



**VILLAGE OF SOUTH RUSSELL
GEAUGA COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2001 & 2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

VILLAGE OF SOUTH RUSSELL
GEAUGA COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

Village of South Russell
Geauga County
5205 Chillicothe Road
South Russell, Ohio 44022

To the Village Council:

We have audited the accompanying financial statements of the Village of South Russell, Geauga County, Ohio, (the Village) as of and for the years ended December 31, 2001 and December 31, 2000. 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 audits.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of South Russell, Geauga County, Ohio, as of December 31, 2001 and December 31, 2000, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 6, 2002 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

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

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

Jim Petro
Auditor of State

May 6, 2002

**VILLAGE OF SOUTH RUSSELL
GEAUGA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$328,696	\$1,389,855		\$1,718,551
Intergovernmental Receipts	256,097	155,267		411,364
Charges for Services	33,905			33,905
Fines, Licenses, and Permits	78,179			78,179
Earnings on Investments	86,786			86,786
Miscellaneous	14,362			14,362
Total Cash Receipts	<u>798,025</u>	<u>1,545,122</u>	<u>\$0</u>	<u>2,343,147</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	145,392	830,852		976,244
Public Health Services		2,839		2,839
Community Environment	266,707			266,707
Transportation		530,635		530,635
General Government	388,866	38,688		427,554
Capital Outlay			100,831	100,831
Total Cash Disbursements	<u>800,965</u>	<u>1,403,014</u>	<u>100,831</u>	<u>2,304,810</u>
Total Receipts Over/(Under) Disbursements	<u>(2,940)</u>	<u>142,108</u>	<u>(100,831)</u>	<u>38,337</u>
Other Financing Receipts and (Disbursements):				
Transfers-In		823,000	1,099,000	1,922,000
Transfers-Out	(1,004,000)	(918,000)		(1,922,000)
Total Other Financing Receipts/(Disbursements)	<u>(1,004,000)</u>	<u>(95,000)</u>	<u>1,099,000</u>	<u>0</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>(1,006,940)</u>	<u>47,108</u>	<u>998,169</u>	<u>38,337</u>
Fund Cash Balances, January 1, 2001	<u>1,215,690</u>	<u>349,935</u>	<u>360,505</u>	<u>1,926,130</u>
Fund Cash Balances, December 31, 2001	<u>\$208,750</u>	<u>\$397,043</u>	<u>\$1,358,674</u>	<u>\$1,964,467</u>
Reserves for Encumbrances, December 31, 2001	<u>\$0</u>	<u>\$46,962</u>	<u>\$14,500</u>	<u>\$61,462</u>

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

VILLAGE OF SOUTH RUSSELL
GEAUGA COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - AGENCY FUND -
FOR THE YEAR ENDED DECEMBER 31, 2001

	<u>Agency</u>
Non-Operating Cash Receipts:	
Other Non-Operating Receipts	<u>\$121,770</u>
Total Non-Operating Cash Receipts	<u>121,770</u>
Non-Operating Cash Disbursements:	
Other Non-Operating Cash Disbursements	<u>112,948</u>
Total Non-Operating Cash Disbursements	<u>112,948</u>
Net Receipts Over/(Under) Disbursements	8,822
Fund Cash Balances, January 1, 2001	<u>148,382</u>
Fund Cash Balances, December 31, 2001	<u><u>\$157,204</u></u>
Reserve for Encumbrances, December 31, 2001	<u><u>\$0</u></u>

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

**VILLAGE OF SOUTH RUSSELL
GEAUGA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$322,284	\$1,334,562		\$1,656,846
Intergovernmental Receipts	1,366,272	155,633		1,521,905
Charges for Services	2,809			2,809
Fines, Licenses, and Permits	68,222			68,222
Miscellaneous	117,324			117,324
Total Cash Receipts	1,876,911	1,490,195	\$0	3,367,106
Cash Disbursements:				
Current:				
Security of Persons and Property	153,033	721,105		874,138
Public Health Services	23,850	700		24,550
Community Environment	220,657			220,657
Transportation		557,933		557,933
General Government	347,894	40,327		388,221
Capital Outlay			439,330	439,330
Total Cash Disbursements	745,434	1,320,065	439,330	2,504,829
Total Receipts Over/(Under) Disbursements	1,131,477	170,130	(439,330)	862,277
Other Financing Receipts and (Disbursements):				
Transfers-In		728,000	440,000	1,168,000
Transfers-Out	(300,000)	(868,000)		(1,168,000)
Total Other Financing Receipts/(Disbursements)	(300,000)	(140,000)	440,000	0
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	831,477	30,130	670	862,277
Fund Cash Balances, January 1, 2000	384,213	319,805	359,835	1,063,853
Fund Cash Balances, December 31, 2000	\$1,215,690	\$349,935	\$360,505	\$1,926,130
Reserves for Encumbrances, December 31, 2000	\$4,112	\$4,470	\$0	\$8,582

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

VILLAGE OF SOUTH RUSSELL
GEAUGA COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - AGENCY FUND -
FOR THE YEAR ENDED DECEMBER 31, 2000

	<u>Agency</u>
Non-Operating Cash Receipts:	
Other Non-Operating Receipts	<u>\$56,080</u>
Total Non-Operating Cash Receipts	<u>56,080</u>
Non-Operating Cash Disbursements:	
Other Non-Operating Cash Disbursements	<u>74,022</u>
Total Non-Operating Cash Disbursements	<u>74,022</u>
Net Receipts Over/(Under) Disbursements	(17,942)
Fund Cash Balances, January 1, 2000	<u>166,324</u>
Fund Cash Balances, December 31, 2000	<u><u>\$148,382</u></u>
Reserve for Encumbrances, December 31, 2000	<u><u>\$0</u></u>

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

**VILLAGE OF SOUTH RUSSELL
GEAUGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of South Russell, Geauga 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 and a Mayor. The Village provides general governmental services, including road maintenance, recreation, and police protection. The Village contracts with South Russell Township for fire protection services.

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

B. Basis of Accounting

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

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

C. Cash and Investments

The Village invests in STAR Ohio (the State Treasurer's investment pool) and in an overnight sweep account. The investment in STAR Ohio is valued at amounts reported by the State Treasurer and the Sweep Account is valued at cost.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

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

Safety Fund - This fund is used for the purpose of providing and maintaining motor vehicles, communications, and other equipment used directly in the operations of the Police Department and the payment of salaries of police personnel, including the payment of the employer's police pension and PERS contributions.

**VILLAGE OF SOUTH RUSSELL
GEAUGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

3. Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project fund:

Special Road Fund - This fund is used to account for major road construction activities in the Village.

4. Fiduciary Funds (Agency Funds)

Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant Agency Fund:

Construction Fund - This fund is used to account for refundable deposits for residential, commercial, and industrial type work, prior to construction.

E. Budgetary Process

The Ohio Revised Code requires that each fund, except Agency Funds, be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund level of control, and appropriations may not exceed estimated resources. The Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. 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 commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2001 and 2000 budgetary activity appears in Note 3.

**VILLAGE OF SOUTH RUSSELL
GEAUGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Property, Plant and Equipment

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

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2001	2000
Demand deposits	\$58,553	\$49,977
Total deposits	58,553	49,977
STAR Ohio	1,500,000	1,500,000
Repurchase agreement - Sweep Account	563,118	524,535
Total investments	2,063,118	2,024,535
Total deposits and investments	\$2,121,671	\$2,074,512

Deposits: Deposits are either insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

Investments: Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form. The Sweep Account is held in book-entry form by the Federal Reserve, in the name of the Village's financial institution. The financial institution maintains records identifying the Village as owner of these securities.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2001 and December 31, 2000 follows:

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$797,463	\$798,025	\$562
Special Revenue	2,324,300	2,368,122	43,822
Capital Projects	1,040,000	1,099,000	59,000
Agency	100,000	121,770	21,770
Total	\$4,261,763	\$4,386,917	\$125,154

**VILLAGE OF SOUTH RUSSELL
GEOUGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,797,179	\$1,804,965	(\$7,786)
Special Revenue	2,449,538	2,367,976	81,562
Capital Projects	137,505	115,331	22,174
Agency	113,000	112,948	52
Total	<u>\$4,497,222</u>	<u>\$4,401,220</u>	<u>\$96,002</u>

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,898,100	\$1,876,911	(\$21,189)
Special Revenue	2,258,800	2,218,195	(40,605)
Capital Projects	440,000	440,000	0
Agency	150,000	56,080	(93,920)
Total	<u>\$4,746,900</u>	<u>\$4,591,186</u>	<u>(\$155,714)</u>

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,110,735	\$1,049,546	\$61,189
Special Revenue	2,342,760	2,192,535	150,225
Capital Projects	499,500	439,330	60,170
Agency	150,000	74,022	75,978
Total	<u>\$4,102,995</u>	<u>\$3,755,433</u>	<u>\$347,562</u>

4. PROPERTY TAX

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

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

Tangible personal property tax is assessed by the property owners, who must file a list of such property with 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 SOUTH RUSSELL
GEAUGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

5. INCOME TAX

The Village levies an income tax of 1% on gross salaries, wages and other personal service compensation earned by residents of the Village and on the earnings of nonresidents working within the Village. The tax also applies to the net income of businesses operating within the Village.

6. RETIREMENT SYSTEMS

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

Contribution rates are also prescribed by the Ohio Revised Code. For 2001 and 2000, members of PFDPF contributed 10% of their wages to the PFDPF. The Village contributed an amount equal to 19.5% of their wages to PFDPF. PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2001 and from January 1, 2000 through June 30, 2000. PERS temporarily reduced the employer contribution rate to 8.13%, effective July 1, 2000 through December 31, 2000. The Village has paid all contributions required through December 31, 2001.

7. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

The Village provides health insurance and dental and vision coverage to full-time employees through a private carrier.

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

Village of South Russell
Geauga County
5205 Chillicothe Road
South Russell, Ohio 44022

To the Village Council:

We have audited the accompanying financial statements of the Village of South Russell, Geauga County, Ohio, (the Village) as of and for the years ended December 31, 2001 and December 31, 2000, and have issued our report thereon dated May 6, 2002. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated May 6, 2002.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated May 6, 2002.

Village of South Russell
Geauga County
Report on Compliance and on Internal Control
Required by *Government Auditing Standards*
Page 2

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

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

Jim Petro
Auditor of State

May 6, 2002



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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VILLAGE OF SOUTH RUSSELL

GEAUGA 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
JUNE 25, 2002**