

**VILLAGE OF RUSSIA
SHELBY 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 Russia
232 West Main Street
Russia, Ohio 45363

We have reviewed the *Independent Accountants' Report* of the Village of Russia, Shelby 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.

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 Russia is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

October 31, 2012

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**VILLAGE OF RUSSIA
SHELBY COUNTY**

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INDEPENDENT ACCOUNTANTS' REPORT

June 13, 2012

Village of Russia
Shelby County
232 West Main Street
Russia, Ohio 45363

To the Village Council:

We have audited the accompanying financial statements of the **Village of Russia**, Shelby County, (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 Villages 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.

Village of Russia
Vinton County
Independent Accountant's Report
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Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances as of December 31, 2011 and 2010 of the Village of Russia, Shelby 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 Russia 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 13, 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 black ink that reads "Perry & Associates CPAs A.C." The signature is written in a cursive, flowing style.

Perry and Associates
Certified Public Accountants, A.C.

**VILLAGE OF RUSSIA
SHELBY 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**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$ 17,877	\$ -	\$ -	\$ -	\$ 17,877
Municipal Income Tax	107,913	-	-	46,083	153,996
Intergovernmental	39,362	46,494	-	-	85,856
Special Assessments	-	20,581	554	-	21,135
Charges for Services	6,027	-	-	-	6,027
Fines, Licenses and Permits	1,612	-	-	-	1,612
Earnings on Investments	518	-	-	-	518
Miscellaneous	11,326	-	-	-	11,326
Total Cash Receipts	184,635	67,075	554	46,083	298,347
Cash Disbursements					
Current:					
Security of Persons and Property	22,843	19,587	-	-	42,430
Public Health Services	9,701	-	-	-	9,701
Leisure Time Activities	14,941	-	-	-	14,941
Community Environment	65	-	-	-	65
Basic Utility Services	5,418	-	-	-	5,418
Transportation	-	29,898	-	-	29,898
General Government	123,069	-	8	4,313	127,390
Capital Outlay	11,952	9,522	-	-	21,474
Total Cash Disbursements	187,989	59,007	8	4,313	251,317
Excess of Receipts Over/(Under) Disbursements	(3,354)	8,068	546	41,770	47,030
Fund Cash Balances, January 1	324,237	7,662	8,653	144,657	485,209
Fund Cash Balances, December 31					
Restricted	-	15,730	9,199	186,427	211,356
Unassigned	320,883	-	-	-	320,883
Fund Cash Balances, December 31	\$ 320,883	\$ 15,730	\$ 9,199	\$ 186,427	\$ 532,239

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

**VILLAGE OF RUSSIA
SHELBY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts	
Charges for Services	\$ 310,789
Miscellaneous	2,817
	313,606
Operating Cash Disbursements	
Personal Services	46,671
Contractual Services	660
Supplies and Materials	51,904
	99,235
Total Operating Cash Disbursements	99,235
Operating Income	214,371
Non-Operating Receipts/(Disbursements)	
Municipal Income Tax	76,905
General Government Expenses	(7,310)
Capital Outlay	(21,606)
Principal Retirement	(132,161)
Interest and Other Fiscal Charges	(73,869)
	(158,041)
Total Non-Operating Receipts/(Disbursements)	(158,041)
Net Change in Fund Cash Balances	56,330
Fund Cash Balances, January 1	435,083
Fund Cash Balances, December 31	\$ 491,413

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

**VILLAGE OF RUSSIA
SHELBY 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**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$ 21,814	\$ -	\$ -	\$ -	\$ 21,814
Municipal Income Tax	116,387	-	-	49,880	166,267
Intergovernmental	39,458	39,691	-	-	79,149
Special Assessments	-	30,421	2,910	-	33,331
Charges for Services	6,135	-	-	-	6,135
Fines, Licenses and Permits	1,572	-	-	-	1,572
Earnings on Investments	455	-	-	-	455
Miscellaneous	36,840	1,617	-	-	38,457
Total Cash Receipts	222,661	71,729	2,910	49,880	347,180
Cash Disbursements					
Current:					
Security of Persons and Property	18,074	18,825	-	-	36,899
Public Health Services	4,654	-	-	-	4,654
Leisure Time Activities	16,310	-	-	-	16,310
Community Environment	4,069	-	-	-	4,069
Basic Utility Services	6,004	-	-	-	6,004
Transportation	-	88,850	-	-	88,850
General Government	143,554	-	-	5,958	149,512
Debt Service:					
Principal Retirement	-	-	2,791	16,277	19,068
Interest and Fiscal Charges	-	-	383	3,691	4,074
Total Cash Disbursements	192,665	107,675	3,174	25,926	329,440
Excess of Receipts Over/(Under) Disbursements	29,996	(35,946)	(264)	23,954	17,740
Other Financing Receipts					
Sale of Capital Assets	7,515	-	-	-	7,515
Total Other Financing Receipts	7,515	-	-	-	7,515
Net Change in Fund Cash Balances	37,511	(35,946)	(264)	23,954	25,255
Fund Cash Balances, January 1	286,726	43,608	8,917	120,703	459,954
Fund Cash Balances, December 31	\$ 324,237	\$ 7,662	\$ 8,653	\$ 144,657	\$ 485,209

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

**VILLAGE OF RUSSIA
SHELBY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts	
Charges for Services	\$ 307,732
Total Operating Cash Receipts	307,732
Operating Cash Disbursements	
Personal Services	36,982
Contractual Services	1,882
Supplies and Materials	61,550
Total Operating Cash Disbursements	100,414
Operating Income	207,318
Non-Operating Receipts/(Disbursements)	
Municipal Income Tax	83,134
Intergovernmental	65,741
General Government Expenses	(9,930)
Capital Outlay	(7,719)
Principal Retirement	(193,378)
Interest and Other Fiscal Charges	(78,389)
Total Non-Operating Receipts/(Disbursements)	(140,541)
Net Change in Fund Cash Balances	66,777
Fund Cash Balances, January 1	368,306
Fund Cash Balances, December 31	\$ 435,083

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

**VILLAGE OF RUSSIA
SHELBY COUNTY**

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

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 Russia, Shelby County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water, sewer, and trash utilities, park operations, fire protection services and contracts for Emergency Medical Services.

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 accounting basis 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.

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.

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

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 money for constructing, maintaining, and repairing Village streets.

Street Lights Fund - This fund receives special assessments monies for constructing, maintaining and repairing Village street lights.

**VILLAGE OF RUSSIA
SHELBY COUNTY**

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

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

3. Debt Service Funds

These funds are used to accumulate resources for the payment of bonds and note indebtedness. The Village had the following significant Debt Service Fund:

North Street Special Assessment Fund – This fund receives special assessment monies to be used to pay North Street Debt.

4. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project fund:

Capital Improvement Fund – This fund receives a portion of the monies collected for sales tax from the County Auditor for permanent improvement and repayment of debt relating to capital expenditures.

5. 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 Funds:

Water Fund - This fund receives charges for services from residents to cover water service costs. The fund also receives grants and loans for the water and sewer construction projects.

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

Utilities Install Funds – This fund receives income tax receipts to be used for the construction, maintenance, and repair of the water plant.

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

1. Appropriations

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

**VILLAGE OF RUSSIA
SHELBY COUNTY**

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

1. Summary of Significant Accounting Policies (Continued)

E. Budgetary Process (Continued)

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. The Village did not use the encumbrance method of accounting.

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.

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.

**VILLAGE OF RUSSIA
SHELBY COUNTY**

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

1. Summary of Significant Accounting Policies (Continued)

F. Fund Balance (Continued)

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.

H. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

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:

	2011	2010
Demand deposits	<u>\$ 1,023,652</u>	<u>\$ 920,292</u>

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

3. Budgetary Activity

Budgetary activity for the years ending 2011 and 2010 follows:

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 194,267	\$ 184,635	\$ (9,632)
Special Revenue	67,000	67,075	75
Debt Service	1,000	554	(446)
Capital Projects	50,000	46,083	(3,917)
Enterprise	424,333	390,511	(33,822)
Total	\$ 736,600	\$ 688,858	\$ (47,742)

**VILLAGE OF RUSSIA
SHELBY COUNTY**

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

3. Budgetary Activity (Continued)

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 199,050	\$ 187,989	\$ 11,061
Special Revenue	74,000	59,007	14,993
Debt Service	100	8	92
Capital Projects	8,000	4,313	3,687
Enterprise	415,983	334,181	81,802
Total	\$ 697,133	\$ 585,498	\$ 111,635

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 200,734	\$ 230,176	\$ 29,442
Special Revenue	69,000	71,729	2,729
Debt Service	3,500	2,910	(590)
Capital Projects	53,200	49,880	(3,320)
Enterprise	344,666	456,607	111,941
Total	\$ 671,100	\$ 811,302	\$ 140,202

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 222,994	\$ 192,665	\$ 30,329
Special Revenue	111,107	107,675	3,432
Debt Service	3,235	3,174	61
Capital Projects	91,709	25,926	65,783
Enterprise	420,482	389,830	30,652
Total	\$ 849,527	\$ 719,270	\$ 130,257

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.

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.

**VILLAGE OF RUSSIA
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(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, 2011 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan - 5202	\$ 2,798,119	1.50%
Ohio Water Development Authority Loan - 1856	379,720	7.21%
Ohio Public Works Commission Loan - CM10L	7,554	0.00%
Ohio Public Works Commission Loan - CM407	1,941	0.00%
	\$ 3,187,334	

The Ohio Water Department Authority (OWDA) and the Ohio Public Works Commission (OPWC) loans were issued to pay for improvements to sewer system within the Village. The OWDA loans are being repaid in semi-annual installments of \$40,090 and \$62,275, including interest, respectively. The OPWC are being repaid in semi-annual installments of \$485 and \$140, respectively. The OWDA and OPWC loans are collateralized by the Village's taxing authority. The balance of the OWDA loan #5202 includes \$24,177 of OWDA fees and \$164,007 of capitalized interest.

For all of the loans associated with the water and sewer projects the water and sewer receipts collateralize the loans. The Village has agreed to set utility rates sufficient to cover debt service requirements.

Amortization of the above debt for which all principal has been disbursed at December 31, 2011, including interest, is scheduled as follows:

	OWDA Loan # 5202	OWDA Loan # 1856	OPWC CM10L	OPWC CM407	Total Debt Service Requirements
Year ending December 31:					
2012	\$ 62,275	\$ 40,090	\$ 280	\$ 971	\$ 102,645
2013	124,550	81,180	280	970	206,010
2014	124,550	81,180	280	-	206,010
2015	124,550	81,180	280	-	206,010
2016	124,550	81,180	280	-	206,010
2017-2021	622,751	120,370	1,400	-	744,521
2022-2026	622,751	-	1,400	-	624,151
2027-2031	622,751	-	1,400	-	624,151
2032-2036	622,751	-	1,400	-	624,151
2037-2041	373,650	-	544	-	374,194
Total	\$ 3,425,129	\$ 485,180	\$ 7,544	\$ 1,941	\$ 3,917,853

**VILLAGE OF RUSSIA
SHELBY COUNTY**

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

6. Retirement Systems

The Villages employees and elected officials belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes the plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2011 and 2010, 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, 2011.

7. Risk Management

Risk Pool Membership

Prior to 2009, the Village belonged to the Ohio Government Risk Management Plan (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan was legally separate from its member governments.

On January 1, 2009, through an internal reorganization, the Plan created three separate non-profit corporations including:

- Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Risk Management Plan;
- Ohio Plan Healthcare Consortium, Inc. (OPHC) - formerly known as the Ohio Healthcare Consortium; and
- Ohio Plan, Inc. - mirrors the oversight function previously performed by the Board of Directors. The Board of Trustees consists of eleven (11) members that include appointed and elected officials from member organizations.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverage's to its members sold through fourteen appointed independent agents in the State of Ohio. These coverage programs, referred to as Ohio Plan Risk management ("OPRM"), are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retains 40% (17.5% through October 31, 2010 and 15% through October 31, 2009) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 761 and 725 members as of December 31, 2010 and 2009 respectively. The Village does participate in this coverage.

The Plan formed the Ohio Plan Healthcare Consortium ("OPHC"), as authorized by Section 9.833 of the Ohio Revised Code. The OPHC was established to provide cost effective employee benefit programs for Ohio political sub-divisions and is a self-funded, group purchasing consortium that offers medical, dental, vision and prescription drug coverage as well as life insurance for its members. The OPHC is sold through seventeen appointed independent agents in the State of Ohio. Coverage programs are developed specific to each member's healthcare needs and the related premiums for coverage are determined through the application of uniform underwriting criteria. Variable plan options are available to members. These plans vary primarily by deductibles, coinsurance levels, office visit co-pays and out-of pocket maximums. OPHC had 65 and 60 members as of December 31, 2010 and 2009 respectively. The Village does not participate in this coverage.

**VILLAGE OF RUSSIA
SHELBY COUNTY**

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

7. Risk Management (Continued)

Risk Pool Membership (Continued)

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements 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), and include amounts for both OPRM and OPHC.

	2010		2009	
	OPRM	OPHC	OPRM	OPHC
Assets	<u>\$12,036,541</u>	<u>\$1,355,131</u>	<u>\$11,176,186</u>	<u>\$1,358,802</u>
Liabilities	<u>(4,845,056)</u>	<u>(1,055,096)</u>	<u>(4,852,485)</u>	<u>(1,253,617)</u>
Members' Equity	<u>\$7,191,485</u>	<u>\$300,035</u>	<u>\$6,323,701</u>	<u>\$105,185</u>

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan's website, www.ohioplan.org.

Perry & Associates
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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 13, 2012

Village of Russia
Shelby County
232 West Main Street
Russia, Ohio 45633

To the Village Council:

We have audited the financial statements of the **Village of Russia**, Shelby County, (the Village) as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated June 13, 2012, wherein we noted the Village followed accounting practices the Auditor of State prescribes 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 Village's financial statements will not be prevented, or detected and timely corrected. We consider finding 2011-003 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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of audit findings as items 2011-001 and 2011-002.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated June 13, 2012.

We intend this report solely for the information and use of management, Village Council and others in 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 RUSSIA
SHELBY COUNTY**

**SCHEDULE OF AUDIT FINDINGS
DECEMBER 31, 2011 AND 2010**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

FINDING NUMBER 2011-001

Material Noncompliance

Ohio Revised Code Section 5705.41(D) requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required meeting any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Only the subdivision's fiscal officer need sign the certificate. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

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

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

For 2011 and 2010, the Village did not properly certify the availability of funds prior to purchase commitment for a100% of the non-payroll disbursements tested. Without these certifications, the management of the Village could lose budgetary control over disbursements resulting in a number of budgetary citations.

**VILLAGE OF RUSSIA
SHELBY COUNTY**

SCHEDULE OF AUDIT FINDINGS (CONTINUED)

DECEMBER 31, 2011 AND 2010

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

FINDING NUMBER 2011-001 (Continued)

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend that the Fiscal Officer certify that the funds are or will be available prior to an obligation being incurred by the Village. When prior certification is not possible, "then and now" certification should be used. Additionally, the fiscal officer should open super blanket purchase orders at the beginning of a contract and carry forward the remaining encumbrances at year so management can see what resources of the Village have been committed.

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

FINDING NUMBER 2011-002

Material Noncompliance

Ohio Rev. Code Section 117.38 states, in part, cash-basis entities must file annual reports with the Auditor of State within 60 days of the fiscal year end. The Auditor of State may prescribe by rule or guidelines the forms for these reports. However, if the Auditor of State has not prescribed a reporting form, the public office shall submit its report on the form used by the public office. The report shall contain the amount of: (A) receipts, and amounts due from each source; (B) expenditures for each purpose; (C) income of any public service industry that the entity owns or operates, as well as the costs of ownership or operation; and (D) public debt of each taxing district, the purpose of the debt, and how the debt will be repaid. Also, the public office must publish notice in a local newspaper stating the financial report is available for public inspection at the office of the chief fiscal officer.

The Village filed the Annual Financial Report with the Auditor of State's office but the amounts in the report did not accurately reflect the Village's financial status as of December 31, 2011 or 2010. In 2011 there was no combining or budget versus actual statements. In 2011 and 2010 the Utility Construction, Repair, and Maintenance Fund was presented in the Capital Projects Fund instead of the Enterprise Fund in accordance with prior year presentation and budgetary documentation filed with the Shelby County Auditor. The combined fund balances did not match the year end cash reconciliation without "other adjusting factors" being taken into consideration. Various adjustments and reclassifications were made to the manually prepared Annual Financial Report in order for it to agree to the Villages accounting system. Management agreed to these adjustments and reclassifications and the accompanying financial statements reflect as such.

We recommend the Annual Financial Report be compiled from the Village's accounting system and any deviation from the accounting system be documented so adequate supporting documentation exists to show where revenue, disbursement, and fund balance amounts come from. In addition, the Village should publish notice in a local newspaper that the financial report is available for public inspection.

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

**VILLAGE OF RUSSIA
SHELBY COUNTY**

SCHEDULE OF AUDIT FINDINGS (CONTINUED)

DECEMBER 31, 2011 AND 2010

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

FINDING NUMBER 2011-003

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.

During 2011 and 2010, several receipts and disbursements were not posted to accurate classifications based on the source of the receipt or expenditure. The following posting errors were noted:

- Principal payments to debt were not recorded as Principal Retirement.
- Intergovernmental, Fines, Licenses, and Permits, and Sales of Fixed Assets revenues were classified as miscellaneous revenue.
- Intergovernmental revenues were classified as Property Tax and Fines, Licenses, and Permits.
- Miscellaneous Revenue was classified as Sewer Collections.
- All revenues, disbursements, and fund balance in the Utilities Construction and Maintenance Fund was recorded with the Capital Project Funds instead of the Enterprise Funds.

Not posting revenues and disbursements accurately resulted in the financial statements requiring several adjustments and reclassifications. The financial statements reflect all reclassifications and adjustments. Village management agrees with the adjustments, and all adjustments have been made to the Village's accounting system.

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 revenues and expenditures are properly identified and classified on the financial statements. We also recommend the Fiscal Officer refer to Ohio Administrative Code 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 RUSSIA
SHELBY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FISCAL YEAR END 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	Incorrect Accounting Transactions	No	Repeated as finding 2011-003
2009-002	Not requesting an Amended Certificate of Estimated Resources because actual receipts were less budgeted in violation of 5705.36(A) (2) which caused estimated resources to fall below appropriations.	Yes	
2009-003	ORC 5705.39 Appropriations Exceeding Estimated Resources.	Yes	
2900-004	ORC 5705.41(B) Expenditures Exceeding Appropriations	Yes	



Dave Yost • Auditor of State

VILLAGE OF RUSSIA

SHELBY 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 13, 2012