



Dave Yost • Auditor of State

RUSSELL TOWNSHIP
GEAUGA COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances – (Cash Basis) – All Governmental Fund Types – For the Year Ended December 31, 2013	3
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances – (Cash Basis) – All Governmental Fund Types – For the Year Ended December 31, 2012	4
Notes to the Financial Statements	5
Independent Auditor's Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	11
Schedule of Findings.....	13

This page intentionally left blank.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Russell Township
Geauga County
8501 Kinsman Road
Novelty, Ohio 44072

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Russell Township, Geauga County, (the Township) as of and for the years ended December 31, 2013 and 2012.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

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

Opinion on Regulatory Basis of Accounting

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 18, 2014, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

August 18, 2014

**RUSSELL TOWNSHIP
GEAUGA COUNTY**

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

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash Receipts:					
Local Taxes	\$ 166,311	\$ 2,698,636	\$ 376,782	\$ -	\$3,241,729
Intergovernmental	173,786	548,223	26,837	-	748,846
Licenses, Permits, and Fees	57,129	102,574	-	-	159,703
Fines, Forfeitures, and Penalties	5,610	-	-	-	5,610
Earnings on Investments	12,047	231	-	-	12,278
Other Revenue	69,686	44,846	1,433	-	115,965
Total Cash Receipts	484,569	3,394,510	405,052	0	4,284,131
Cash Disbursements:					
Current:					
General Government	652,843	5,065	-	-	657,908
Public Safety	1,512	1,922,252	3,182	-	1,926,946
Public Works	36,828	1,441,709	-	-	1,478,537
Health	17,230	4,328	-	-	21,558
Debt Service:					
Principal Retirement	-	-	324,847	-	324,847
Interest and Fiscal Charges	-	-	62,020	-	62,020
Capital Outlay	32,383	133,824	-	34,457	200,664
Total Cash Disbursements	740,796	3,507,178	390,049	34,457	4,672,480
Total Receipts Over/(Under) Disbursements	(256,227)	(112,668)	15,003	(34,457)	(388,349)
Other Financing Receipts / (Disbursements):					
Other sources	7,338	52,716	34,106	-	94,160
Total Other Financing Receipts / (Disbursements)	7,338	52,716	34,106	0	94,160
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(248,889)	(59,952)	49,109	(34,457)	(294,189)
Fund Cash Balances, January 1, 2013	1,604,545	1,699,385	335,636	34,457	3,674,023
Fund Cash Balances, December 31, 2013					
Restricted	-	1,494,081	378,925	-	1,873,006
Committed	-	127,320	5,820	-	133,140
Assigned	-	18,033	-	-	18,033
Unassigned	1,355,656	-	-	-	1,355,656
Fund Cash Balances, December 31, 2013	\$1,355,656	1,639,434	\$384,745	\$0	\$3,379,835

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

**RUSSELL TOWNSHIP
GEAUGA COUNTY**

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

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Local Taxes	\$ 167,056	\$2,700,584	\$382,995	\$ -	\$3,250,635
Intergovernmental	297,509	545,802	26,769	50,000	920,080
Licenses, Permits, and Fees	53,002	111,621	-	-	164,623
Fines, Forfeitures, and Penalties	6,288	-	-	-	6,288
Earnings on Investments	15,261	375	-	-	15,636
Other Revenue	70,089	42,157	1,432	-	113,678
	<u>609,205</u>	<u>3,400,539</u>	<u>411,196</u>	<u>50,000</u>	<u>4,470,940</u>
Total Cash Receipts					
	<u>609,205</u>	<u>3,400,539</u>	<u>411,196</u>	<u>50,000</u>	<u>4,470,940</u>
Cash Disbursements:					
Current:					
General Government	686,925	12,950	-	-	699,875
Public Safety	1,705	1,943,917	3,277	-	1,948,899
Public Works	144,373	1,447,676	-	-	1,592,049
Health	19,747	8,807	-	-	28,554
Debt Service:					
Principal Retirement	-	-	1,774,771	-	1,774,771
Interest and Fiscal Charges	-	-	89,260	-	89,260
Capital Outlay	15,125	184,303	-	15,543	214,971
	<u>867,875</u>	<u>3,597,653</u>	<u>1,867,308</u>	<u>15,543</u>	<u>6,348,379</u>
Total Cash Disbursements					
	<u>867,875</u>	<u>3,597,653</u>	<u>1,867,308</u>	<u>15,543</u>	<u>6,348,379</u>
Total Receipts Over/(Under) Disbursements	<u>(258,670)</u>	<u>(197,114)</u>	<u>(1,456,112)</u>	<u>34,457</u>	<u>(1,877,439)</u>
Other Financing Receipts / (Disbursements):					
Sale of Bonds	-	-	1,415,000	-	1,415,000
Sale of fixed assets	-	-	771	-	771
Other sources	1,584	8,990	-	-	10,574
Total Other Financing Receipts / (Disbursements)	<u>1,584</u>	<u>8,990</u>	<u>1,415,771</u>	<u>0</u>	<u>11,345</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>(257,086)</u>	<u>(188,124)</u>	<u>(40,341)</u>	<u>34,457</u>	<u>(1,866,094)</u>
Fund Cash Balances, January 1, 2012	<u>1,861,632</u>	<u>1,887,508</u>	<u>375,977</u>	<u>0</u>	<u>4,125,117</u>
Fund Cash Balances, December 31, 2012					
Restricted	-	1,497,146	330,739	34,457	1,862,342
Committed	-	184,408	4,897	-	189,305
Assigned	-	17,831	-	-	17,831
Unassigned	1,604,545	-	-	-	1,604,545
Fund Cash Balances, December 31, 2012	<u>\$ 1,604,545</u>	<u>\$ 1,699,385</u>	<u>\$ 335,636</u>	<u>\$ 34,457</u>	<u>\$ 3,674,023</u>

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

**RUSSELL TOWNSHIP
GEAUGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Russell Township, Geauga County, (The Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, fire protection, emergency medical services, and police protection.

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

B. Accounting Basis

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

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

C. Deposits and Investments

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

The Township's investment in STAR Ohio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

Police District Fund - This fund receives property tax money to provide police protection to the Township residents.

**RUSSELL TOWNSHIP
GEAUGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(CONTINUED)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

Road District Fund - This fund receives property tax money voted on by the citizens for constructing, maintaining and repairing Township roads.

3. Debt Service Fund

The debt service fund is used to accumulate resources for the payment of bonds and note indebtedness.

4. Capital Project Fund

This fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects. The Township had the following significant capital projects fund:

Northeast Ohio Public Energy Council Grant Fund – This fund was established to account for the expenditures from a NOPEC grant.

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2013 and 2012 budgetary activity appears in Note 3.

F. Fund Balance

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

**RUSSELL TOWNSHIP
GEAUGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(CONTINUED)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Fund Balance (Continued)

1. Nonspendable

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

2. Restricted

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

3. Committed

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

4. Assigned

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

5. Unassigned

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

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

G. Property, Plant and Equipment

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

H. Accumulated Leave

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

**RUSSELL TOWNSHIP
GEOUGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(CONTINUED)**

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2013	2012
Demand deposits	\$2,995,004	\$3,289,342
Total deposits	2,995,004	3,289,342
STAR Ohio	384,831	384,681
Total investments	384,831	384,681
Total deposits and investments	\$3,379,835	\$3,674,023

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

Investments: The Township's investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

3. BUDGETARY ACTIVITY

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

2013 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$373,848	\$491,907	\$118,059
Special Revenue	3,309,904	3,447,226	137,322
Debt Service	399,214	439,158	39,944
Total	\$4,082,966	\$4,378,291	\$295,325

2013 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,944,036	\$740,796	\$1,203,240
Special Revenue	4,942,965	3,634,498	1,308,467
Debt Service	734,850	395,869	338,981
Capital Projects	34,457	34,457	0
Total	\$7,656,308	\$4,805,620	\$2,850,688

2012 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$360,576	\$610,789	\$250,213
Special Revenue	3,259,566	3,409,529	149,963
Debt Service	418,254	1,826,967	1,408,713
Capital Projects	50,000	50,000	0
Total	\$4,088,396	\$5,897,285	\$1,808,889

**RUSSELL TOWNSHIP
GEAUGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(CONTINUED)**

3. BUDGETARY ACTIVITY (CONTINUED)

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,184,853	\$867,875	\$1,316,978
Special Revenue	5,038,451	3,782,061	1,256,390
Debt Service	2,189,921	1,872,205	317,716
Capital Projects	50,000	15,543	34,457
Total	\$9,463,225	\$6,537,684	\$2,925,541

Contrary to Ohio Revised Code Section 5705.39, appropriations exceeded estimated resources in the debt service fund for the year ended December 31, 2012.

4. PROPERTY TAX

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

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

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

5. DEBT

Debt outstanding at December 31, 2013 was as follows:

	Principal	Interest Rate
General Obligation Bonds	\$1,395,000	3.7%
OPWC	348,929	0%
Total	\$1,743,929	

The general obligation bonds were issued in 2002 at an interest rate of 1.5 to 4.85% to finance the purchase of a new fire station. The issuance included \$99,999 in capital appreciation bonds. The bonds are for twenty years and mature in 2022. This bond was refunded on October 9, 2012 at an interest rate of 3.7%, this refunded amount is shown as the General Obligation Bonds below.

In 2010 the Township entered into a 10 year loan, maturing in 2021, from the Ohio Public Works Commission (OPWC) in the amount of \$498,471 for paving of Township roads at an interest rate of 0%.

**RUSSELL TOWNSHIP
GEAUGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(CONTINUED)**

6. DEBT (CONTINUED)

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

	General Obligation Bonds	OPWC Loan	Totals
Year ending December 31:			
2014	\$181,615	\$49,847	\$231,462
2015	181,805	49,847	231,652
2016	186,810	49,847	236,657
2017	186,445	49,847	236,292
2018	185,895	49,847	235,742
2019-2022	744,195	99,694	843,889
Total	\$1,666,765	\$348,929	\$ 2,015,694

6. RETIREMENT SYSTEMS

OPERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

OPERS members contributed 10% of their gross salaries. The Township contributed an amount equal to 14% of participants' gross salaries from January 1, 2012 through December 31, 2013. The Township has paid all contributions required through December 31, 2013.

Effective August 3, 1992, new part-time Township fire-fighters and all emergency medical staff are no longer covered by Public Employees Retirement System and must contribute to social security. The Township's liability is 6.2 percent of wages paid.

7. RISK MANAGEMENT

Commercial Insurance

The Township has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Commercial automobile insurance
- Public officials' liability
- Law Enforcement liability
- Crime



Dave Yost • Auditor of State

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

Russell Township
Geauga County
8501 Kinsman Road
Novelty, Ohio 44072

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Russell Township, Geauga County, (the Township) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, and have issued our report thereon dated August 18, 2014, wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2013-001 and 2013-002 described in the accompanying schedule of findings to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2013-001.

Entity's Response to Findings

The Township's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Township's response and, accordingly, we express no opinion on them.

Purpose of this Report

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



Dave Yost
Auditor of State
Columbus, Ohio

August 18, 2014

**RUSSELL TOWNSHIP
GEAUGA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012**

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

FINDING NUMBER 2013-001

Material Noncompliance and Material Weakness

Appropriations Exceeding Estimated Resources

Ohio Revised Code Section 5705.39 states in part that the total appropriations from each fund should not exceed the total estimated revenue.

The General Obligation Bond Retirement Debt Service Fund had appropriations exceeding estimated receipts by \$1,410,103 at December 31, 2012.

Appropriating more money than expected to be received could lead to negative fund balances and monies being used to cover expenses being charged to inappropriate funds or lines items. It also could lead to commitments being made without appropriate funds to cover the expenses.

We recommend the Township monitor and amend the certificate of estimated resources to ensure the appropriations do not exceed estimated resources.

Officials' Response:

In the future, the Township will amend the Certificate of Estimated Resources with the Geauga County Auditor's office to reflect the proceeds from the refunding of debt issuances.

FINDING NUMBER 2013-002

Material Weakness

Financial Reporting

Sound financial reporting is the responsibility of the Fiscal Officer and Trustees, and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The following weakness was noted and subsequent adjustments made to the financial statements and, where applicable, the Township's accounting system for 2012:

- The Township did not post bond proceeds or the principal payoff for the refunding of the police station bond on October 9, 2012 resulting in a total understatement of revenues and expenditures for \$1,415,000 in the Bond Retirement Debt Service fund.

The lack of controls over the posting of financial transactions and financial reporting resulted in this error and the required adjustments.

We recommend the Village take appropriate measures to ensure that all financial reports are in agreement and all balances reflect the actual financial activity of the Village.

Official's Response:

In the future, the Township will make the necessary postings for any refunding of debt issuances.

This page intentionally left blank.



Dave Yost • Auditor of State

RUSSELL TOWNSHIP

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
SEPTEMBER 02, 2014**