 2008 and have issued our report thereon dated June 30, 2010, wherein we noted the Village prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United State of America. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting that we consider a material weakness.

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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2009-001 described in the accompanying schedule of findings to be a material weakness.

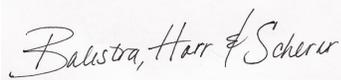
Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as items 2009-002 and 2009-003.

We also noted certain compliance and matters not requiring inclusion in this report that we reported to the Village's management a separate letter dated June 30, 2010.

Village Council
Village of Russellville
Report On Internal Control Over Financial Reporting and On Compliance and Other Matters Required by
Government Auditing Standards
Page 2

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

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

Balestra, Harr & Scherer, CPAs, Inc.
June 30, 2010

**VILLAGE OF RUSSELLVILLE
BROWN COUNTY**

Schedule of Findings
For the Fiscal Years Ended December 31, 2009 and 2008

Finding 2009-001

Material Weakness – Controls over Accounting and Reporting

Sound financial reporting is the responsibility of the fiscal officer and governing board and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

Misstatements were identified during the course of the audit which were not prevented or detected by the Village's internal controls over financial reporting. Misstatements were identified in the following areas:

- Property Tax Revenue
- Intergovernmental Revenue
- Principal and Interest Payments
- Loan Proceeds
- Non-payroll related expenditures

These misstatements were corrected in the accompanying financial statements.

The Village should implement application and monitoring controls over financial reporting to ensure that all financial statement transactions are accurately and completely reported.

Client Response:

We did not receive a response from the client concerning the above finding.

Finding Number 2009-002

Material Non-Compliance

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 Special Revenue Funds (\$29,798) at year end in 2009 and in the General Fund (\$59,492) at year end in 2008.

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:

We did not receive a response from the client concerning the above finding.

**VILLAGE OF RUSSELLVILLE
BROWN COUNTY**

Schedule of Findings
For the Fiscal Years Ended December 31, 2009 and 2008

Finding Number 2009-003

Material Noncompliance

Ohio Revised Code section 5705.41(D) states in part that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. **"Then and Now certificate** – If the fiscal officer can certify that both at the time the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrances, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful.
2. **Blanket Certificate** – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but not, be limited to a specific vendor. Only one blanket certificate may be outstanding at a particular time for any one particular line item appropriation.
3. **Super Blanket Certificate** – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonable predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriations.

Several transactions tested during 2008 were not certified by the fiscal officer at the time the commitment was incurred and there was no evidence that the Village followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

The Village should certify purchases to which section 5705.41(D) applies. The Fiscal Officer should sign the certification at the time the Village incurs a commitment, and only when the requirements of 5705.41(D) are satisfied.

Client Response:

We did not receive a response from the client concerning the above finding.

**VILLAGE OF RUSSELLVILLE
BROWN COUNTY
DECEMBER 31, 2009 AND 2008**

SCHEDULE OF PRIOR AUDIT FINDINGS

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2007-01	Significant Deficiency/Material Weakness – Bank Reconciliations Mayors Court	Yes	
2007-02	Significant Deficiency/Material Weakness – Controls over accounting and reporting	No	Reissued as Finding 2009-001
2007-03	Material Noncompliance – ORC Section 5705.10 Negative Fund Balance	Yes	
2007-04	Material Noncompliance – ORC 5705.36(A)(2) Actual receipts less than estimated receipts	No	Reissued as a management letter comment
2007-05	Material Noncompliance – ORC 5705.39 Appropriations in excess of estimated resources	Yes	
2007-06	Material Noncompliance – ORC 5705.41(B) Expenditures in excess of Appropriations	No	Reissued as Finding 2009-002
2007-07	Material Noncompliance – ORC 117.38 Timely Filing of Financial Reports	Yes	
2007-08	Significant Deficiency/Material Weakness – Monitoring of Budgetary information	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
OCTOBER 12, 2010**