

**VILLAGE OF RUSSELLVILLE
BROWN COUNTY
Regular Audit
For the Years Ended December 31, 2011 and 2010**

Perry & Associates
Certified Public Accountants, A.C.



Dave Yost • Auditor of State

Village Council
Village of Russellville
203 East Main Street
Russellville, Ohio 45168

We have reviewed the *Independent Accountants' Report* of the Village of Russellville, Brown County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2010 through December 31, 2011. 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 Accountants' 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 Accountants' 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 "Dave Yost".

Dave Yost
Auditor of State

October 17, 2012

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**VILLAGE OF RUSSELLVILLE
BROWN COUNTY**

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INDEPENDENT ACCOUNTANTS' REPORT

June 21, 2012

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, 2011 and 2010. 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 Standards*. 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 our audit provides a reasonable basis for our opinion.

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 the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require 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, 2011 and 2010 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, 2011 and 2010 or its changes in financial position or cash flows, where applicable for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances as of December 31, 2011 and 2010 and the reserves for encumbrances as of December 31, 2010 of the Village of Russellville, Brown County, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 1F, during 2011 the Village of Russellville adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 21, 2012, 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 the 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.

Respectfully Submitted,

A handwritten signature in cursive script that reads "Perry & Associates CPAs A.C.".

Perry and Associates
Certified Public Accountants, A.C.

**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, 2011**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Other Local Taxes	\$ 22,876	\$ 50,166	\$ 73,042
Intergovernmental	17,640	35,988	53,628
Special Assessments	-	1,530	1,530
Charges for Services	-	66,610	66,610
Fines, Licenses and Permits	33,441	-	33,441
Earnings on Investments	136	-	136
Miscellaneous	1,699	400	2,099
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	75,792	154,694	230,486
Cash Disbursements:			
Current:			
Security of Persons and Property	-	115,546	115,546
Leisure Time Activities	-	4,156	4,156
Transportation	-	16,733	16,733
General Government	82,003	1,250	83,253
Capital Outlay	-	9,551	9,551
Debt Service:			
Principal Retirement	-	13,060	13,060
Interest and Fiscal Charges	-	2,842	2,842
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	82,003	163,138	245,141
Excess of Receipts (Under) Disbursements	<hr/>	<hr/>	<hr/>
	(6,211)	(8,444)	(14,655)
Other Financing Receipts/(Disbursements):			
Advances In	3,600	3,600	7,200
Advances Out	(3,600)	(3,600)	(7,200)
	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts/Disbursements	-	-	-
Net Change in Fund Cash Balances	<hr/>	<hr/>	<hr/>
	(6,211)	(8,444)	(14,655)
Fund Cash Balances, January 1	<hr/>	<hr/>	<hr/>
	30,390	177,710	208,100
Fund Cash Balances, December 31			
Restricted	-	169,266	169,266
Unassigned	24,179	-	24,179
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	<u>\$ 24,179</u>	<u>\$ 169,266</u>	<u>\$ 193,445</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 FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Agency Fund	
Operating Cash Receipts:			
Charges for Services	\$ 179,514	\$ -	\$ 179,514
Total Operating Receipts	179,514	-	\$ 179,514
Operating Cash Disbursements:			
Personal Services	5,464	-	5,464
Employee Fringe Benefits	1,064	-	1,064
Contractual Services	65,182	-	65,182
Supplies and Materials	44,856	-	44,856
Total Operating Cash Disbursements	116,566	-	116,566
Operating Income (Loss)	62,948	-	62,948
Non-Operating Cash Receipts/(Disbursements):			
Special Assessments	15,312	-	15,312
Capital Outlay	(14,990)	-	(14,990)
Principal Retirement	(52,645)	-	(52,645)
Interest and Fiscal Charges	(9,050)	-	(9,050)
Other Non-Operating Receipts	-	40,481	40,481
Other Non-Operating Disbursements	-	(40,481)	(40,481)
Total Non-Operating Cash Receipts/(Disbursements)	(61,373)	-	(61,373)
Net Change in Fund Cash Balances	1,575	-	1,575
Fund Cash Balances, January 1	67,520	-	67,520
Fund Cash Balances, December 31	\$ 69,095	\$ -	\$ 69,095

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, 2010**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Other Local Taxes	\$ 23,037	\$ 47,542	\$ 70,579
Intergovernmental	11,836	56,435	68,271
Special Assessments	-	1,387	1,387
Charges for Services	-	68,761	68,761
Fines, Licenses and Permits	34,738	-	34,738
Earnings on Investments	1,250	30	1,280
Miscellaneous	2,375	775	3,150
	<u>73,236</u>	<u>174,930</u>	<u>248,166</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
Security of Persons and Property	-	94,189	94,189
Leisure Time Activities	-	2,950	2,950
Transportation	-	21,544	21,544
General Government	67,375	-	67,375
Capital Outlay	-	1,918	1,918
Debt Service:	-		
Principal Retirement	-	12,857	12,857
Interest and Fiscal Charges	-	3,044	3,044
	<u>67,375</u>	<u>136,502</u>	<u>203,877</u>
Total Cash Disbursements			
Excess of Receipts Over Disbursements	<u>5,861</u>	<u>38,428</u>	<u>44,289</u>
Other Financing Receipts/(Disbursements):			
Transfers In	-	2,300	2,300
Transfers Out	(2,300)	-	(2,300)
Advances In	2,000	2,000	4,000
Advances Out	(2,000)	(2,000)	(4,000)
	<u>(2,300)</u>	<u>2,300</u>	<u>-</u>
Total Other Financing Receipts/Disbursements			
Net Change in Fund Cash Balances	3,561	40,728	44,289
Fund Cash Balances, January 1	<u>26,829</u>	<u>136,982</u>	<u>163,811</u>
Fund Cash Balances, December 31	<u>\$ 30,390</u>	<u>\$ 177,710</u>	<u>\$ 208,100</u>
Reserve for Encumbrances, December 31	<u>\$ 3,555</u>	<u>\$ -</u>	<u>\$ 3,555</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 FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency Fund</u>	
Operating Cash Receipts:			
Charges for Services	\$ 146,643	\$ -	\$ 146,643
Total Operating Receipts	<u>146,643</u>	<u>-</u>	<u>\$ 146,643</u>
Operating Cash Disbursements:			
Personal Services	8,756	-	8,756
Employee Fringe Benefits	1,624	-	1,624
Contractual Services	56,114	-	56,114
Supplies and Materials	36,705	-	36,705
Total Operating Cash Disbursements	<u>103,199</u>	<u>-</u>	<u>103,199</u>
Operating Income (Loss)	<u>43,444</u>	<u>-</u>	<u>43,444</u>
Non-Operating Cash Receipts/(Disbursements):			
Special Assessments	16,227	-	16,227
Capital Outlay	(371)	-	(371)
Principal Retirement	(51,507)	-	(51,507)
Interest and Fiscal Charges	(10,188)	-	(10,188)
Other Non-Operating Receipts	-	42,624	42,624
Other Non-Operating Disbursements	-	(42,624)	(42,624)
Total Non-Operating Cash Receipts/(Disbursements)	<u>(45,839)</u>	<u>-</u>	<u>(45,839)</u>
Net Change in Fund Cash Balances	(2,395)	-	(2,395)
Fund Cash Balances, January 1	<u>69,915</u>	<u>-</u>	<u>69,915</u>
Fund Cash Balances, December 31	<u>\$ 67,520</u>	<u>\$ -</u>	<u>\$ 67,520</u>

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

**VILLAGE OF RUSSELLVILLE
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011 AND 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Russellville, Brown County (the Village), as a body corporate and politic. A publicly elected six-member Council directs the Village. The Village provides park operations, police protection and fire protection. The Village contracts with the Brown County Rural Water Association to provide sewer utility.

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

Public Entity Risk Pool:

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.

The Village's management believes these financial statements present all activities for which the Village is financially accountable.

B. Accounting Basis

These financial statements follow the basis of accounting the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Deposits and Investments

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

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

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 reports all financial resources except those required to be accounted for in another fund.

**VILLAGE OF RUSSELLVILLE
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011 AND 2010
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than from private-purpose 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 - This fund is used to account for a property tax levy and charges for services to provide fire protection.

Police Protection Fund - This fund is used to account for a property tax levy to provide police services.

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

3. Enterprise Funds

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

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

4. Fiduciary Funds (Agency Funds)

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

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

**VILLAGE OF RUSSELLVILLE
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011 AND 2010
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year-end.

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2011 and 2010 budgetary activity appears in Note 3.

F. Fund Balance

For December 31, 2011, fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

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

2. Restricted

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

**VILLAGE OF RUSSELLVILLE
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011 AND 2010
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Fund Balance (Continued)

3. Committed

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

4. Assigned

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

5. Unassigned

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

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

G. Property, Plant and Equipment

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

2. EQUITY IN POOLED DEPOSITS

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

	<u>2011</u>	<u>2010</u>
Demand deposits	\$ 135,319	\$ 148,535
Other time deposits (savings account)	127,221	127,085
Total deposits	<u>\$ 262,540</u>	<u>\$ 275,620</u>

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized by the financial institution's public entity deposit pool.

**VILLAGE OF RUSSELLVILLE
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011 AND 2010
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2011 and 2010 follows:

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 81,300	\$ 75,792	\$ (5,508)
Special Revenue	142,283	154,694	12,411
Enterprise	180,000	194,826	14,826
Total	\$ 403,583	\$ 425,312	\$ 21,729

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 101,381	\$ 82,003	\$ 19,378
Special Revenue	192,845	163,138	29,707
Enterprise	195,000	193,251	1,749
Total	\$ 489,226	\$ 438,392	\$ 50,834

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 86,300	\$ 73,236	\$ (13,064)
Special Revenue	127,920	177,230	49,310
Enterprise	142,512	162,870	20,358
Total	\$ 356,732	\$ 413,336	\$ 56,604

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 92,590	\$ 73,230	\$ 19,360
Special Revenue	174,690	136,502	38,188
Enterprise	168,423	165,265	3,158
Total	\$ 435,703	\$ 374,997	\$ 60,706

4. DEBT

Debt outstanding at December 31, 2011 was as follows:

	Principal	Interest Rate
OWDA Loan #2496	\$ 371,769	2.20%
Fire Truck General Obligation Bond	43,230	5.00%
Total	\$ 414,999	

**VILLAGE OF RUSSELLVILLE
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011 AND 2010
(Continued)**

4. DEBT (Continued)

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 \$993,897 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 prior year outstanding balance as of 12/31/09 was incorrectly stated as \$490,008 in the prior audit report. The correct outstanding balance as of 12/31/09 should have been listed as \$475,921.

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

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

Year ending December 31:	OWDA Loan #2496	Fire Truck Bond	Total
2012	\$ 45,005	\$ 15,130	\$ 60,135
2013	45,005	15,130	60,135
2014	45,005	15,130	60,135
2015	45,005	-	45,005
2016	45,005	-	45,005
2017-2021	154,923	-	154,923
Total	<u>\$ 379,948</u>	<u>\$ 45,390</u>	<u>\$ 425,338</u>

5. PROPERTY TAX

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

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

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.

**VILLAGE OF RUSSELLVILLE
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011 AND 2010
(Continued)**

6. RETIREMENT SYSTEMS

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

The Ohio Revised Code prescribes contribution rates. For 2011 and 2010, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equal to 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2011.

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 Worker's 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 and provides underwriting, claims, loss control, risk management, and reinsurance services for 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, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2010, PEP retained \$350,000 for casualty claims and \$150,000 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.

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, 2010 and 2009 (the latest information available):

	<u>2010</u>	<u>2009</u>
Assets	\$34,952,010	\$36,374,898
Liabilities	<u>(14,320,812)</u>	<u>(15,256,862)</u>
Net Assets	<u>\$20,631,198</u>	<u>\$21,118,036</u>

**VILLAGE OF RUSSELLVILLE
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011 AND 2010
(Continued)**

7. RISK MANAGEMENT (Continued)

At December 31, 2010 and 2009, respectively, the liabilities above include approximately \$12.9 million and \$14.1 million of estimated incurred claims payable. The assets above also include approximately \$12.4 million and \$13.7 million of unpaid claims to be billed to approximately 454 member governments in the future, as of December 31, 2010 and 2009, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2010, the Village's share of these unpaid claims collectible in future years is approximately \$9,000.

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>Contributions to PEP</u>	
<u>2011</u>	<u>2010</u>
\$10,110	\$8,756

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to 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 PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

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

June 21, 2012

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

To the Village Council:

We have audited the financial statements of the **Village of Russellville**, Brown County Ohio (the Village), as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated June 21, 2012, 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 States of America and has adopted Governmental Accounting Standards Board Statement No. 54. 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 audit 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 finding 2011-001 described in the accompanying schedule of audit 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated June 21, 2012.

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

Respectfully Submitted,

A handwritten signature in cursive script that reads "Perry & Associates CPAs A.C.".

Perry and Associates
Certified Public Accountants, A.C.

**VILLAGE OF RUSSELLVILLE
BROWN COUNTY**

**SCHEDULE OF AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2011 AND 2010**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2011-001

Material Weakness

Posting Receipts and Disbursements

Receipts and disbursements should be posted to the fund and line item accounts as established by Ohio Administrative Code Section 117-7-01.

Receipts and disbursements were not always posted correctly. The following posting errors were noted:

- Principal and interest payments were misclassified as Security of Persons and Property and Capital Outlay disbursements in 2010.
- Intergovernmental receipts were misclassified as Property and Local Taxes in both 2011 and 2010 and as Special Assessments in 2010.
- Mayor's Court activity was not properly recorded in the Agency Fund
- Security of Persons and Property disbursements were recorded as Other Financing Uses in both 2011 and 2010.

This resulted in reclassification entries being made to the Village's financial statements. The accompanying financial statements reflect all reclassifications.

To help ensure accuracy and reliability in the financial reporting process, we recommend that management perform a detailed review of its draft financial statements. Such review should include procedures to ensure that all sources of receipts and disbursements are properly identified and classified on the financial statements.

We also recommend the Fiscal Officer refer to Ohio Administrative Code Section 117-7-01 and/or the Ohio Village Handbook for guidance to determine the proper establishment of receipt and disbursement accounts and posting of receipts and disbursements.

Management's Response – We did not receive a response from officials to this finding.

**VILLAGE OF RUSSELLVILLE
BROWN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2011 AND 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2009-001	Controls over Accounting and Reporting	No	Repeated as 2011-001
2009-002	5705.41(B)	Yes	N/A
2009-003	5705.41(D)	Yes	N/A



Dave Yost • 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
NOVEMBER 8, 2012