



**VILLAGE OF SOUTH RUSSELL
GEAUGA COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2003 & 2002



**Auditor of State
Betty Montgomery**

VILLAGE OF SOUTH RUSSELL
GEAUGA COUNTY

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**Auditor of State
Betty Montgomery**

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 Village of South Russell, Geauga County, Ohio, (the Village) as of and for the years ended December 31, 2003 and December 31, 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 described in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of South Russell, Geauga County, Ohio, as of December 31, 2003 and December 31, 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 March 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 South Russell
Geauga County
Independent Accountants' Report
Page 2

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

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

Betty Montgomery
Auditor of State

March 5, 2004

**VILLAGE OF SOUTH RUSSELL
GEAUGA COUNTY**

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

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$356,997	\$1,417,541		\$1,774,538
Intergovernmental Receipts	330,350	171,684		502,034
Charges for Services	78,104			78,104
Fines, Licenses, and Permits	86,602			86,602
Earnings on Investments	32,017			32,017
Miscellaneous	20,492			20,492
Total Cash Receipts	<u>904,562</u>	<u>1,589,225</u>	<u>\$0</u>	<u>2,493,787</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	189,157	872,537		1,061,694
Public Health Services		653		653
Community Environment	236,466			236,466
Transportation		565,918		565,918
General Government	383,837	57,238		441,075
Capital Outlay			232,747	232,747
Total Cash Disbursements	<u>809,460</u>	<u>1,496,346</u>	<u>232,747</u>	<u>2,538,553</u>
Total Receipts Over/(Under) Disbursements	<u>95,102</u>	<u>92,879</u>	<u>(232,747)</u>	<u>(44,766)</u>
Other Financing Receipts and (Disbursements):				
Transfers-In	100,000	881,000	210,114	1,191,114
Transfers-Out	(175,114)	(1,016,000)		(1,191,114)
Total Other Financing Receipts/(Disbursements)	<u>(75,114)</u>	<u>(135,000)</u>	<u>210,114</u>	<u>0</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	19,988	(42,121)	(22,633)	(44,766)
Fund Cash Balances, January 1, 2003	<u>126,467</u>	<u>284,897</u>	<u>2,152,881</u>	<u>2,564,245</u>
Fund Cash Balances, December 31, 2003	<u>\$146,455</u>	<u>\$242,776</u>	<u>\$2,130,248</u>	<u>\$2,519,479</u>
Reserves for Encumbrances, December 31, 2003	<u>\$960</u>	<u>\$11,402</u>	<u>\$10,495</u>	<u>\$22,857</u>

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

VILLAGE OF SOUTH RUSSELL
GEAUGA COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - AGENCY FUND
FOR THE YEAR ENDED DECEMBER 31, 2003

	<u>Agency</u>
Non-Operating Cash Receipts:	
Other Non-Operating Receipts	<u>\$87,819</u>
Total Non-Operating Cash Receipts	<u>87,819</u>
Non-Operating Cash Disbursements:	
Other Non-Operating Cash Disbursements	<u>64,460</u>
Total Non-Operating Cash Disbursements	<u>64,460</u>
Net Receipts Over/(Under) Disbursements	23,359
Fund Cash Balances, January 1, 2003	<u>149,754</u>
Fund Cash Balances, December 31, 2003	<u><u>\$173,113</u></u>
Reserve for Encumbrances, December 31, 2003	<u><u>\$0</u></u>

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

**VILLAGE OF SOUTH RUSSELL
GEAUGA COUNTY**

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

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$334,051	\$1,409,894		\$1,743,945
Intergovernmental Receipts	1,193,659	161,662		1,355,321
Charges for Services	61,090			61,090
Fines, Licenses, and Permits	68,681			68,681
Earnings on Investments	47,856			47,856
Miscellaneous	11,613	1,754		13,367
Total Cash Receipts	<u>1,716,950</u>	<u>1,573,310</u>	<u>\$0</u>	<u>3,290,260</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	247,638	899,096		1,146,734
Public Health Services		701		701
Community Environment	209,331			209,331
Transportation		597,384		597,384
General Government	401,404	58,275		459,679
Capital Outlay			276,653	276,653
Total Cash Disbursements	<u>858,373</u>	<u>1,555,456</u>	<u>276,653</u>	<u>2,690,482</u>
Total Receipts Over/(Under) Disbursements	<u>858,577</u>	<u>17,854</u>	<u>(276,653)</u>	<u>599,778</u>
Other Financing Receipts and (Disbursements):				
Transfers-In	100,000	961,000	1,070,860	2,131,860
Transfers-Out	(1,040,860)	(1,091,000)		(2,131,860)
Total Other Financing Receipts/(Disbursements)	<u>(940,860)</u>	<u>(130,000)</u>	<u>1,070,860</u>	<u>0</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(82,283)	(112,146)	794,207	599,778
Fund Cash Balances, January 1, 2002	<u>208,750</u>	<u>397,043</u>	<u>1,358,674</u>	<u>1,964,467</u>
Fund Cash Balances, December 31, 2002	<u><u>\$126,467</u></u>	<u><u>\$284,897</u></u>	<u><u>\$2,152,881</u></u>	<u><u>\$2,564,245</u></u>
Reserves for Encumbrances, December 31, 2002	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>

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

VILLAGE OF SOUTH RUSSELL
GEAUGA COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - AGENCY FUND
FOR THE YEAR ENDED DECEMBER 31, 2002

	<u>Agency</u>
Non-Operating Cash Receipts:	
Other Non-Operating Receipts	<u>\$77,100</u>
Total Non-Operating Cash Receipts	<u>77,100</u>
Non-Operating Cash Disbursements:	
Other Non-Operating Cash Disbursements	<u>84,550</u>
Total Non-Operating Cash Disbursements	<u>84,550</u>
Net Receipts Over/(Under) Disbursements	(7,450)
Fund Cash Balances, January 1, 2002	<u>157,204</u>
Fund Cash Balances, December 31, 2002	<u><u>\$149,754</u></u>
Reserve for Encumbrances, December 31, 2002	<u><u>\$0</u></u>

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

**VILLAGE OF SOUTH RUSSELL
GEAUGA COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

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

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

B. Basis of Accounting

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

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

C. Cash and Investments

Investments are included in fund cash balances. 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 disbursements, respectively.

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

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

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

**VILLAGE OF SOUTH RUSSELL
GEAUGA COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

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 the payment of salaries of police personnel, including the payment of the employer's police pension and OPERS contributions.

3. Capital Project Funds

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

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

4. Fiduciary Funds (Agency Fund)

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

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

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

**VILLAGE OF SOUTH RUSSELL
GEAUGA COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

3. Encumbrances

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

A summary of 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:

	2003	2002
Demand deposits	(\$65,291)	\$5,715
Total deposits	(65,291)	5,715
 STAR Ohio	 2,300,000	 2,300,000
Repurchase agreement - Sweep Account	457,883	408,284
Total investments	2,757,883	2,708,284
Total deposits and investments	\$2,692,592	\$2,713,999

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

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

**VILLAGE OF SOUTH RUSSELL
GEAUGA COUNTY**

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

3. BUDGETARY ACTIVITY

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

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$980,197	\$1,004,562	\$24,365
Special Revenue	2,531,921	2,470,225	(61,696)
Capital Projects	205,726	210,114	4,388
Agency	100,000	87,819	(12,181)
Total	\$3,817,844	\$3,772,720	(\$45,124)

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,069,944	\$985,534	\$84,410
Special Revenue	2,676,227	2,523,748	152,479
Capital Projects	290,000	243,242	46,758
Agency	100,000	64,460	35,540
Total	\$4,136,171	\$3,816,984	\$319,187

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,776,680	\$1,816,950	\$40,270
Special Revenue	2,506,221	2,534,310	28,089
Capital Projects	1,070,860	1,070,860	0
Agency	100,000	77,100	(22,900)
Total	\$5,453,761	\$5,499,220	\$45,459

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,979,612	\$1,899,233	\$80,379
Special Revenue	2,773,093	2,646,456	126,637
Capital Projects	359,500	276,653	82,847
Agency	100,000	84,550	15,450
Total	\$5,212,205	\$4,906,892	\$305,313

**VILLAGE OF SOUTH RUSSELL
GEAUGA COUNTY**

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

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% on gross salaries, wages and other personal service compensation earned by residents of the Village and on the earnings of nonresidents working within the Village. The tax also applies to the net income of businesses operating within the Village. Income tax money is deposited into a Special Revenue Fund and transferred out, by resolution, to various funds.

6. RETIREMENT SYSTEMS

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

Contribution rates are also prescribed by the Ohio Revised Code. For 2003 and 2002, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant wages. 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.

7. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

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

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**Auditor of State
Betty Montgomery**

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

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

To the Village Council:

We have audited the financial statements of the Village of South Russell, Geauga County, Ohio, (the Village) as of and for the years ended December 31, 2003 and December 31, 2002, and have issued our report thereon dated March 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

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.

Village of South Russell
Geauga 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 audit committee, management and the Village Council, and is not intended to be and should not be used by anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

March 5, 2004



**Auditor of State
Betty Montgomery**

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VILLAGE OF SOUTH RUSSELL

GEAUGA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 15, 2004**