



**Auditor of State
Betty Montgomery**

VILLAGE OF RUSSIA
SHELBY COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Village of Russia
Shelby County
P.O. Box 305
Russia, Ohio 45363

To the Members of Village Council:

We have audited the accompanying financial statements of the Village of Russia, Shelby County, (the Village), as of and for the years ended December 31, 2003 and 2002. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village as of December 31, 2003 and 2002, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 5, 2004, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Village of Russia
Shelby County
Independent Accountants' Report
Page 2

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

May 5, 2004

**VILLAGE OF RUSSIA
SHELBY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Governmental Fund Types</u>				<u>Fiduciary Fund Type</u>	Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
Cash Receipts:						
Property Tax and Other Local Taxes	\$104,848			\$259,355	\$74,555	\$438,758
Special Assessments		\$13,601	\$9,768			23,369
Intergovernmental Receipts	38,485	25,659		50,000		114,144
Fines, Licenses, and Permits	2,903					2,903
Earnings on Investments	629					629
Miscellaneous	8,272	170		16,355		24,797
Total Cash Receipts	<u>155,137</u>	<u>39,430</u>	<u>9,768</u>	<u>325,710</u>	<u>74,555</u>	<u>604,600</u>
Cash Disbursements:						
Current:						
Security of Persons and Property	24,219	7,343				31,562
Public Health Services	3,044					3,044
Leisure Time Activities	13,445					13,445
Community Environment	458					458
Basic Utility Services	5,036					5,036
Transportation		35,280				35,280
General Government	88,114				13,022	101,136
Debt Service:						
Debt Payments			9,759	3,246	80,394	93,399
Financing and Other Debt-Service Related			465			465
Capital Outlay				45,795		45,795
Total Cash Disbursements	<u>134,316</u>	<u>42,623</u>	<u>10,224</u>	<u>49,041</u>	<u>93,416</u>	<u>329,620</u>
Total Receipts Over/(Under) Disbursements	20,821	(3,193)	(456)	276,669	(18,861)	274,980
Fund Cash Balances, January 1	25,833	6,964	4,617	51,570	19,130	108,114
Fund Cash Balances, December 31	<u>\$46,654</u>	<u>\$3,771</u>	<u>\$4,161</u>	<u>\$328,239</u>	<u>\$269</u>	<u>\$383,094</u>

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

**VILLAGE OF RUSSIA
SHELBY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$113,901		\$113,901
Total Operating Cash Receipts	113,901		113,901
Operating Cash Disbursements:			
Personal Services	32,663		32,663
Contractual Services	5,386		5,386
Supplies and Materials	29,635		29,635
Capital Outlay	25,218		25,218
Total Operating Cash Disbursements	92,902		92,902
Operating Income/(Loss)	20,999		20,999
Non-Operating Cash Receipts:			
Other Non-Operating Receipts		\$2,423	2,423
Total Non-Operating Cash Receipts		2,423	2,423
Non-Operating Cash Disbursements:			
Other Non-Operating Cash Disbursements		2,423	2,423
Total Non-Operating Cash Disbursements		2,423	2,423
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	20,999		20,999
Fund Cash Balances, January 1	220,441		220,441
Fund Cash Balances, December 31	<u>\$241,440</u>	<u>\$0</u>	<u>\$241,440</u>

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

VILLAGE OF RUSSIA
SHELBY COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Cash Receipts:						
Property Tax and Other Local Taxes	\$93,990			\$238,390	\$68,100	\$400,480
Special Assessments		\$14,032	\$15,155			29,187
Intergovernmental Receipts	52,000	18,758		41,648		112,406
Fines, Licenses, and Permits	2,276					2,276
Earnings on Investments	838	82				920
Miscellaneous	5,891			6,025		11,916
Total Cash Receipts	154,995	32,872	15,155	286,063	68,100	557,185
Cash Disbursements:						
Current:						
Security of Persons and Property	20,146					20,146
Public Health Services	3,017					3,017
Leisure Time Activities	62,417					62,417
Community Environment	1,409	7,813				9,222
Basic Utility Services	4,685					4,685
Transportation		27,521				27,521
General Government	71,623				11,807	83,430
Debt Service:						
Debt Payments			15,171	3,197	40,575	58,943
Financing and Other Debt-Service Related			723			723
Capital Outlay				290,149		290,149
Total Cash Disbursements	163,297	35,334	15,894	293,346	52,382	560,253
Total Receipts Over/(Under) Disbursements	(8,302)	(2,462)	(739)	(7,283)	15,718	(3,068)
Fund Cash Balances, January 1	34,135	9,426	5,356	58,853	3,412	111,182
Fund Cash Balances, December 31	\$25,833	\$6,964	\$4,617	\$51,570	\$19,130	\$108,114

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

**VILLAGE OF RUSSIA
SHELBY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$106,051		\$106,051
Total Operating Cash Receipts	<u>106,051</u>		<u>106,051</u>
Operating Cash Disbursements:			
Personal Services	33,941		33,941
Contractual Services	6,719		6,719
Supplies and Materials	23,866		23,866
Total Operating Cash Disbursements	<u>64,526</u>		<u>64,526</u>
Operating Income/(Loss)	<u>41,525</u>		<u>41,525</u>
Non-Operating Cash Receipts:			
Other Non-Operating Receipts		\$2,771	2,771
Total Non-Operating Cash Receipts		<u>2,771</u>	<u>2,771</u>
Non-Operating Cash Disbursements:			
Debt Service	81,151		81,151
Other Non-Operating Cash Disbursements		2,771	2,771
Total Non-Operating Cash Disbursements	<u>81,151</u>	<u>2,771</u>	<u>83,922</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	(39,626)		(39,626)
Fund Cash Balances, January 1	<u>260,067</u>		<u>260,067</u>
Fund Cash Balances, December 31	<u>\$220,441</u>	<u>\$0</u>	<u>\$220,441</u>

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

**VILLAGE OF RUSSIA
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Russia, Shelby County, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides sewer utilities, park operations, and police services.

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

B. Basis of Accounting

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

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

C. Cash and Investments

The Village's cash and investments consisted of checking accounts and a repurchase agreement, which are valued at cost.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Fund

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

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

3. Debt Service Funds

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

VILLAGE OF RUSSIA
SHELBY COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

East Main Street Special Assessment Fund – This fund receives special assessment monies to be used to pay East Main Street debt.

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

4. **Capital Project Funds**

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

Capital Improvement Fund - This fund receives income tax revenues for Village capital improvements.

5. **Enterprise Funds**

These funds account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges. The Village had the following significant Enterprise Fund:

Sewer Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

6. **Fiduciary Funds (Trust and Agency Funds)**

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. Other trust funds are classified as expendable. Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant Fiduciary Funds:

Income Tax Fund – This expendable trust fund receives the proceeds of the Village income tax levied against village residents.

Mayor's Court Fund (Agency Fund) – This fund records the activity of the Village Mayor's Court transactions.

E. **Budgetary Process**

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

1. **Appropriations**

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

**VILLAGE OF RUSSIA
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. The Village did not use the encumbrance method of accounting during 2003 and 2002.

A summary of 2003 and 2002 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

G. Accumulated Leave

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>2003</u>	<u>2002</u>
Demand deposits	\$55,032	\$58,653
Repurchase agreement	569,502	269,902
Total deposits and investments	<u>\$624,534</u>	<u>\$328,555</u>

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation or (2) collateralized by securities specifically pledged by the financial institution to the Village.

Investments: The Village's financial institution transfers securities to the Village's agent to collateralize repurchase agreements. The securities are not held in the Village's name.

**VILLAGE OF RUSSIA
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2003 and 2002 follows:

2003 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$155,440	\$155,137	(\$303)
Special Revenue	40,843	39,430	(1,413)
Debt Service	11,000	9,768	(1,232)
Capital Projects	346,000	325,710	(20,290)
Enterprise	130,000	113,901	(16,099)
Fiduciary	75,000	74,555	(445)
Total	<u>\$758,283</u>	<u>\$718,501</u>	<u>(\$39,782)</u>

2003 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$164,481	\$134,316	\$30,165
Special Revenue	46,703	42,623	4,080
Debt Service	15,535	10,224	5,311
Capital Projects	322,832	49,041	273,791
Enterprise	374,978	92,902	282,076
Fiduciary	94,130	93,416	714
Total	<u>\$1,018,659</u>	<u>\$422,522</u>	<u>\$596,137</u>

2002 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$209,778	\$154,995	(\$54,783)
Special Revenue	33,810	32,872	(938)
Debt Service	16,180	15,155	(1,025)
Capital Projects	281,600	286,063	4,463
Enterprise	32,000	106,051	74,051
Fiduciary	120,740	68,100	(52,640)
Total	<u>\$694,108</u>	<u>\$663,236</u>	<u>(\$30,872)</u>

2002 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$213,813	\$163,297	\$50,516
Special Revenue	42,337	35,334	7,003
Debt Service	20,536	15,894	4,642
Capital Projects	306,553	293,346	13,207
Enterprise	285,331	145,677	139,654
Fiduciary	124,152	52,382	71,770
Total	<u>\$992,722</u>	<u>\$705,930</u>	<u>\$286,792</u>

**VILLAGE OF RUSSIA
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002**

3. BUDGETARY ACTIVITY (Continued)

The Village did not obtain the required certification prior to the expenditure of funds in violation of Ohio Rev. Code Section 5705.41(D).

4. PROPERTY TAX

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

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

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

5. LOCAL INCOME TAX

The Village levies a municipal income tax of 1% percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village's third party administrator quarterly, as required.

6. DEBT

Debt outstanding at December 31, 2003 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan	\$693,067	7.21%
Ohio Public Works Commission Loan	9,709	0.00%
North Street Note	19,536	8.75%
East Main Street Note	7,276	6.75%
Total	<u>\$729,588</u>	

The North Street and East Main Street Notes were issued to pay for road improvements and the loan principal is repaid in annual installments of \$2,791 and \$7,276 respectively with interest being paid semi-annually. The Ohio Public Works Commission and Ohio Development Authority loans were issued to pay for sewer improvements within the Village and the loan principal is repaid in semi-annual installments of \$485 and \$40,090, including interest, respectively.

**VILLAGE OF RUSSIA
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002**

6. DEBT (Continued)

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

	OWDA Loan	Ohio Public Works Commission	North Street Note	East Main Street Note
Year ending December 31:				
2004	\$80,180	\$971	\$4,500	\$7,767
2005	80,180	971	4,256	0
2006	80,180	971	4,012	0
2007	80,180	971	3,768	0
2008	80,180	971	3,524	0
2009-2013	400,939	4,854	6,314	0
2014-2018	321,319	0	0	0
Total	<u>\$1,123,158</u>	<u>\$9,709</u>	<u>\$26,374</u>	<u>\$7,767</u>

7. RETIREMENT SYSTEMS

The Village's employees belong to the Ohio Public Employees Retirement System (OPERS). 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.

Contribution rates are also prescribed by the Ohio Revised Code. OPERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2003 and 2002. The Village has paid all contributions required through December 31, 2003.

8. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Commercial Property Coverage
- Commercial General Liability Coverage
- Law Enforcement Liability
- Public Officials Liability
- Commercial Umbrella Liability
- Commercial Auto Coverage.

9. CONTINGENT LIABILITIES

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the state government. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.



Auditor of State Betty Montgomery

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

Village of Russia
Shelby County
P.O. Box 305
Russia, Ohio 45363

To the Members of Village Council:

We have audited the accompanying financial statements of the Village of Russia, Shelby County, (the Village), as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated May 5, 2004. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2003-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated May 5, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated May 5, 2004.

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Village of Russia
Shelby County
Independent Accountants' Report on Compliance and on Internal Control
Required by *Government Auditing Standards*
Page 2

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

May 5, 2004

VILLAGE OF RUSSIA
SHELBY COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002

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

FINDING NUMBER 2003-001

Noncompliance Citation:

Ohio Rev. Code Section 5705.41(D), states that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money without attaching thereto the certificate of the fiscal officer of the subdivision that the amount required to meet the same in the fiscal year in which the contract is made has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Contracts and orders for expenditures lacking prior certification should be null and void.

This section also provides an exception to this requirement:

If no certificate is issued at the time the contract or order is entered into, the fiscal officer may later certify that these funds were properly appropriated and in the treasury or in the process of collection and such funds are free from previous encumbrances both at the time the contract or order was entered into and at the time of payment. After certifying this, the fiscal officer may proceed to pay for such order or contract. If the amount involved is over \$1,000 (\$3,000 effective April 7, 2003), the taxing authority must approve of such payment within 30 days of the date of the fiscal officer's certification.

The Village did not obtain the required certification prior to the expenditure of Village funds and the exception above was not utilized for 100% of expenditure transactions in 2003 and 2002.

The Village should implement policies and procedures to comply with the certification requirement.

**VILLAGE OF RUSSIA
SHELBY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2003 AND 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2001-30375-001	Revised Code Section 5705.41(D), failure to certify funds.	No	Reissued in current year as Finding Number 2003-001.
2001-30375-002	Village has not established procedures to determine whether the service organization has sufficient controls.	Yes	



**Auditor of State
Betty Montgomery**

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VILLAGE OF RUSSIA

SHELBY COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JUNE 10, 2004**