

**VILLAGE OF RUSSELLVILLE  
BROWN COUNTY  
Regular Audit  
For the Years Ended December 31, 2013 and 2012**

***Perry & Associates***  
Certified Public Accountants, A.C.





# Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Village of Russellville, Brown County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2012 through December 31, 2013. 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.

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 black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

July 17, 2014

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VILLAGE OF RUSSELLVILLE  
BROWN COUNTY

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## INDEPENDENT AUDITOR'S REPORT

June 13, 2014

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

To the Village Council:

### *Report on the Financial Statements*

We have audited the accompanying financial statements and related notes of the **Village of Russellville**, Brown County, (the Village) as of and for the years ended December 31, 2013 and 2012.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

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

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

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

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

As described in Note 1B of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy these requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1B and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2013 and 2012, or changes in financial position or cash flows thereof for the years then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Russellville, Brown County, as of December 31, 2013 and 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1B.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 13, 2014, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



**Perry and Associates**  
Certified Public Accountants, A.C.  
Marietta, Ohio

**VILLAGE OF RUSSELLVILLE  
BROWN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<b>General</b>	<b>Special Revenue</b>	<b>Totals (Memorandum Only)</b>
<b>Cash Receipts:</b>			
Property and Other Local Taxes	\$ 21,095	\$ 42,294	\$ 63,389
Intergovernmental	13,906	51,608	65,514
Charges for Services	-	63,833	63,833
Fines, Licenses and Permits	47,069	-	47,069
Earnings on Investments	37	3	40
Miscellaneous	2,668	5,435	8,103
<i>Total Cash Receipts</i>	84,775	163,173	247,948
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	-	105,484	105,484
Leisure Time Activities	-	3,633	3,633
Transportation	-	16,928	16,928
General Government	85,168	1,500	86,668
Debt Service:			
Principal Retirement	-	22,994	22,994
Interest and Fiscal Charges	-	1,268	1,268
<i>Total Cash Disbursements</i>	85,168	151,807	236,975
<i>Excess of Receipts Over (Under) Disbursements</i>	(393)	11,366	10,973
<b>Other Financing Receipts (Disbursements)</b>			
Advances In	1,500	1,500	3,000
Advances Out	(1,500)	(1,500)	(3,000)
<i>Total Other Financing Receipts</i>	-	-	-
<i>Net Change in Fund Cash Balances</i>	(393)	11,366	10,973
<i>Fund Cash Balances, January 1</i>	21,906	150,636	172,542
<b>Fund Cash Balances, December 31</b>			
Restricted	-	162,002	162,002
Assigned	1,708	-	1,708
Unassigned	19,805	-	19,805
<i>Fund Cash Balances, December 31</i>	\$ 21,513	\$ 162,002	\$ 183,515

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



**VILLAGE OF RUSSELLVILLE  
BROWN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN FUND BALANCES (CASH BASIS)  
ALL PROPRIETARY AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency Fund</u>	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$ 155,930	\$ -	\$ 155,930
<i>Total Operating Cash Receipts</i>	<u>155,930</u>	<u>-</u>	<u>\$ 155,930</u>
<b>Operating Cash Disbursements:</b>			
Personal Services	3,970	-	3,970
Employee Fringe Benefits	776	-	776
Contractual Services	58,116	-	58,116
Supplies and Materials	40,177	-	40,177
<i>Total Operating Cash Disbursements</i>	<u>103,039</u>	<u>-</u>	<u>103,039</u>
<i>Operating Income</i>	<u>52,891</u>	<u>-</u>	<u>52,891</u>
<b>Non-Operating Cash Receipts (Disbursements):</b>			
Special Assessments	6,552	-	6,552
Principal Retirement	(55,001)	-	(55,001)
Interest and Other Fiscal Charges	(6,694)	-	(6,694)
Other Financing Sources	-	41,544	41,544
Other Financing Uses	-	(41,544)	(41,544)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(55,143)</u>	<u>-</u>	<u>(55,143)</u>
<i>Net Change in Fund Cash Balances</i>	(2,252)	-	(2,252)
<i>Fund Cash Balances, January 1</i>	<u>80,935</u>	<u>-</u>	<u>80,935</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$ 78,683</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 78,683</u></u>

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

**VILLAGE OF RUSSELLVILLE  
BROWN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<b>General</b>	<b>Special Revenue</b>	<b>Totals (Memorandum Only)</b>
<b>Cash Receipts:</b>			
Property and Other Local Taxes	\$ 22,500	\$ 51,334	\$ 73,834
Intergovernmental	11,529	37,560	49,089
Special Assessments	-	1,506	1,506
Charges for Services	-	52,990	52,990
Fines, Licenses and Permits	46,469	-	46,469
Earnings on Investments	58	-	58
Miscellaneous	1,564	15,000	16,564
	<u>82,120</u>	<u>158,390</u>	<u>240,510</u>
<i>Total Cash Receipts</i>			
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	-	96,545	96,545
Public Health Services	-	1,000	1,000
Leisure Time Activities	-	5,700	5,700
Transportation	-	17,359	17,359
General Government	84,393	-	84,393
Capital Outlay	-	62,574	62,574
Debt Service:			
Principal Retirement	-	50,333	50,333
Interest and Fiscal Charges	-	3,509	3,509
	<u>84,393</u>	<u>237,020</u>	<u>321,413</u>
<i>Total Cash Disbursements</i>			
<i>Excess of Receipts (Under) Disbursements</i>	<u>(2,273)</u>	<u>(78,630)</u>	<u>(80,903)</u>
<b>Other Financing Receipts:</b>			
Note Proceeds	-	60,000	60,000
	<u>-</u>	<u>60,000</u>	<u>60,000</u>
<i>Total Other Financing Receipts</i>			
<i>Net Change in Fund Cash Balances</i>	<u>(2,273)</u>	<u>(18,630)</u>	<u>(20,903)</u>
<i>Fund Cash Balances, January 1</i>	<u>24,179</u>	<u>169,266</u>	<u>193,445</u>
<b>Fund Cash Balances, December 31</b>			
Restricted	-	150,636	150,636
Assigned	10,260	-	10,260
Unassigned	11,646	-	11,646
	<u>21,906</u>	<u>150,636</u>	<u>172,542</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 21,906</u>	<u>\$ 150,636</u>	<u>\$ 172,542</u>

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

**VILLAGE OF RUSSELLVILLE  
BROWN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN FUND BALANCES (CASH BASIS)  
ALL PROPRIETARY AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<b>Proprietary Fund Type</b>	<b>Fiduciary Fund Type</b>	<b>Totals (Memorandum Only)</b>
	<b>Enterprise</b>	<b>Agency Fund</b>	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$ 154,259	\$ -	\$ 154,259
<i>Total Operating Cash Receipts</i>	154,259	-	\$ 154,259
<b>Operating Cash Disbursements:</b>			
Personal Services	6,166	-	6,166
Employee Fringe Benefits	1,092	-	1,092
Contractual Services	46,671	-	46,671
Supplies and Materials	37,509	-	37,509
<i>Total Operating Cash Disbursements</i>	91,438	-	91,438
<i>Operating Income</i>	62,821	-	62,821
<b>Non-Operating Cash Receipts (Disbursements):</b>			
Special Assessments	10,715	-	10,715
Principal Retirement	(53,811)	-	(53,811)
Interest and Other Fiscal Charges	(7,885)	-	(7,885)
Other Financing Sources	-	43,576	43,576
Other Financing Uses	-	(43,576)	(43,576)
<i>Total Non-Operating Receipts (Disbursements)</i>	(50,981)	-	(50,981)
<i>Net Change in Fund Cash Balances</i>	11,840	-	11,840
<i>Fund Cash Balances, January 1</i>	69,095	-	69,095
<i>Fund Cash Balances, December 31</i>	\$ 80,935	\$ -	\$ 80,935

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 YEARS ENDED DECEMBER 31, 2013 AND 2012**

**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 services.

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 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 accounts for and reports all financial resources not accounted for and reported in another fund.

**VILLAGE OF RUSSELLVILLE  
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Fund Accounting (Continued)**

**2. Special Revenue Funds**

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

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 YEARS ENDED DECEMBER 31, 2013 AND 2012  
(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 2013 and 2012 budgetary activity appears in Note 3.

**F. Fund Balance**

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

**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 YEARS ENDED DECEMBER 31, 2013 AND 2012  
(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>2013</u>	<u>2012</u>
Demand deposits	\$ 134,894	\$ 126,198
Other time deposits (savings account)	127,304	127,279
Total deposits	<u>\$ 262,198</u>	<u>\$ 253,477</u>

**Deposits:** 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 YEARS ENDED DECEMBER 31, 2013 AND 2012  
(Continued)**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ended December 31, 2013 and 2012 follows:

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 133,413	\$ 84,775	\$ (48,638)
Special Revenue	175,950	163,173	(12,777)
Enterprise	152,542	162,482	9,940
Total	\$ 461,905	\$ 410,430	\$ (51,475)

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 112,320	\$ 86,876	\$ 25,444
Special Revenue	171,435	151,901	19,534
Enterprise	173,622	164,749	8,873
Total	\$ 457,377	\$ 403,526	\$ 53,851

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 93,950	\$ 82,120	\$ (11,830)
Special Revenue	212,065	218,390	6,325
Enterprise	177,540	164,974	(12,566)
Total	\$ 483,555	\$ 465,484	\$ (18,071)

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 117,399	\$ 94,653	\$ 22,746
Special Revenue	289,934	237,169	52,765
Enterprise	196,314	155,472	40,842
Total	\$ 603,647	\$ 487,294	\$ 116,353

**4. 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.



**VILLAGE OF RUSSELLVILLE  
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012  
(Continued)**

**4. PROPERTY TAX (Continued)**

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

**5. DEBT**

Debt outstanding at December 31, 2013 was as follows:

	Principal	Interest Rate
OWDA Loan #2496	\$ 262,957	2.20%
EMS Building General Obligation Bond	29,903	3.25%
Total	\$ 292,860	

The Village issued a general obligation bond for the purchase of a fire engine and tank on May 19, 2009. The bond was paid off early in 2012.

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 Village issued a general obligation bond in 2012 for the purchase of a new EMS building. The bond will be repaid in monthly installments with an interest rate of 3.25%. The bond is scheduled to mature in 2019.

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

Year ending December 31:	OWDA Loan #2496	EMS Building Bond
2014	\$ 30,848	\$ 5,867
2015	61,695	6,400
2016	61,695	6,400
2017	61,695	6,400
2018	61,695	6,400
2019	-	1,067
Total	\$ 277,628	\$ 32,534

**VILLAGE OF RUSSELLVILLE  
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012  
(Continued)**

**6. RETIREMENT SYSTEMS**

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

The Ohio Revised Code also prescribes contribution rates. For 2013 and 2012, OPERS members contributed 10% of their gross salaries, and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2013.

**7. RISK MANAGEMENT**

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

The Government insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Government 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. York Risk Pooling Services, Inc. (formerly known as American Risk Pooling Consultants, Inc.), 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, 2012, 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, 2012 and 2011 (the latest information available):

	<u>2012</u>	<u>2011</u>
Assets	\$34,389,569	\$33,362,404
Liabilities	<u>(14,208,353)</u>	<u>(14,187,273)</u>
Net Position	<u>\$20,181,216</u>	<u>\$19,175,131</u>

**VILLAGE OF RUSSELLVILLE  
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012  
(Continued)**

**7. RISK MANAGEMENT (Continued)**

At December 31, 2012 and 2011, respectively, the liabilities above include approximately \$13.1 million and \$13.0 million of estimated incurred claims payable. The assets above also include approximately \$12.6 million and \$12.1 million of unpaid claims to be billed to approximately 466 and 455 member governments in the future, as of December 31, 2012 and 2011, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2013, the Village's share of these unpaid claims collectible in future years is approximately \$11,000.

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>2013</u>	<u>2012</u>
\$12,588	\$11,018

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.

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

June 13, 2014

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

To the Village Council:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the **Village of Russellville**, Brown County, (the Village) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements and have issued our report thereon dated June 13, 2014, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

**Internal Control Over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. 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 internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2013-001 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, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters that we must report under *Government Auditing Standards*.

We also noted certain matters not requiring inclusion in this report that we communicated to management in a separate letter dated June 13, 2014.

**Purpose of this Report**

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



**Perry and Associates**  
Certified Public Accountants, A.C.  
*Marietta, Ohio*

**VILLAGE OF RUSSELLVILLE  
BROWN COUNTY**

**SCHEDULE OF AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2013-001**

**Material Weakness**

**Posting Receipts, Disbursements and Fund Balances**

Receipts, disbursements and fund balances should be posted to the fund and line item accounts as established by Ohio Administrative Code Section 117-7-01 and GASB 54.

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

- In 2013 and 2012, Mayor’s Court activity was not properly recorded in the Agency Fund.
- In 2013 and 2012, Principal Retirement and Interest and Other Fiscal Charges disbursements were not classified correctly when compared to supporting documentation.
- In 2013, Intergovernmental receipts were misclassified as Property and Other Local Taxes in the General, Fire, Police and EMS Funds.
- In 2013, Miscellaneous receipts were misclassified as Intergovernmental in the EMS Fund.
- In 2012, a Note Proceeds receipt was misclassified as Miscellaneous in the EMS Fund. Also, the corresponding disbursement was misclassified as Security of Persons and Property rather than Capital Outlay.
- In 2013 and 2012, encumbrances in the General Fund were misclassified as Unassigned rather than Assigned.
- In 2012, Fund Balances for the Fire, Police and EMS Funds were misclassified as Assigned rather than Restricted.

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 YEARS ENDED DECEMBER 31, 2013 AND 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2011-001	Posting of Receipts and Disbursements	No	Repeated as 2013-001

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# 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  
JULY 29, 2014