



Mary Taylor, CPA
Auditor of State

**VILLAGE OF SOUTH RUSSELL
GEAUGA COUNTY**

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GEAUGA COUNTY

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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 governmental activities, each major fund, and the aggregate remaining fund information of the Village of South Russell, Geauga County, Ohio (the Village), as of and for the years ended December 31, 2009 and 2008, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions 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 opinions.

As discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of South Russell, Geauga County, Ohio, as of December 31, 2009 and 2008, and the respective changes in cash financial position and the respective budgetary comparisons for the General, Street Maintenance, Safety, and Income Tax funds thereof for the years then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2010, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on 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.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

October 28, 2010

Village of South Russell
Management's Discussion and Analysis
For the Year Ended December 31, 2009
Unaudited

This discussion and analysis of the financial performance of the Village of South Russell, (the Village), provides an overview of the Village's financial activities for the year ended December 31, 2009, within the limitations of the Village's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the financial performance of the Village of South Russell.

Highlights

Key highlights for 2009 are as follows:

Net assets of governmental activities increased \$82,774 or 6%.

The receipts of the governmental funds are primarily property and income taxes; these receipts represent \$2,147,995. Receipts decreased for property and income tax for 2009 by \$300,947, which is attributable to no longer receiving high volume of past due interest and penalties on income taxes that resulted from the business and individual canvasses that were done in 2007.

The Village paid \$346,611 to the Village of Chagrin Falls in 2009 as part of its contract for Fire, EMS and Dispatch Services provided by Chagrin Falls.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Village's cash basis of accounting.

Report Components

The statement of net assets and the statement of activities provide information about the cash activities of the Village as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial record of the Village as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The Notes to the Financial Statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Village has elected to present its financial statements on a cash basis of accounting. The cash basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Village's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussions within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting the Village of South Russell as a Whole

The Statement of Net Assets and the Statement of Activities reflect how the Village did financially during 2009, within the limitations of cash basis accounting. The Statement of Net Assets presents the cash balances and investments of the governmental activities of the Village at year-end. The Village does not have any business-type activities. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Village's general receipts.

These statements report the Village's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, these changes are one way to measure the Village's financial health. Over time, increases or decreases in the Village's cash position is one indicator of whether the Village's financial health is improving or deteriorating. When evaluating the Village's financial condition, other non-financial factors as well such as the Village's property tax base, the condition of the Village's capital assets and infrastructure, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property and income taxes should also be considered.

In the Statement of Net Assets and the Statement of Activities, the Village has only governmental activities. There are no business-type activities.

Most of the Village's basic services are reported as governmental activities including police, fire and streets. Income and property taxes finance most of these activities. The Village's fiduciary funds are used to account for resources held for the benefit of parties outside the Village, including deposits held for construction, and are not reflected on the government-wide financial statements.

Reporting the Village's Most Significant Funds

Fund financial statements provide detailed information about the Village's major funds – not the Village as a whole. The Village establishes separate funds to better manage its many activities and to help demonstrate money that is restricted as to how it may be used and be spent for the intended purpose. The funds of the Village are split into two categories: governmental and fiduciary.

Governmental Funds – Most of the Village's activities are reported in governmental funds. The Governmental Fund Financial Statements provide a detailed view of the Village's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Village's programs. The Village's significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Village has five major governmental funds: the general fund, street maintenance fund, safety fund, income tax fund, and special land/building fund. The programs reported in governmental funds are closely related to those reported in the governmental activities' sections of the entity-wide statements. We describe this relationship in reconciliations presented with the governmental fund financial statements.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the Village. Fiduciary funds are not reflected on the government-wide financial statements because the resources of these funds are not available to support the Village's programs.

Village of South Russell
Management's Discussion and Analysis
For the Year Ended December 31, 2009
Unaudited

The Village as a Whole

Table 1 provides a summary of the Village's net assets for 2009 compared to 2008 on a cash basis:

(Table 1)
Net Assets

	<u>Governmental Activities</u>	
	<u>2009</u>	<u>2008</u>
Assets		
Equity in Pooled Cash and Cash Equivalents	\$1,464,859	\$1,382,085
Total Assets	<u>\$1,464,859</u>	<u>\$1,382,085</u>
Net Assets		
Restricted for:		
Capital Projects	\$328,830	\$271,921
Other Purposes	963,071	923,726
Unrestricted	172,958	186,438
Total Net Assets	<u>\$1,464,859</u>	<u>\$1,382,085</u>

As mentioned previously, net assets of governmental activities increased \$82,774 or 6 percent during 2009.

Village of South Russell
Management's Discussion and Analysis
For the Year Ended December 31, 2009
Unaudited

Table 2 reflects the changes in net assets on a cash basis in 2009 and 2008 for governmental activities:
(Table 2)

Changes in Net Assets

	Governmental Activities	
	2009	2008
Receipts:		
Program Receipts:		
Charges for Services and Sales	\$97,794	\$118,958
Operating Grants and Contributions	7,969	182,332
Capital Grants and Contributions	0	379,327
Total Program Receipts	<u>105,763</u>	<u>680,617</u>
General Receipts:		
Property and Other Local Taxes	1,008,986	1,066,063
Income Tax	1,139,009	1,382,879
Grants and Entitlements Not Restricted to Specific Programs	507,253	370,372
Interest	10,799	33,935
Miscellaneous	25,458	32,188
Total General Receipts	<u>2,691,505</u>	<u>2,885,437</u>
Total Receipts	<u>2,797,268</u>	<u>3,566,054</u>
Disbursements:		
General Government	465,838	483,108
Security of Persons and Property	1,338,123	1,277,652
Public Health Services	750	750
Community Environment	184,558	177,763
Transportation	696,482	816,163
Capital Outlay	28,743	561,418
Total Disbursements	<u>2,714,494</u>	<u>3,316,854</u>
Increase (Decrease) in Net Assets	82,774	249,200
Net Assets, January 1, 2009	<u>1,382,085</u>	<u>1,132,885</u>
Net Assets, December 31, 2009	<u>\$1,464,859</u>	<u>\$1,382,085</u>

Program receipts represent only 3.8 percent of total receipts and are primarily comprised of restricted intergovernmental receipts and charges for services such as motor vehicle license, gas tax money, fire fees, police fines, and zoning fees.

General receipts represent 96.2 percent of the Village's total receipts, and of this amount, over 79 percent are local taxes. Other receipts are very insignificant and somewhat unpredictable revenue sources.

Village of South Russell
Management's Discussion and Analysis
For the Year Ended December 31, 2009
Unaudited

Disbursements for General Government represent the overhead costs of running the Village and the support services provided for the other Village activities. These include the costs of Council, Fiscal Officer, Fiscal Auditor, and Income Tax Administrator, as well as internal services such payroll and purchasing. Security of Persons and Property are the costs of fire and police protection and EMS service; Community Environment Activities are the responsibility of the Building Department who promotes compliance with municipal and zoning requirements which keep the Village an attractive option for housing; and Transportation is the cost of maintaining the roads.

Governmental Activities

If you look at the Statement of Activities on page 10, you will see that the first column lists the major services provided by the Village. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for Security of Persons and Property and Transportation, which account for 49 and 25 percent of all governmental disbursements, respectively. General government also represents a significant cost, about 17 percent. The next two columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Village that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

	Governmental Activities			
	Total Cost	Net Cost	Total Cost	Net Cost
	Of Services	of Services	of Services	of Services
	2009	2009	2008	2008
General Government	\$465,838	(\$373,118)	\$483,108	(\$372,037)
Security of Persons and Property	1,338,123	(1,325,080)	1,277,652	(1,269,765)
Public Health Services	750	(750)	750	(750)
Community Environment	184,558	(184,558)	177,763	(177,763)
Transportation	696,482	(696,482)	816,163	(633,831)
Capital Outlay	28,743	(28,743)	561,418	(182,091)
Total Expenses	\$2,714,494	(\$2,608,731)	\$3,316,854	(\$2,636,237)

The dependence upon income and property tax receipts is apparent as over 79 percent of governmental activities are supported through these general receipts.

The Village had reductions in Transportation and Capital Outlay expenditures due to vehicle purchases occurring in 2008 and the Village's pavement repair program contract was reduced in 2009.

The Village's Funds

Total governmental funds had receipts of \$2,797,267 and disbursements of \$2,714,494, excluding transfers.

General Fund had a change in net fund balance decreasing by \$13,482.

Village of South Russell
Management's Discussion and Analysis
For the Year Ended December 31, 2009
Unaudited

General Fund Budgeting Highlights

The Village's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During 2009, the Village amended its General Fund budget to reflect changing circumstances. Final budgeted receipts had minor changes from the original budgeted receipts.

Final disbursements were budgeted at \$987,383 while actual disbursements were \$834,954, excluding transfers. The Village's actual disbursements were \$152,429 less than the final budget.

Capital Assets and Debt Administration

Capital Assets

The Village does not currently keep track of its capital assets and infrastructure.

Debt

The Village does not have any debt at this time.

Current Issues

The challenge for all Governments is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking funding. We rely heavily on local taxes and have very little industry to support the tax base. A concern for the Village is reviewing ways to efficiently and effectively use the excess funds remaining in the Income Tax Fund for future large expenses in such funds as the Special Road and Special Equipment Fund.

Contacting the Village of South Russell's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the government's finances and to reflect the Village's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Danielle Romanowski, Fiscal Officer Village of South Russell, 5205 Chillicothe Road, South Russell, Ohio 44022. Phone: 440-338-6700, extension 221. Fax: 440-338-8776. E-mail: svclerk@neohio.twcbc.com

Village of South Russell, Geauga County

Statement of Net Assets - Cash Basis

December 31, 2009

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$1,464,859</u>
<i>Total Assets</i>	<u><u>\$1,464,859</u></u>
Net Assets	
Restricted for:	
Capital Projects	\$328,830
Other Purposes	963,071
Unrestricted	<u>172,958</u>
<i>Total Net Assets</i>	<u><u>\$1,464,859</u></u>

See accompanying notes to the basic financial statements

Village of South Russell, Geauga County
Statement of Activities- Cash Basis
For the Year Ended
December 31, 2009

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets
Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	
Governmental Activities				
General Government	\$465,838	\$91,673	\$1,047	(\$373,118)
Security of Persons and Property	1,338,123	6,121	6,922	(1,325,080)
Community Environment	184,558	0	0	(184,558)
Transportation	696,482	0	0	(696,482)
Capital Outlay	28,743	0	0	(28,743)
Public Health Services	750	0	0	(750)
<i>Total Governmental Activities</i>	\$2,714,494	\$97,794	\$7,969	(\$2,608,731)
 General Receipts				
Property Taxes Levied for:				
General Purposes				1,008,986
Municipal Income Taxes				1,139,009
Grants and Entitlements not Restricted to Specific Programs				507,253
Interest				10,799
Miscellaneous				25,458
<i>Total General Receipts</i>				2,691,505
Change in Net Assets				82,774
<i>Net Assets Beginning of Year</i>				1,382,085
<i>Net Assets End of Year</i>				\$1,464,859

See accompanying notes to the basic financial statements

Village of South Russell, Geauga County
Statement of Cash Basis Assets and Fund Balances
 Governmental Funds
 December 31, 2009

	General Fund	Street Maintenance Fund	Safety Fund	Income Tax Fund	Special Land/Bldg Fund	Other Governmental Funds	Total Governmental Funds
Assets							
Equity in Pooled Cash and Cash Equivalents	\$ 172,957	\$ 227,814	\$ 164,344	\$ 461,063	\$ 262,802	\$ 175,879	\$ 1,464,859
<i>Total Assets</i>	<u>\$172,957</u>	<u>\$227,814</u>	<u>\$164,344</u>	<u>\$461,063</u>	<u>\$262,802</u>	<u>\$175,879</u>	<u>\$1,464,859</u>
Fund Balances							
Reserved:							
Reserved for Encumbrances			\$870		\$10,421		\$11,291
Unreserved:							
Undesignated Reported in:							
General Fund	\$172,957						172,957
Special Revenue Funds		\$227,814	163,474	\$461,063		\$175,879	1,028,230
Capital Projects Funds					252,381		252,381
<i>Total Fund Balances</i>	<u>\$ 172,957</u>	<u>\$ 227,814</u>	<u>\$ 164,344</u>	<u>\$ 461,063</u>	<u>\$ 262,802</u>	<u>\$ 175,879</u>	<u>\$ 1,464,859</u>

See accompanying notes to the basic financial statements

Village of South Russell, Geauga County
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year ended December 31, 2009

	General Fund	Street Maintenance Fund	Safety Fund	Income Tax Fund	Special Land/Bldg Fund	Other Governmental Funds	Total Governmental Funds
Receipts							
Municipal Income Taxes				\$1,139,009			\$1,139,009
Property and Other Local Taxes	\$404,231		\$455,587			\$149,168	1,008,986
Charges for Services	29,732						29,732
Fines, Licenses and Permits	61,941		6,121				68,062
Intergovernmental	239,327	\$161,239	76,586			38,070	515,222
Interest	10,799						10,799
Miscellaneous	21,097	453	2,413			1,495	25,458
<i>Total Receipts</i>	<u>767,127</u>	<u>161,692</u>	<u>540,707</u>	<u>1,139,009</u>	<u>0</u>	<u>188,733</u>	<u>2,797,268</u>
Disbursements							
Current:							
General Government	355,417			110,421			465,838
Security of Persons and Property	306,103		1,032,020				1,338,123
Community Environment	173,434					11,124	184,558
Transportation		311,992				384,490	696,482
Capital Outlay					28,743		28,743
Public Health Services						750	750
<i>Total Disbursements</i>	<u>834,954</u>	<u>311,992</u>	<u>1,032,020</u>	<u>110,421</u>	<u>28,743</u>	<u>396,364</u>	<u>2,714,494</u>
<i>Excess of Receipts</i>							
<i>Over (Under) Disbursements</i>	<u>(67,827)</u>	<u>(150,300)</u>	<u>(491,313)</u>	<u>1,028,588</u>	<u>(28,743)</u>	<u>(207,631)</u>	<u>82,774</u>
Other Financing Sources (Uses)							
Transfers In	140,000	150,000	530,000		85,654	241,750	1,147,404
Transfers Out	(85,654)			(1,061,750)			(1,147,404)
<i>Total Other Financing Sources (Uses)</i>	<u>54,346</u>	<u>150,000</u>	<u>530,000</u>	<u>(1,061,750)</u>	<u>85,654</u>	<u>241,750</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	<u>(13,481)</u>	<u>(300)</u>	<u>38,687</u>	<u>(33,162)</u>	<u>56,911</u>	<u>34,119</u>	<u>82,774</u>
<i>Fund Balances Beginning of Year</i>	<u>186,438</u>	<u>228,114</u>	<u>125,657</u>	<u>494,225</u>	<u>205,891</u>	<u>141,760</u>	<u>1,382,085</u>
<i>Fund Balances End of Year</i>	<u>\$172,957</u>	<u>\$227,814</u>	<u>\$164,344</u>	<u>\$461,063</u>	<u>\$262,802</u>	<u>\$175,879</u>	<u>\$1,464,859</u>

Village of South Russell, Geauga County
*Statement of Receipts, Disbursements and Changes
in Fund Balance - Budget and Actual -Budget Basis
General Fund
For the Year Ended December 31, 2009*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Receipts				
Property and Other Local Taxes	\$397,314	\$397,314	\$404,231	\$6,917
Charges for Services	71,900	71,900	29,732	(42,168)
Fines, Licenses and Permits	73,000	61,000	61,941	941
Intergovernmental	165,787	263,442	239,327	(24,116)
Interest	26,250	26,250	10,799	(15,451)
Miscellaneous	10,800	10,800	21,097	10,297
<i>Total receipts</i>	<u>745,051</u>	<u>830,706</u>	<u>767,127</u>	<u>(63,579)</u>
Disbursements				
Current:				
General Government	409,359	495,013	355,417	139,596
Security of Persons and Property	311,175	311,175	306,103	5,072
Community Environment	181,195	181,195	173,434	7,761
<i>Total Disbursements</i>	<u>901,729</u>	<u>987,383</u>	<u>834,954</u>	<u>152,429</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(156,678)</u>	<u>(156,677)</u>	<u>(67,827)</u>	<u>88,850</u>
Other Financing Sources (Uses)				
Transfers In	140,000	140,000	140,000	0
Transfers Out	0	(85,654)	(85,654)	0
<i>Total Other Financing Sources (Uses)</i>	<u>140,000</u>	<u>54,346</u>	<u>54,346</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(16,678)	(102,331)	(13,481)	88,850
<i>Fund Balance Beginning of Year</i>	<u>186,438</u>	<u>186,438</u>	<u>186,438</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$169,760</u>	<u>\$84,107</u>	<u>\$172,957</u>	<u>\$88,850</u>

Village of South Russell, Geauga County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Street Maintenance Fund
For the Year Ended December 31, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	(Optional)
	<u>Original</u>	<u>Final</u>		Variance with Final Budget Positive (Negative)
Receipts				
Intergovernmental	\$168,000	\$168,000	\$161,239	(\$6,761)
Miscellaneous	1,000	1,000	453	(\$547)
<i>Total receipts</i>	<u>169,000</u>	<u>169,000</u>	<u>161,692</u>	<u>(7,308)</u>
Disbursements				
Current:				
Transportation	400,920	371,600	311,992	59,608
<i>Total Disbursements</i>	<u>400,920</u>	<u>371,600</u>	<u>311,992</u>	<u>59,608</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(231,920)</u>	<u>(202,600)</u>	<u>(150,300)</u>	<u>52,300</u>
Other Financing Sources (Uses)				
Transfers In	150,000	150,000	150,000	0
<i>Total Other Financing Sources (Uses)</i>	<u>150,000</u>	<u>150,000</u>	<u>150,000</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(81,920)	(52,600)	(300)	52,300
<i>Fund Balance Beginning of Year</i>	<u>228,414</u>	<u>228,414</u>	<u>228,114</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$146,494</u></u>	<u><u>\$175,814</u></u>	<u><u>\$227,814</u></u>	<u><u>\$52,300</u></u>

Village of South Russell, Geauga County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Safety Fund
For the Year Ended December 31, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Receipts				
Property and Other Local Taxes	\$444,836	\$444,836	\$455,587	\$10,751
Fines, Licenses and Permits	6,000	6,000	6,121	121
Intergovernmental	61,377	67,377	76,586	9,209
Miscellaneous	0	0	2,413	2,413
<i>Total receipts</i>	<u>512,213</u>	<u>518,213</u>	<u>540,707</u>	<u>22,494</u>
Disbursements				
Current:				
Security of Persons and Property	<u>1,038,341</u>	<u>1,068,341</u>	<u>1,032,020</u>	<u>36,321</u>
<i>Total Disbursements</i>	<u>1,038,341</u>	<u>1,068,341</u>	<u>1,032,020</u>	<u>36,321</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(526,128)</u>	<u>(550,128)</u>	<u>(491,313)</u>	<u>72,641</u>
Other Financing Sources (Uses)				
Transfers In	<u>530,000</u>	<u>530,000</u>	<u>530,000</u>	<u>0</u>
<i>Total Other Financing Sources (Uses)</i>	<u>530,000</u>	<u>530,000</u>	<u>530,000</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	3,872	(20,128)	38,687	72,641
<i>Fund Balance Beginning of Year</i>	<u>125,657</u>	<u>125,657</u>	<u>125,657</u>	<u>0</u>
Prior Year Encumbrances Appropriated				
<i>Fund Balance End of Year</i>	<u>\$129,529</u>	<u>\$105,529</u>	<u>\$164,344</u>	<u>\$72,641</u>

Village of South Russell, Geauga County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Income Tax Fund
For the Year Ended December 31, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	(Optional)
	<u>Original</u>	<u>Final</u>		Variance with Final Budget Positive (Negative)
Receipts				
Municipal Income Taxes	<u>\$1,179,361</u>	<u>\$1,149,361</u>	<u>\$1,139,009</u>	<u>(\$10,352)</u>
<i>Total receipts</i>	<u>1,179,361</u>	<u>1,149,361</u>	<u>1,139,009</u>	<u>(10,352)</u>
Disbursements				
Current:				
General Government	<u>84,175</u>	<u>111,175</u>	<u>110,421</u>	<u>754</u>
<i>Total Disbursements</i>	<u>84,175</u>	<u>111,175</u>	<u>110,421</u>	<u>754</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>1,095,186</u>	<u>1,038,186</u>	<u>1,028,588</u>	<u>9,598</u>
Other Financing Sources (Uses)				
Transfers Out	<u>(1,062,000)</u>	<u>(1,061,750)</u>	<u>(1,061,750)</u>	<u>0</u>
<i>Total Other Financing Sources (Uses)</i>	<u>(1,062,000)</u>	<u>(1,061,750)</u>	<u>(1,061,750)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	33,186	(23,564)	(33,162)	9,598
<i>Fund Balance Beginning of Year</i>	<u>494,225</u>	<u>494,225</u>	<u>494,225</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$527,411</u></u>	<u><u>\$470,661</u></u>	<u><u>\$461,063</u></u>	<u><u>\$9,598</u></u>

Village of South Russell, Geauga County
Statement of Fiduciary Net Assets - Cash Basis
Fiduciary Fund
December 31, 2009

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$58,852</u>
<i>Total Assets</i>	<u><u>\$58,852</u></u>
Net Assets	
Unrestricted	<u>\$58,852</u>
<i>Total Net Assets</i>	<u><u>\$58,852</u></u>

See accompanying notes to the basic financial statements

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Village of South Russell
Notes to the Financial Statements
For the Year Ended December 31, 2009

Note 1 – Reporting Entity

The Village of South Russell, Geauga County, Ohio, (the “Village”), is a body politic and corporate 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 six-member Council, who are elected at large for four-year terms. The Mayor is elected to a four-year term, serves as the President of Council and has no voting privileges, except in the case of a tie.

The reporting entity is comprised of the primary government and other organizations that were included to ensure that the financial statements are not misleading.

A. Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Village. The Village provides general government services, maintenance of Village roads and police services. The Village contracts with the Village of Chagrin Falls to provide fire protection and ambulance services.

B. Component Units

Component units are legally separate organizations for which the Village is financially accountable. The Village is financially accountable for an organization if the Village appoints a voting majority of the organization’s governing board and (1) the Village is able to significantly influence the programs or services performed or provided by the organization; or (2) the Village is legally entitled to or can otherwise access the organization’s resources; the Village is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or the Village is obligated for the debt of the organization. The Village is also financially accountable for any organizations that are fiscally dependent on the Village in that the Village approves their budget, the issuance of their debt or the levying of their taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Village, are accessible to the Village and are significant in amount to the Village. The Village has no component units.

C. Jointly Governed Organizations

The Village participates in two jointly governed organizations. Note 12 to the financial statements provide additional information for these entities.

These organizations are:

Jointly Governed Organizations:

Northeast Ohio Public Energy Council: Northeast Ohio Public Energy Council (NOPEC) is a regional council of governments formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of electricity and natural gas.

Valley Enforcement Regional Council of Governments: The Village is a member of Valley Enforcement Regional Council of Governments (“VERCOG”), a jointly governed organization. VERCOG is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. VERCOG was formed to continue to foster cooperation among political subdivisions through sharing of facilities for their common benefit.

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

Village of South Russell
Notes to the Financial Statements
For the Year Ended December 31, 2009

Note 2 – Summary of Significant Accounting Policies

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The Village does not have any business-type activities and no enterprise funds. Following are the more significant of the Village's accounting policies.

A. Basis of Presentation

The Village's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Village as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Governmental activities generally are financed through taxes, intergovernmental receipts or other non-exchange transactions.

The statement of net assets presents the cash and investment balances of the governmental activities of the Village at December 31, 2009. The statement of activities compares disbursements with program receipts for the Village's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Village is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the Village's general receipts.

Fund Financial Statements

During the year, the Village segregates transactions related to certain Village functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Village at this more detailed level. The focus of governmental financial statements is on major funds. Each major fund is presented in a separate column. Non major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

B. Fund Accounting

The Village uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. The funds of the Village are divided into two categories, governmental and fiduciary.

Village of South Russell
Notes to the Financial Statements
For the Year Ended December 31, 2009

Note 2 – Summary of Significant Accounting Policies (continued)

Governmental Funds

The Village classifies funds financed primarily from taxes, intergovernmental receipts and other non-exchange transactions as governmental funds. The following are the Village's major governmental funds:

General Fund - This fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Street Maintenance Fund - This fund is used for the improvement, construction, reconstruction, resurfacing and repair of roads and bridges.

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

Income Tax Fund – This fund collects income tax money to be allocated to the Village's other funds.

Special Land and Building Fund – This fund is used for capital improvements.

Fiduciary Funds

Fiduciary funds include pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to 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. The Village had no private purpose trust fund accounts during the reporting year. Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village's agency fund accounts for the receipts and expenditures of the South Russell Building Department as it relates to construction deposits.

C. Basis of Accounting

The Village's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the Village's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued liabilities and the related expenses) are not recorded in these financial statements.

Village of South Russell
Notes to the Financial Statements
For the Year Ended December 31, 2009

Note 2 – Summary of Significant Accounting Policies (continued)

D. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Village Council may appropriate.

The appropriations ordinance is the Village Council's authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the Village Council. The legal level of control has been established at the fund/function/object level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Village Fiscal Officer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Village Council.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Village Council during the year.

E. Cash and Investments

To improve cash management, cash received by the Village is pooled and invested. Individual fund integrity is maintained through Village records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents."

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts, respectively.

During 2009 the Village invested in Star Ohio, which is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. Star Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in Star Ohio are valued at Star Ohio's share price, which is the price the investment could be sold for on December 31, 2009.

In 2009, the Village invested \$500,000 in a fully collateralized 10-month certificate of deposit with a yield of 1.61%. The CD was issued by Charter One bank in March and matured on December 28, 2009. The principal and interest were automatically rolled into the Village checking account upon maturity.

Village of South Russell
Notes to the Financial Statements
For the Year Ended December 31, 2009

Note 2 – Summary of Significant Accounting Policies (continued)

E. Cash and Investments (continued)

Interest earnings are allocated to Village funds according to State statutes and grant requirements. Interest receipts credited to the General Fund during 2009 were \$10,799, which includes \$9,612 assigned from other Village funds.

F. Restricted Assets

Cash and cash equivalents are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by law through constitutional provisions or enabling legislation. The Village does not have any restricted assets.

G. Inventory and Prepaid Items

The Village reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

H. Capital Assets

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

I. Accumulated Leave

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

J. Employer Contributions to Cost-Sharing Pension Plans

The Village recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for post retirement health care benefits.

K. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. None are restricted by enabling legislation.

The Village's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and non-restricted net assets are available.

L. Fund Balance Reserves

The Village reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance, which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances.

Village of South Russell
Notes to the Financial Statements
For the Year Ended December 31, 2009

Note 2 – Summary of Significant Accounting Policies (continued)

M. Interfund Transactions

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

Note 3 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the cash basis are outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis) (and outstanding year end advances are treated as an Other Financing Source or use (budgetary basis) rather than as an interfund receivable or payable (cash basis). The encumbrances outstanding at year-end (budgetary basis) amounted to \$869 for the Safety Fund and \$10,421 for the Special Land and Building Fund. There were no outstanding advances at year-end.

Note 4 – Deposits and Investments

Monies held by the Village are classified by State Statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Village treasury. Active monies must be maintained either as cash in the Village treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that Council has identified as not required for use within the current five-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Village can be deposited or invested in the following securities.

1. United States Treasury bills, bonds, notes or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily and the term of the agreement must not exceed thirty days;

Village of South Russell
Notes to the Financial Statements
For the Year Ended December 31, 2009

Note 4 – Deposits and Investments (continued)

3. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
7. The State Treasurer's investment pool (Star Ohio).

Protection of the Village's deposits is provided by the Federal Deposit Insurance Corporation (FDIC) or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of the purchase, unless matched to a specific obligation or debt of the Village, and must be purchased with the expectation that it will be held to maturity.

Investment may only be made through specified dealers and institutions. Payments for investments may be made only upon delivery of the securities representing the investments to the Village or qualified trustee or, if securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$1,259,445 of the Village's bank balance of \$1,509,445 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Village's name.

The Village has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Village or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Village of South Russell
Notes to the Financial Statements
For the Year Ended December 31, 2009

Note 4 – Deposits and Investments (continued)

Investments

As of December 31, 2009, the Village had the following investments:

	<u>Carrying Value</u>	<u>Maturity</u>
STAR Ohio	<u>\$100,000</u>	Less than One Year

Interest rate risk arises because the fair value of investments changes as interest rates change. The Village's investment policy addresses interest rate risk by requiring that the Village's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations, thereby avoiding that need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments.

STAR Ohio carries a rating of AAAM by Standard and Poor's. The Village's investment policy is limited to requiring compliance with state statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service.

Note 5 – Income Taxes

The Village levies a 1 percent income tax whose proceeds are placed into the Income Tax Fund and then transferred to other funds. The Village levies and collects the tax on all income earned within the Village as well as on incomes of residents earned outside the Village. In the latter case, the Village allows a credit of the lesser of actual taxes paid to another municipality or 75 percent of the 1 percent tax rate on taxable income. Employers within the Village are required to withhold income tax on employee earnings and remit the tax to the Village at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually. All residents age 18 years of age and older are required to file an annual return. Retired individuals are required to file an exemption certificate annually.

Note 6 – Property Taxes

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Village. Property tax receipts received in 2009 for real and public utility property taxes represents collections of the 2008 taxes. Property tax payments received during 2009 for tangible personal property (other than public utility property) is for 2009 taxes.

2009 real property taxes are levied after October 1, 2009 on the assessed values as of January 1, 2009, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. 2009 real property taxes are collected in and intended to finance 2010.

Real property taxes are payable annually or semi-annually. Taxes are typically billed in January (first half) and June (second half) of each year and are always due on the second Wednesday of February and the second Wednesday of July.

Public utility property tax receipts received in 2009 represent the collection of 2008 taxes. Public utility real and tangible personal property taxes received in 2008 became a lien on December 31, 2008, were levied after October 1, 2008, and are collected with real property taxes. 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
Notes to the Financial Statements
For the Year Ended December 31, 2009

Note 6 – Property Taxes (continued)

Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2008 public utility property taxes which became a lien on December 31, 2008, are levied after October 1, 2008, and are collected in 2009 with real property taxes.

Tangible personal property assessments have been phased out. They were reduced to 6.25 percent for 2008, and zero for 2009. Tangible personal property tax is assessed only against local and inter-exchange telephone companies for 2009, who must file a list of such property to the County by each April 30.

The effective tax rate for all Village operations for the year ended December 31, 2009, was \$31.08 per \$1,000 of assessed value. The assessed values of real and personal property upon which 2009 property tax receipts were based are as follows:

Real Property	\$145,640,000
Public Utility Property	5,652,070
Tangible Personal Property	2,504,020
Total Assessed Values	<u>\$153,796,090</u>

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the Village. The County Auditor periodically remits to the Village its portion of the taxes collected.

Note 7 – Risk Management

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions, injuries to employees and natural disasters.

The Village maintains commercial insurance coverage with HCC Insurance Company for the following:

General Liability	\$ 1,000,000
Public Officials Liability	1,000,000
Automobile Coverage	1,000,000
Building and Property	1,609,581
Umbrella Liability	4,000,000

Settled claims have not exceeded coverage in any of the last three years and there was no significant reduction in coverage from the prior year.

The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs. The System administers and pays all claims.

The Village also provides health, life insurance and a health savings plan to full-time employees through private carriers. The premiums for these employee benefits in 2009 totaled \$116,773.

Village of South Russell
Notes to the Financial Statements
For the Year Ended December 31, 2009

Note 8 – Defined Benefit Pension Plans

A. Ohio Public Employees Retirement System

Plan Description - The Village participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member-directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member-directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2009, members in state and local classifications contributed 10 percent of covered payroll. The Village's contribution rate for 2009 was 14 percent. For 2009, a portion of the Village's contribution equal to 7 percent for January 1 through March 31, 2009 and 5.5 percent from April 1 through December 31, 2009 of the covered payroll was allocated to fund the postemployment healthcare plan. Employer contribution rates are actuarially determined. State statute sets a maximum contribution rate of the Village of 14 percent.

The Village's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2009, 2008, and 2007 were \$33,660, \$29,262, and \$42,584 respectively. The full amount has been contributed for 2009, 2008 and 2007. The Village made no contributions to the member-directed plan for 2009.

B. Ohio Police and Fire Pension Fund

Plan Description - The Village contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations. The Village's contribution was 19.5 percent for police officers. Contribution rates are established by State statute. For 2009, a portion of the Village's contribution equal to 6.75 percent of covered payroll was allocated to fund the postemployment healthcare plan. The Village's required contributions to OP&F for the years ended December 31, 2009, 2008, and 2007 were \$58,551, \$58,166, and \$65,868 respectively. The full amount has been contributed for 2009, 2008 and 2007.

Village of South Russell
Notes to the Financial Statements
For the Year Ended December 31, 2009

Note 9 - Postemployment Benefits

Ohio Public Employees Retirement System: OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan. For qualifying members of the Traditional Pension and Combined Plans, this plan includes a medical plan, prescription drug program, and Medicare Part B premium reimbursement. Those belonging to the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not mandate, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Funding Policy – The post-employment Health Care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). State Statute requires that public employers fund post-employment health care through contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2009, state and local employers contributed at a rate of 14 percent of covered payroll. Each year, OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The amount of employer contributions which were allocated to fund post-employment health care benefits was 7 percent from January 1 through March 31, 2009 and 5.5 percent from April 1 through December 31, 2009.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and coverage selected. Active members do not make contributions to the post-employment health care plan.

The Village's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2009, 2008 and 2007 were \$24,339, \$29,262 and \$28,050 respectively. 100 percent has been contributed for 2009, 2008 and 2007.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased on January 1, of each year from 2006 to 2008. These rate increases allowed additional funds to be allocated to the health care plan.

Ohio Police and Fire Pension Fund: The Village of South Russell contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored health care program, a cost-sharing multiple employer defined post-employment health care plan administered by OP&F. OP&F provides healthcare benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium and long term care to retirees, qualifying benefit recipients and their eligible dependants.

OP&F provides access to post-retirement health care coverage for any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person. The healthcare coverage provided by OP&F meets the definition of an Other Post-employment Benefit (OPEB) as described in GASB Statement No. 45.

Village of South Russell
Notes to the Financial Statements
For the Year Ended December 31, 2009

Note 9 - Postemployment Benefits (continued)

The Ohio Revised Code allows, but does not mandate OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

OP&F maintains funds for health care in two separate accounts. One for health care benefits under an IRS Code Section 115 trust and one for Medicare Part B reimbursements administered as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2009, the employer contribution allocated to the health care plan was 6.75 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Section 115 and 401(h).

The OP&F Board of Trustees also is authorized to establish requirements for contributions to the healthcare plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The portion of the Village's contributions which were allocated to fund post-employment benefits for 2009, 2008 and 2007 was \$30,997, \$30,794, and \$34,871 for police respectively.

Social Security: Some Council members have elected to contribute to Social Security. The contribution rate for 2009 was 6.2 percent.

Note 10 – Interfund Transfers

During 2009, the following transfers were made:

Transfers from the General Fund to:	
Special Building/Land Fund	\$ 85,654
Transfers from the Income Tax Fund to:	
Street Maintenance Fund	150,000
Safety Fund	530,000
Operating Fund	230,000
Parks & Recreation Fund	11,750
General Fund	<u>140,000</u>
Total Transfers	<u>\$1,147,404</u>

Transfers represent the allocation of unrestricted receipts collected as inheritance taxes in the General Fund to finance various programs accounted for in the Special Building and Land Fund in accordance with Village Ordinance 2001-40. Transfers represent the allocation of unrestricted receipts collected in the Income Tax Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Village of South Russell
Notes to the Financial Statements
For the Year Ended December 31, 2009

Note 11 – Contingent Liabilities

Litigation

The Village is not a party in any lawsuits.

Grants

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor, principally the federal government. Grants may require refunding any disallowed costs. Management cannot presently determine amount grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

Note 12– Jointly Governed Organizations

Northeast Ohio Public Energy Council

The Village is a member of the Northeast Ohio Public Energy Council (NOPEC). NOPEC is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. NOPEC was formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of electricity. NOPEC is currently comprised over 100 communities who have been authorized by ballot to purchase electricity on behalf of their citizens. The intent of NOPEC is to provide electricity at the lowest possible rates while at the same time insuring stability in prices by entering into long-term contracts with suppliers to provide electricity to the citizens of its member communities.

NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives from each county then elect one person to serve on the eight member NOPEC Board of Directors. The Board oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. The Village did not contribute to NOPEC during 2009. Financial information can be obtained by contacting NOPEC, 31320 Solon Road, Suite 20, Solon, Ohio 44139.

Valley Enforcement Regional Council of Governments

The Village is a member of Valley Enforcement Regional Council of Governments (“VERCOG”), a jointly governed organization. VERCOG is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. VERCOG was formed to continue to foster cooperation among political subdivisions through sharing of facilities for their common benefit. It includes the supervision and control of the Valley Enforcement Group (“VEG”), which has been a mutual aid organization providing the mutual interchange and sharing of police personnel and police equipment. VERCOG is currently comprised of fifteen communities located within the Chagrin Valley which exercise law enforcement authority under Ohio law and whose law enforcement agency consists of four (4) or more full-time, sworn law enforcement officers. VERCOG is authorized to acquire and own police equipment and other property, to be used by all participating members, and may do any other thing permitted by law to accomplish its general purposes. During 2009 the Village paid \$7,000 to VERCOG.

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Village of South Russell
Management's Discussion and Analysis
For the Year Ended December 31, 2008
Unaudited

This discussion and analysis of the financial performance of the Village of South Russell's, (the Village), provides an overview of the Village's financial activities for the year ended December 31, 2008, within the limitations of the Village's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the financial performance of the Village.

Highlights

Key highlights for 2008 are as follows:

Net assets of governmental activities increased \$249,200 or 22%.

The receipts of the governmental funds are primarily property and income taxes; these receipts represent \$2,448,942. Receipts increased for property and income tax for 2008 by \$181,628, which is attributable to business and individual being canvassed in an effort to enforce taxpayer compliance.

The Village paid \$339,237 to the Village of Chagrin Falls in 2008 as part of its contract for Fire, EMS and Dispatch Services provided by Chagrin Falls.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Village's cash basis of accounting.

Report Components

The statement of net assets and the statement of activities provide information about the cash activities of the Village as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial record of the Village as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The Notes to the Financial Statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Village has elected to present its financial statements on a cash basis of accounting. The cash basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Village's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussions within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting the Village of South Russell as a Whole

The Statement of Net Assets and the Statement of Activities reflect how the Village did financially during 2008, within the limitations of cash basis accounting. The Statement of Net Assets presents the cash balances and investments of the governmental activities of the Village at year-end. The Village does not have any business-type activities. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Village's general receipts.

These statements report the Village's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, these changes are one way to measure the Village's financial health. Over time, increases or decreases in the Village's cash position is one indicator of whether the Village's financial health is improving or deteriorating. When evaluating the Village's financial condition, other non-financial factors as well such as the Village's property tax base, the condition of the Village's capital assets and infrastructure, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property and income taxes should also be considered.

In the Statement of Net Assets and the Statement of Activities, the Village has only governmental activities. There are no business-type activities.

Most of the Village's basic services are reported as governmental activities including police, fire and streets. Income and property taxes finance most of these activities. The Village's fiduciary funds are used to account for resources held for the benefit of parties outside the Village, including deposits held for construction, and are not reflected on the government-wide financial statements.

Reporting the Village's Most Significant Funds

Fund financial statements provide detailed information about the Village's major funds – not the Village as a whole. The Village establishes separate funds to better manage its many activities and to help demonstrate money that is restricted as to how it may be used and be spent for the intended purpose. The funds of the Village are split into two categories: governmental and fiduciary.

Governmental Funds – Most of the Village's activities are reported in governmental funds. The Governmental Fund Financial Statements provide a detailed view of the Village's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Village's programs. The Village's significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Village has six major governmental funds: the general fund, street maintenance fund, safety fund, income tax fund, special building and land fund, and special road fund. The programs reported in governmental funds are closely related to those reported in the governmental activities' sections of the entity-wide statements.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the Village. Fiduciary funds are not reflected on the government-wide financial statements because the resources of these funds are not available to support the Village's programs.

Village of South Russell
Management's Discussion and Analysis
For the Year Ended December 31, 2008
Unaudited

The Government as a Whole

Table 1 provides a summary of the Village's net assets for 2008 compared to 2007 on a cash basis:

(Table 1)
Net Assets

	Governmental Activities	
	2008	2007
Assets		
Equity in Pooled Cash and Cash Equivalents	\$1,382,085	\$1,132,885
Total Assets	\$1,382,085	\$1,132,885
Net Assets		
Restricted for:		
Capital Projects	\$271,921	\$194,509
Other Purposes	923,726	696,940
Unrestricted	186,438	241,436
Total Net Assets	\$1,382,085	\$1,132,885

As mentioned previously, net assets of governmental activities increased \$249,200 or 22 percent during 2008.

Village of South Russell
Management's Discussion and Analysis
For the Year Ended December 31, 2008
Unaudited

Table 2 reflects the changes in net assets on a cash basis in 2008 and 2007 for governmental activities:
(Table 2)

Changes in Net Assets

	Governmental Activities	
	2008	2007
Receipts:		
Program Receipts:		
Charges for Services and Sales	\$118,958	\$132,634
Operating Grants and Contributions	182,332	178,179
Capital Grants and Contributions	379,327	0
Total Program Receipts	<u>680,617</u>	<u>310,813</u>
General Receipts:		
Property and Other Local Taxes	1,066,063	1,007,553
Income Tax	1,382,879	1,259,761
Grants and Entitlements Not Restricted to Specific Programs	370,372	309,296
Interest	33,935	65,851
Miscellaneous	32,188	31,462
Total General Receipts	<u>2,885,437</u>	<u>2,673,923</u>
Total Receipts	<u>3,566,054</u>	<u>2,984,736</u>
Disbursements:		
General Government	483,108	477,556
Security of Persons and Property	1,277,652	1,279,135
Public Health Services	750	0
Community Environment	177,763	173,186
Transportation	816,163	686,619
Capital Outlay	561,418	51,618
Total Disbursements	<u>3,316,854</u>	<u>2,668,114</u>
Increase (Decrease) in Net Assets	249,200	316,622
Net Assets, January 1, 2008	<u>1,132,885</u>	<u>816,263</u>
Net Assets, December 31, 2008	<u>\$1,382,085</u>	<u>\$1,132,885</u>

Program receipts represent only 19 percent of total receipts and are primarily comprised of restricted intergovernmental receipts and charges for services such as motor vehicle license, gas tax money, fire fees, police fines, and zoning fees.

General receipts represent 81 percent of the Village's total receipts, and of this amount, over 82 percent are local taxes. Other receipts are very insignificant and somewhat unpredictable revenue sources.

Disbursements for General Government represent the overhead costs of running the Village and the support services provided for the other Village activities. These include the costs of Council, Fiscal Officer, Fiscal Auditor, and Income Tax Administrator, as well as internal services such payroll and purchasing.

Village of South Russell
Management's Discussion and Analysis
For the Year Ended December 31, 2008
Unaudited

Security of Persons and Property are the costs of fire and police protection and EMS service; Community Environment Activities are the responsibility of the Building Department who promotes compliance with municipal and zoning requirements which keep the Village an attractive option for house; and Transportation is the cost of maintaining the roads.

Governmental Activities

If you look at the Statement of Activities on page 40, you will see that the first column lists the major services provided by the Village. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for Security of Persons and Property and Transportation, which account for 38 and 25 percent of all governmental disbursements, respectively. General government also represents a significant cost, about 15 percent. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Village that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

	Governmental Activities			
	Total Cost	Net Cost	Total Cost	Net Cost
	Of Services	of Services	of Services	of Services
	2008	2008	2007	2007
General Government	\$483,108	(\$372,037)	\$477,556	(\$364,583)
Security of Persons and Property	1,277,652	(1,269,765)	1,279,135	(1,259,474)
Public Health Services	750	(750)	0	0
Community Environment	177,763	(177,763)	173,186	(173,186)
Transportation	816,163	(633,831)	686,619	(508,440)
Capital Outlay	561,418	(182,091)	51,618	(51,618)
Total Expenses	\$3,316,854	(\$2,636,237)	\$2,668,114	(\$2,357,301)

The dependence upon income and property tax receipts is apparent as over 80 percent of governmental activities are supported through these general receipts.

The Village's Funds

Total governmental funds had receipts of \$3,566,054 and disbursements of \$3,316,854, excluding transfers.

General Fund receipts were less than disbursements by \$54,998 indicating that the General Fund is in a deficit situation.

Village of South Russell
Management's Discussion and Analysis
For the Year Ended December 31, 2008
Unaudited

General Fund Budgeting Highlights

The Village's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During 2008, the Village amended its General Fund budget to reflect changing circumstances. Final budgeted receipts had minor changes from the original budgeted receipts.

Final disbursements were budgeted at \$899,322 while actual disbursements were \$954,046. The Village's actual disbursements were \$54,724 more than the final budget.

Capital Assets and Debt Administration

Capital Assets

The Village does not currently keep track of its capital assets and infrastructure.

Debt

The Village does not have any debt at this time.

Current Issues

The challenge for all Governments is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking funding. We rely heavily on local taxes and have very little industry to support the tax base. A concern for the Village is reviewing ways to efficiently and effectively use the excess funds remaining in the Income Tax Fund for future large expenses in such funds as the Special Road and Special Equipment Fund.

Contacting the Village of South Russell's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the government's finances and to reflect the Village's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Danielle Romanowski, Fiscal Officer Village of South Russell, 5205 Chillicothe Road, South Russell, Ohio 44022. Phone: 440-338-6700, extension 221. Fax: 440-338-8776. E-mail: svclerk@neohio.twcbc.com

Village of South Russell, Geauga County

Statement of Net Assets - Cash Basis

December 31, 2008

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$1,382,085</u>
<i>Total Assets</i>	<u><u>\$1,382,085</u></u>
Net Assets	
Restricted for:	
Capital Projects	\$271,921
Other Purposes	923,726
Unrestricted	<u>186,438</u>
<i>Total Net Assets</i>	<u><u>\$1,382,085</u></u>

See accompanying notes to the basic financial statements

Village of South Russell, Geauga County
Statement of Activities- Cash Basis
For the Year Ended
December 31, 2008

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets	
Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
Governmental Activities					
General Government	\$483,108	\$111,071	\$0	\$0	(\$372,037)
Security of Persons and Property	1,277,652	7,887	0	0	(1,269,765)
Community Environment	177,763	0	0	0	(177,763)
Transportation	816,163	0	182,332	0	(633,831)
Capital Outlay	561,418	0	0	379,327	(182,091)
Public Health Services	750	0	0	0	(750)
<i>Total Governmental Activities</i>	<u>\$3,316,854</u>	<u>\$118,958</u>	<u>\$182,332</u>	<u>\$379,327</u>	<u>(2,636,237)</u>
 General Receipts					
Property Taxes Levied for:					
General Purposes					1,066,063
Municipal Income Taxes					1,382,879
Grants and Entitlements not Restricted to Specific Programs					370,372
Interest					33,935
Miscellaneous					32,188
<i>Total General Receipts</i>					<u>2,885,437</u>
Change in Net Assets					249,200
<i>Net Assets, Beginning of Year</i>					<u>1,132,885</u>
<i>Net Assets, End of Year</i>					<u>\$1,382,085</u>

See accompanying notes to the basic financial statements

Village of South Russell, Geauga County
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2008

	General Fund	Street Maintenance Fund	Safety Fund	Income Tax Fund	Special Land/Bldg Fund	Special Road Fund	Other Governmental Funds	Total Governmental Funds
Assets								
Equity in Pooled Cash and Cash Equivalents	\$186,438	\$228,114	\$125,657	\$494,225	\$205,891	\$29,683	\$112,077	\$1,382,085
<i>Total Assets</i>	<u>\$186,438</u>	<u>\$228,114</u>	<u>\$125,657</u>	<u>\$494,225</u>	<u>\$205,891</u>	<u>\$29,683</u>	<u>\$112,077</u>	<u>\$1,382,085</u>
Fund Balances								
Reserved:								
Reserved for Encumbrances	\$3,602							\$3,602
Unreserved:								
Undesignated (Deficit), Reported in:								
General Fund	\$182,836							\$182,836
Special Revenue Funds		\$228,114	\$125,657	\$494,225			\$75,730	923,726
Capital Projects Funds					\$205,891	\$29,683	36,347	271,921
<i>Total Fund Balances</i>	<u>\$186,438</u>	<u>\$228,114</u>	<u>\$125,657</u>	<u>\$494,225</u>	<u>\$205,891</u>	<u>\$29,683</u>	<u>\$112,077</u>	<u>\$1,382,085</u>

See accompanying notes to the basic financial statements

Village of South Russell, Geauga County
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year ended December 31, 2008

	General Fund	Street Maintenance Fund	Safety Fund	Income Tax Fund	Special Land/Bldg Fund	Special Road Fund	Other Governmental Funds	Total Governmental Funds
Receipts								
Municipal Income Taxes				\$1,382,879				\$1,382,879
Property and Other Local Taxes	\$466,347		\$453,203				\$146,513	1,066,063
Charges for Services	52,867							52,867
Fines, Licenses and Permits	66,091							66,091
Intergovernmental	209,917	\$168,656	70,759		\$56,583	\$379,327	46,789	932,031
Interest	33,935							33,935
Miscellaneous	19,891		1,505				10,792	32,188
<i>Total Receipts</i>	<u>849,048</u>	<u>168,656</u>	<u>525,467</u>	<u>1,382,879</u>	<u>56,583</u>	<u>379,327</u>	<u>204,094</u>	<u>3,566,054</u>
Disbursements								
Current:								
General Government	371,172			111,936				483,108
Security of Persons and Property	292,978		984,674					1,277,652
Community Environment	177,763							177,763
Transportation		384,481					431,682	816,163
Capital Outlay						489,905	71,513	561,418
Public Health Services							750	750
<i>Total Disbursements</i>	<u>841,913</u>	<u>384,481</u>	<u>984,674</u>	<u>111,936</u>	<u>0</u>	<u>489,905</u>	<u>503,945</u>	<u>3,316,854</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>7,135</u>	<u>(215,825)</u>	<u>(459,207)</u>	<u>1,270,943</u>	<u>56,583</u>	<u>(110,578)</u>	<u>(299,851)</u>	<u>249,200</u>
Other Financing Sources (Uses)								
Transfers In	50,000	183,000	520,000		104,133		264,000	1,121,133
Transfers Out	(112,133)			(1,009,000)				(1,121,133)
<i>Total Other Financing Sources (Uses)</i>	<u>(62,133)</u>	<u>183,000</u>	<u>520,000</u>	<u>(1,009,000)</u>	<u>104,133</u>	<u>0</u>	<u>264,000</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	<u>(54,998)</u>	<u>(32,825)</u>	<u>60,793</u>	<u>261,943</u>	<u>160,716</u>	<u>(110,578)</u>	<u>(35,851)</u>	<u>249,200</u>
<i>Fund Balances Beginning of Year</i>	<u>241,436</u>	<u>260,939</u>	<u>64,864</u>	<u>232,282</u>	<u>45,175</u>	<u>140,261</u>	<u>147,928</u>	<u>1,132,885</u>
<i>Fund Balances End of Year</i>	<u>\$186,438</u>	<u>\$228,114</u>	<u>\$125,657</u>	<u>\$494,225</u>	<u>\$205,891</u>	<u>\$29,683</u>	<u>\$112,077</u>	<u>\$1,382,085</u>

Village of South Russell, Geauga County
*Statement of Receipts, Disbursements and Changes
in Fund Balance - Budget and Actual -Budget Basis
General Fund
For the Year Ended December 31, 2008*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Receipts				
Property and Other Local Taxes	\$452,003	\$452,003	\$466,347	\$14,344
Charges for Services	51,100	51,100	52,867	1,767
Fines, Licenses and Permits	82,450	82,450	66,091	(16,359)
Intergovernmental	106,383	106,383	209,917	103,534
Interest	48,000	48,000	33,935	(14,065)
Miscellaneous	10,900	10,900	19,891	8,991
<i>Total receipts</i>	<u>750,836</u>	<u>750,836</u>	<u>849,048</u>	<u>98,212</u>
Disbursements				
Current:				
General Government	406,706	414,706	374,774	39,932
Security of Persons and Property	291,200	293,200	292,978	222
Community Environment	183,416	183,416	177,763	5,653
<i>Total Disbursements</i>	<u>881,322</u>	<u>891,322</u>	<u>845,515</u>	<u>45,807</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(130,486)</u>	<u>(140,486)</u>	<u>3,533</u>	<u>144,019</u>
Other Financing Sources (Uses)				
Transfers In	50,000	50,000	50,000	0
Transfers Out	0	(8,000)	(112,133)	(104,133)
<i>Total Other Financing Sources (Uses)</i>	<u>50,000</u>	<u>42,000</u>	<u>(62,133)</u>	<u>(104,133)</u>
<i>Net Change in Fund Balance</i>	(80,486)	(98,486)	(58,600)	39,886
<i>Fund Balance Beginning of Year</i>	<u>241,436</u>	<u>241,436</u>	<u>241,436</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$160,950</u></u>	<u><u>\$142,950</u></u>	<u><u>\$182,836</u></u>	<u><u>\$39,886</u></u>

Village of South Russell, Geauga County
*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Street Maintenance Fund
For the Year Ended December 31, 2008*

	<u>Budgeted Amounts</u>		<u>Actual</u>	(Optional)
	<u>Original</u>	<u>Final</u>		Variance with Final Budget Positive (Negative)
Receipts				
Intergovernmental	\$168,000	\$168,000	\$168,656	\$656
<i>Total receipts</i>	<u>168,000</u>	<u>168,000</u>	<u>168,656</u>	<u>656</u>
Disbursements				
Current:				
Transportation	363,800	396,800	384,481	12,319
<i>Total Disbursements</i>	<u>363,800</u>	<u>396,800</u>	<u>384,481</u>	<u>12,319</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(195,800)</u>	<u>(228,800)</u>	<u>(215,825)</u>	<u>12,975</u>
Other Financing Sources (Uses)				
Transfers In	150,000	183,000	183,000	0
<i>Total Other Financing Sources (Uses)</i>	<u>150,000</u>	<u>183,000</u>	<u>183,000</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(45,800)	(45,800)	(32,825)	12,975
<i>Fund Balance Beginning of Year</i>	<u>260,939</u>	<u>260,939</u>	<u>260,939</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$215,139</u></u>	<u><u>\$215,139</u></u>	<u><u>\$228,114</u></u>	<u><u>\$12,975</u></u>

See accompanying notes to the basic financial statements

Village of South Russell, Geauga County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Safety Fund
For the Year Ended December 31, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Receipts				
Property and Other Local Taxes	\$451,731	\$451,731	\$453,203	\$1,472
Intergovernmental	57,581	57,581	70,759	13,178
Miscellaneous	0	0	1,505	1,505
<i>Total receipts</i>	<u>509,312</u>	<u>509,312</u>	<u>525,467</u>	<u>16,155</u>
Disbursements				
Current:				
Security of Persons and Property	993,072	1,028,072	984,674	43,398
<i>Total Disbursements</i>	<u>993,072</u>	<u>1,028,072</u>	<u>984,674</u>	<u>43,398</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(483,760)</u>	<u>(518,760)</u>	<u>(459,207)</u>	<u>59,553</u>
Other Financing Sources (Uses)				
Transfers In	520,000	520,000	520,000	0
<i>Total Other Financing Sources (Uses)</i>	<u>520,000</u>	<u>520,000</u>	<u>520,000</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	36,240	1,240	60,793	59,553
<i>Fund Balance Beginning of Year</i>	<u>64,864</u>	<u>64,864</u>	<u>64,864</u>	<u>0</u>
Prior Year Encumbrances Appropriated				
<i>Fund Balance End of Year</i>	<u><u>\$101,104</u></u>	<u><u>\$66,104</u></u>	<u><u>\$125,657</u></u>	<u><u>\$59,553</u></u>

Village of South Russell, Geauga County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Income Tax Fund
For the Year Ended December 31, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	(Optional)
	<u>Original</u>	<u>Final</u>		Variance with Final Budget Positive (Negative)
Receipts				
Municipal Income Taxes	<u>\$1,200,000</u>	<u>\$1,200,000</u>	<u>\$1,382,879</u>	<u>\$182,879</u>
<i>Total receipts</i>	<u>1,200,000</u>	<u>1,200,000</u>	<u>1,382,879</u>	<u>182,879</u>
Disbursements				
Current:				
General Government	<u>80,590</u>	<u>115,590</u>	<u>111,936</u>	<u>3,654</u>
<i>Total Disbursements</i>	<u>80,590</u>	<u>115,590</u>	<u>111,936</u>	<u>3,654</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>1,119,410</u>	<u>1,084,410</u>	<u>1,270,943</u>	<u>186,533</u>
Other Financing Sources (Uses)				
Transfers Out	<u>(896,000)</u>	<u>(1,009,000)</u>	<u>(1,009,000)</u>	<u>0</u>
<i>Total Other Financing Sources (Uses)</i>	<u>(896,000)</u>	<u>(1,009,000)</u>	<u>(1,009,000)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	223,410	75,410	261,943	186,533
<i>Fund Balance Beginning of Year</i>	<u>232,282</u>	<u>232,282</u>	<u>232,282</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$455,692</u></u>	<u><u>\$307,692</u></u>	<u><u>\$494,225</u></u>	<u><u>\$186,533</u></u>

Village of South Russell, Geauga County
Statement of Fiduciary Net Assets - Cash Basis
Fiduciary Fund
December 31, 2008

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$69,873</u>
<i>Total Assets</i>	<u><u>\$69,873</u></u>
Net Assets	
Unrestricted	<u>\$69,873</u>
<i>Total Net Assets</i>	<u><u>\$69,873</u></u>

See accompanying notes to the basic financial statements

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Village of South Russell
Notes to the Financial Statements
For the Year Ended December 31, 2008

Note 1 – Reporting Entity

The Village of South Russell, Geauga County, Ohio, (the Village), is a body politic and corporate 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 six-member Council, who are elected at large for four-year terms. The Mayor is elected to a four-year term, serves as the President of Council and has no voting privileges, except in the case of a tie.

The reporting entity is comprised of the primary government and other organizations that were included to ensure that the financial statements are not misleading.

A. Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Village. The Village provides general government services, maintenance of Village roads and police services. The Village contracts with the Village of Chagrin Falls to provide fire protection and ambulance services.

B. Component Units

Component units are legally separate organizations for which the Village is financially accountable. The Village is financially accountable for an organization if the Village appoints a voting majority of the organization's governing board and (1) the Village is able to significantly influence the programs or services performed or provided by the organization; or (2) the Village is legally entitled to or can otherwise access the organization's resources; the Village is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or the Village is obligated for the debt of the organization. The Village is also financially accountable for any organizations that are fiscally dependent on the Village in that the Village approves their budget, the issuance of their debt or the levying of their taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Village, are accessible to the Village and are significant in amount to the Village. The Village has no component units.

C. Jointly Governed Organizations

The Village participates in two jointly governed organizations. Note 12 to the financial statements provide additional information for these entities.

These organizations are:

Jointly Governed Organizations:

Northeast Ohio Public Energy Council: Northeast Ohio Public Energy Council (NOPEC) is a regional council of governments formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of electricity and natural gas.

Valley Enforcement Regional Council of Governments: The Village is a member of Valley Enforcement Regional Council of Governments ("VERCOG"), a jointly governed organization. VERCOG is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. VERCOG was formed to continue to foster cooperation among political subdivisions through sharing of facilities for their common benefit.

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

Village of South Russell
Notes to the Financial Statements
For the Year Ended December 31, 2008

Note 2 – Summary of Significant Accounting Policies

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The Village does not have any business-type activities and no enterprise funds. The following are the more significant of the Village's accounting policies.

A. Basis of Presentation

The Village's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Village as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Governmental activities generally are financed through taxes, intergovernmental receipts or other non-exchange transactions.

The statement of net assets presents the cash and investment balances of the governmental activities of the Village at December 31, 2008. The statement of activities compares disbursements with program receipts for the Village's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Village is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the Village's general receipts.

Fund Financial Statements

During the year, the Village segregates transactions related to certain Village functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Village at this more detailed level. The focus of governmental financial statements is on major funds. Each major fund is presented in a separate column. Non major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

B. Fund Accounting

The Village uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. The funds of the Village are divided into two categories, governmental and fiduciary.

Governmental Funds

The Village classifies funds financed primarily from taxes, intergovernmental receipts and other non-exchange transactions as governmental funds. The following are the Village's major governmental funds:

Village of South Russell
Notes to the Financial Statements
For the Year Ended December 31, 2008

Note 2 – Summary of Significant Accounting Policies (continued)

General Fund - This fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Street Maintenance Fund - This fund is used for the improvement, construction, reconstruction, resurfacing and repair of roads and bridges.

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

Income Tax Fund – This fund collects income tax money to be allocated to the Village's other funds.

Special Land and Building Fund – This fund receives intergovernmental receipts used for capital improvements.

Special Road Fund – This fund is used to update a storm sewer project in the Village.

Fiduciary Funds

Fiduciary funds include pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to 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. The Village had no private purpose trust fund accounts during the reporting year. Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village's agency fund accounts for the receipts and expenditures of the South Russell Building Department as it relates to construction deposits.

C. Basis of Accounting

The Village's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the Village's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued liabilities and the related expenses) are not recorded in these financial statements.

D. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Village Council may appropriate.

Village of South Russell
Notes to the Financial Statements
For the Year Ended December 31, 2008

Note 2 – Summary of Significant Accounting Policies (continued)

The appropriations ordinance is the Village Council's authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the Village Council. The legal level of control has been established at the fund/function/object level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Village Fiscal Officer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Village Council.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Village Council during the year.

E. Cash and Investments

To improve cash management, cash received by the Village is pooled and invested. Individual fund integrity is maintained through Village records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents."

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts, respectively.

During 2008 the Village invested in Star Ohio, which is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. Star Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in Star Ohio are valued at Star Ohio's share price, which is the price the investment could be sold for on December 31, 2008.

Interest earnings are allocated to Village funds according to State statutes and grant requirements. Interest receipts credited to the General Fund during 2008 were \$33,935, which includes \$29,862 assigned from other Village funds.

F. Restricted Assets

Cash and cash equivalents are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by law through constitutional provisions or enabling legislation. The Village does not have any restricted assets.

G. Inventory and Prepaid Items

The Village reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

Village of South Russell
Notes to the Financial Statements
For the Year Ended December 31, 2008

Note 2 – Summary of Significant Accounting Policies (continued)

H. Capital Assets

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

I. Accumulated Leave

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

J. Employer Contributions to Cost-Sharing Pension Plans

The Village recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for post retirement health care benefits.

K. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. None are restricted by enabling legislation.

The Village's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and non-restricted net assets are available.

L. Fund Balance Reserves

The Village reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance, which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances.

M. Interfund Transactions

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

Note 3 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the cash basis are outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis) (and outstanding year end advances are treated as another financing source or use (budgetary basis) rather than as an interfund receivable or payable (cash basis). The encumbrances outstanding at year-end (budgetary basis) amounted to \$3,602 for the General Fund. There were no outstanding advances at year-end.

Village of South Russell
Notes to the Financial Statements
For the Year Ended December 31, 2008

Note 4 – Deposits and Investments

Monies held by the Village are classified by State Statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Village treasury. Active monies must be maintained either as cash in the Village treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that Council has identified as not required for use within the current five-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Village can be deposited or invested in the following securities.

1. United States Treasury bills, bonds, notes or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily and the term of the agreement must not exceed thirty days;
3. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
4. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
7. The State Treasurer's investment pool (Star Ohio).

Village of South Russell
Notes to the Financial Statements
For the Year Ended December 31, 2008

Note 4 – Deposits and Investments (continued)

Protection of the Village's deposits is provided by the Federal Deposit Insurance Corporation (FDIC) or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of the purchase, unless matched to a specific obligation or debt of the Village, and must be purchased with the expectation that it will be held to maturity.

Investment may only be made through specified dealers and institutions. Payments for investments may be made only upon delivery of the securities representing the investments to the Village or qualified trustee or, if securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$1,223,021 of the Village's bank balance of \$1,473,021 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Village's name.

The Village has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Village or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

As of December 31, 2008, the Village had the following investment:

	<u>Carrying Value</u>	<u>Maturity</u>
STAR Ohio	<u>\$100,000</u>	Less than One Year

Interest rate risk arises because the fair value of investments changes as interest rates change. The Village's investment policy addresses interest rate risk by requiring that the Village's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations, thereby avoiding that need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments.

STAR Ohio carries a rating of AAAM by Standard and Poor's. The Village's investment policy is limited to requiring compliance with state statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service.

Note 5 – Income Taxes

The Village levies a 1 percent income tax whose proceeds are placed into the Income Tax Fund and then transferred to other funds. The Village levies and collects the tax on all income earned within the

Village of South Russell
Notes to the Financial Statements
For the Year Ended December 31, 2008

Note 5 – Income Taxes (Continued)

Village as well as on incomes of residents earned outside the Village. In the latter case, the Village allows a credit of the lesser of actual taxes paid to another municipality or 75 percent of the 1 percent tax rate on taxable income. Employers within the Village are required to withhold income tax on employee earnings and remit the tax to the Village at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually. All residents age 18 years of age and older are required to file an annual return. Retired individuals are required to file an exemption certificate annually.

Note 6 – Property Taxes

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Village. Property tax receipts received in 2008 for real and public utility property taxes represents collections of the 2007 taxes. Property tax payments received during 2008 for tangible personal property (other than public utility property) is for 2008 taxes.

The 2008 real property taxes are levied after October 1, 2008 on the assessed values as of January 1, 2008, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. 2008 real property taxes are collected in and intended to finance 2009.

Real property taxes are payable annually or semi-annually. Taxes are typically billed in January (first half) and June (second half) of each year and are always due on the second Wednesday of February and the second Wednesday of July.

Public utility property tax receipts received in 2008 represent the collection of 2007 taxes. Public utility real and tangible personal property taxes received in 2007 became a lien on December 31, 2007, were levied after October 1, 2007, and are collected with real property taxes. The County is responsible for assessing property, and for billing, collecting and distributing all property taxes on behalf of the Village.

Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2007 public utility property taxes which became a lien on December 31, 2007, are levied after October 1, 2007, and are collected in 2008 with real property taxes.

The 2008 tangible property taxes are levied after October 1, 2007, on the value as of December 31, 2007. Collections are made in 2008. Tangible personal property assessments are being phased out – the assessment percentage for all property including inventory for 2008 is 6.25 percent. This will be reduced to zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 3, with the remainder due September 20.

The full tax rate for all Village operations for the year ended December 31, 2008, was \$31.08 per \$1,000 of assessed value. The assessed values of real and personal property upon which 2007 property tax receipts were based are as follows:

Real Property	\$144,757,080
Public Utility Real Property	6,063,500
Public Utility Tangible Personal Property	2,400,030
Tangible Personal Property	162,260
Total Assessed Values	<u>\$153,382,870</u>

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the Village. The County Auditor periodically remits to the Village its portion of the taxes collected.

Village of South Russell
Notes to the Financial Statements
For the Year Ended December 31, 2008

Note 7 – Risk Management

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions, injuries to employees and natural disasters.

The Village maintains commercial insurance coverage with HCC Insurance Company for the following:

General Liability	\$ 1,000,000
Public Officials Liability	1,000,000
Automobile Coverage	1,000,000
Building and Property	1,562,700
Umbrella Liability	4,000,000

Settled claims have not exceeded coverage in any of the last three years and there was no significant reduction in coverage from the prior year.

The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs. The System administers and pays all claims.

The Village also provides health, life insurance and a flexible spending plan to full-time employees through private carriers. The premiums for these employee benefits in 2008 totaled \$141,126.

Note 8 – Defined Benefit Pension Plans

A. Ohio Public Employees Retirement System

Plan Description - The Village participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member-directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member-directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2008, members in state and local classifications contributed 10 percent of covered payroll. The Village's contribution rate for 2008 was 14 percent. For 2008, a portion of the Village's contribution equal to 7 percent of the covered payroll was allocated to fund the postemployment healthcare plan. Employer contribution rates are actuarially determined. State statute sets a maximum contribution rate of the Village of 14 percent.

Village of South Russell
Notes to the Financial Statements
For the Year Ended December 31, 2008

Note 8 – Defined Benefit Pension Plans (continued)

The Village's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2008, 2007, and 2006 were \$29,262, \$42,584, and \$44,017, respectively. The full amount has been contributed for 2008, 2007 and 2006. The Village made no contributions to the member-directed plan for 2008.

B. Ohio Police and Fire Pension Fund

Plan Description - The Village contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations. The Village's contribution was 19.5 percent for police officers. Contribution rates are established by State statute. For 2008, a portion of the Village's contribution equal to 7.75 percent of covered payroll was allocated to fund the postemployment healthcare plan. The Village's required contributions to OP&F for the years ended December 31, 2008, 2007 and 2006 were \$58,166, \$65,868, and \$64,063, respectively. The full amount has been contributed for 2008, 2007 and 2006.

Note 9 – Postemployment Benefits

Ohio Public Employees Retirement System: OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan. For qualifying members of the Traditional Pension and Combined Plans, this plan includes a medical plan, prescription drug program, and Medicare Part B premium reimbursement. Those belonging to the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not mandate, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Funding Policy – The post-employment Health Care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). State Statute requires that public employers fund post-employment health care through contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2008, state and local employers contributed at a rate of 14 percent of covered payroll. Each year, OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The amount of employer contributions which were allocated to fund post-employment health care benefits was 7 percent for 2008.

Village of South Russell
Notes to the Financial Statements
For the Year Ended December 31, 2008

Note 9 – Postemployment Benefits (Continued)

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and coverage selected. Active members do not make contributions to the post-employment health care plan.

The Village's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2008, 2007 and 2006 were \$29,262, \$28,050 and \$21,530, respectively. 100 percent has been contributed for 2008, 2007 and 2006.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased on January 1, of each year from 2006 to 2008. These rate increases allowed additional funds to be allocated to the health care plan.

Ohio Police and Fire Pension Fund: The Village of South Russell contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored health care program, a cost-sharing multiple employer defined post-employment health care plan administered by OP&F. OP&F provides healthcare benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium and long term care to retirees, qualifying benefit recipients and their eligible dependants.

OP&F provides access to post-retirement health care coverage for any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person. The healthcare coverage provided by OP&F meets the definition of an Other Post-employment Benefit (OPEB) as described in GASB Statement No. 45.

The Ohio Revised Code allows, but does not mandate OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

OP&F maintains funds for health care in two separate accounts. One for health care benefits under an IRS Code Section 115 trust and one for Medicare Part B reimbursements administered as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2008, the employer contribution allocated to the health care plan was 6.75 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Section 115 and 401(h).

The OP&F Board of Trustees also is authorized to establish requirements for contributions to the healthcare plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The portion of the Village's contributions which were allocated to fund post-employment benefits for 2008, 2007 and 2006 was \$30,794, \$34,871, and \$42,254, respectively.

Social Security: Some Council members have elected to contribute to Social Security. The contribution rate for 2008 was 6.2 percent.

Village of South Russell
Notes to the Financial Statements
For the Year Ended December 31, 2008

Note 10 – Interfund Transfers

During 2008 the following transfers were made:

Transfers from the General Fund to:	
Special Building/Land Fund	\$ 104,133
Parks & Recreation Fund	8,000
Transfers from the Income Tax Fund to:	
Cemetery Fund	1,000
Street Maintenance Fund	183,000
Safety Fund	520,000
Operating Fund	175,000
Special Equipment	80,000
General Fund	<u>50,000</u>
 Total Transfers	 <u>\$1,121,133</u>

Transfers represent the allocation of unrestricted receipts collected as inheritance taxes in the General Fund to finance various programs accounted for in the Special Building and Land Fund in accordance with Village Ordinance 2001-40. Transfers represent the allocation of unrestricted receipts collected in the Income Tax Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Note 11 – Contingent Liabilities

Litigation

The Village is not a party in any lawsuits.

Grants

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor, principally the federal government. Grants may require refunding any disallowed costs. Management cannot presently determine amount grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

Note 12– Jointly Governed Organizations

Northeast Ohio Public Energy Council

The Village is a member of the Northeast Ohio Public Energy Council (NOPEC). NOPEC is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. NOPEC was formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of electricity. NOPEC is currently comprised over 100 communities who have been authorized by ballot to purchase electricity on behalf of their citizens. The intent of NOPEC is to provide electricity at the lowest possible rates while at the same time insuring stability in prices by entering into long-term contracts with suppliers to provide electricity to the citizens of its member communities.

NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives from each county then elect one person to serve on the eight member NOPEC Board of Directors. The Board oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. The Village did not contribute to NOPEC during 2009. Financial information can be obtained by contacting NOPEC, 31320 Solon Road, Suite 20, Solon, Ohio 44139.

Village of South Russell
Notes to the Financial Statements
For the Year Ended December 31, 2008

Note 12– Jointly Governed Organizations (Continued)

Valley Enforcement Regional Council of Governments

The Village is a member of Valley Enforcement Regional Council of Governments (“VERCOG”), a jointly governed organization. VERCOG is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. VERCOG was formed to continue to foster cooperation among political subdivisions through sharing of facilities for their common benefit. It includes the supervision and control of the Valley Enforcement Group (“VEG”), which has been a mutual aid organization providing the mutual interchange and sharing of police personnel and police equipment. VERCOG is currently comprised of fifteen communities located within the Chagrin Valley which exercise law enforcement authority under Ohio law and whose law enforcement agency consists of four (4) or more full-time, sworn law enforcement officers. VERCOG is authorized to acquire and own police equipment and other property, to be used by all participating members, and may do any other thing permitted by law to accomplish its general purposes. During 2008 the Village paid \$3,000 to VERCOG.

Note 13– Compliance

Appropriations Exceeding Estimated Resources

Contrary to Ohio Revised Code Section 5705.39, the special road fund had appropriation in excess of certifications of available resources by \$379,327.

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS 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 financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of South Russell, Geauga County, (the Village) as of and for the years ended December 31, 2009 and 2008, which collectively comprise the Village's basic financial statements and have issued our report thereon dated October 28, 2010, wherein, we noted the Village uses a comprehensive accounting basis other than generally accepted accounting principles. 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 opinions 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.

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 combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

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 an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2009-001.

The Village's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Village's response and, accordingly, we express no opinion on it.

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



Mary Taylor, CPA
Auditor of State

October 28, 2010

VILLAGE OF SOUTH RUSSELL
GEAUGA COUNTY

FOR THE FISCAL YEARS ENDED DECEMBER 31, 2009 AND 2008
SCHEDULE OF FINDINGS

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

FINDING NUMBER 2009-001

Noncompliance

Appropriations Limited by Estimated Resources

Ohio Rev. Code Section 5705.39 provides in part that total appropriations from each fund shall not exceed the total estimated resources. No appropriation measure is effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

The following fund had appropriations exceeding estimated resources at December 31, 2008:

Fund Name	Appropriations	Estimated Resources Plus Beginning Unencumbered Cash	Variance
Special Road Fund	\$489,905	\$110,578	(\$379,327)

This weakness could allow expenditures in the above funds to exceed the total of the available fund balance and the current year revenues. This would then result in negative cash fund balances.

We recommend the Village compare appropriations to estimated resources, in all funds which are legally required to be budgeted, to ensure compliance with this requirement. This comparison should be performed on a monthly basis, at minimum.

Official's Response:

After reviewing the financial statements, we agree with the finding. The Village will take appropriate measures to watch this more closely in the future by communicating with the Village Engineer on monitoring the funding sources for projects and the budgetary impact of those projects.

**VILLAGE OF SOUTH RUSSELL
GEAUGA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2009 AND 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2007-001	Expenditures plus Encumbrances in excess of Appropriations – ORC 5705.41 (B) – The Village had four instances where expenditures plus encumbrances exceeded appropriations.	Yes	
2007-002	Sound financial reporting, material adjustments to the financial statements were required.	Yes	



Mary Taylor, CPA
Auditor of State

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
NOVEMBER 16, 2010**