

***VILLAGE OF RUSSIA
SHELBY COUNTY, OHIO***

AUDIT REPORT

FOR THE YEARS ENDED DECEMBER 31, 2007 & 2006

Charles E. Harris and Associates, Inc.
Certified Public Accountants and Government Consultants



Mary Taylor, CPA

Auditor of State

Members of Council
Village of Russia
PO Box 305
Russia, Ohio 45363

We have reviewed the *Report of Independent Accountants* of the Village of Russia, Shelby County, prepared by Charles E. Harris and Associates, Inc. for the audit period January 1, 2006 through December 31, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Report of Independent Accountants* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Report of Independent Accountants* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Russia is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

July 18, 2008

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**VILLAGE OF RUSSIA
SHELBY COUNTY
For the Years Ending December 31, 2007 and 2006**

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

REPORT OF INDEPENDENT ACCOUNTANTS

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

We have audited the accompanying financial statements of the Village of Russia, Shelby County, Ohio as and for the years ended December 31, 2007 and 2006. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2007 and 2006. Instead of the combined funds the accompanying financial statements present for 2007 and 2006, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2007 and 2006. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since the Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2007 and 2006, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2007 and 2006, or its changes in financial position or cash flows for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Russia, Shelby County, as of December 31, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the years ended December 31, 2007 and 2006. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 15, 2008, 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 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.

Charles E. Harris & Associates, Inc.
May 15, 2008

VILLAGE OF RUSSIA
SHELBY COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES -
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007

	Governmental Fund Types				Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Receipts:					
Property and Other Local Taxes	\$ 21,289	\$ -	\$ -	\$ -	\$ 21,289
Municipal Income Taxes	281,001	-	-	213,540	494,541
Intergovernmental	36,122	39,359	-	-	75,481
Special Assessment	-	15,448	3,808	-	19,256
Fines, Licenses and Permits	4,491	-	-	-	4,491
Interest	65,239	2,048	-	-	67,287
Other	10,394	-	-	-	10,394
Total Receipts	418,536	56,855	3,808	213,540	692,739
Disbursements:					
Security of Persons & Property	33,998	10,969	-	-	44,967
Public Health Services	3,442	-	-	-	3,442
Leisure Time Activities	19,019	-	-	-	19,019
Community Environment	151	-	-	-	151
Basic Utility Services	5,756	-	-	-	5,756
Transportation	-	24,960	-	-	24,960
General Government	201,041	-	-	-	201,041
Capital Outlay	63,832	21,932	-	10,500	96,264
Debt Service:					
Principal Payment	-	-	2,791	82,018	84,809
Interest Payment	-	-	1,158	14,763	15,921
Total Disbursements	327,239	57,861	3,949	107,281	496,330
Receipts over(under) disbursements	91,297	(1,006)	(141)	106,259	196,409
Fund Balance 1/1/2007	537,172	48,203	9,708	7,724	602,807
Fund Balance 12/31/2007	\$ 628,469	\$ 47,197	\$ 9,567	\$ 113,983	\$ 799,216

See accompanying Notes to the Financial Statements.

VILLAGE OF RUSSIA
SHELBY COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND BALANCES - ALL
PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$ 151,062	-	\$ 151,062
Total Operating Cash Receipts	<u>151,062</u>	<u>-</u>	<u>151,062</u>
Operating Cash Disbursements:			
Personal Services	16,636	-	16,636
Contractual Services	5,644	-	5,644
Supplies and Materials	22,000	-	22,000
Capital Outlay	268,207	-	268,207
Total Operating Cash Disbursements	<u>312,487</u>	<u>-</u>	<u>312,487</u>
Operating Income (Loss)	(161,425)	-	(161,425)
Non-Operating Cash Receipts			
Other Non-Operating Cash Receipts	-	\$ 2,755	2,755
Municipal Income Taxes	234,894	-	234,894
Total Non-Operating Cash Receipts/(Disbursements)	<u>234,894</u>	<u>2,755</u>	<u>237,649</u>
Non-Operating Cash Receipts/(Disbursements)			
Other Non-Operating Cash Disbursements	-	(2,755)	(2,755)
Debt Service:			
Principal Payment	(38,252)	-	(38,252)
Interest and Other Fiscal Charges	(41,649)	-	(41,649)
Total Non-Operating Cash Receipts/(Disbursements)	<u>(79,901)</u>	<u>(2,755)</u>	<u>(82,656)</u>
Net Receipts (Under) Disbursements	(6,432)	-	(6,432)
Fund Cash Balances, January 1, 2007	<u>851,018</u>	<u>-</u>	<u>851,018</u>
Fund Cash Balances, December 31, 2007	<u>\$ 844,586</u>	<u>\$ -</u>	<u>\$ 844,586</u>

See accompanying Notes to the Financial Statements.

VILLAGE OF RUSSIA
SHELBY COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES -
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006

	Governmental Fund Types				Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Receipts:					
Property and Other Local Taxes	\$ 23,293	\$ -	\$ -	\$ -	\$ 23,293
Municipal Income Taxes	312,201	-	-	239,877	552,078
Intergovernmental	44,250	36,775	-	-	81,025
Special Assessment	-	16,436	3,609	-	20,045
Fines, Licenses and Permits	3,196	-	-	-	3,196
Interest	46,237	1,458	-	-	47,695
Other	3,832	5,002	-	-	8,834
Total Receipts	433,009	59,671	3,609	239,877	736,166
Disbursements:					
Security of Persons & Property	39,641	11,112	-	-	50,753
Public Health Services	3,582	-	-	-	3,582
Leisure Time Activities	11,237	-	-	-	11,237
Community Environment	215	-	-	-	215
Basic Utility Services	5,658	-	-	-	5,658
Transportation	-	34,438	-	-	34,438
General Government	185,450	-	171	-	185,621
Capital Outlay	-	-	-	321,269	321,269
Debt Service:					
Principal Payment	-	-	2,791	-	2,791
Interest Payment	-	-	1,221	-	1,221
Total Disbursements	245,783	45,550	4,183	321,269	616,785
Receipts over(under) disbursements	187,226	14,121	(574)	(81,392)	119,381
Other Financing Sources (Uses)					
Sale of Fixed Assets	-	-	-	7,002	7,002
Total Other Financing Sources (Uses)	-	-	-	7,002	7,002
Total Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing (Uses)	187,226	14,121	(574)	(74,390)	126,383
Fund Balance 1/1/2006	349,946	34,082	10,282	82,114	476,424
Fund Balance 12/31/2006	\$ 537,172	\$ 48,203	\$ 9,708	\$ 7,724	\$ 602,807

See accompanying Notes to the Financial Statements.

VILLAGE OF RUSSIA
SHELBY COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND BALANCES - ALL
PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$ 143,101	-	\$ 143,101
Total Operating Cash Receipts	<u>143,101</u>	<u>-</u>	<u>143,101</u>
Operating Cash Disbursements:			
Personal Services	19,972	-	19,972
Contractual Services	1,689	-	1,689
Supplies and Materials	29,263	-	29,263
Capital Outlay	84,320	-	84,320
Total Operating Cash Disbursements	<u>135,244</u>	<u>-</u>	<u>135,244</u>
Operating Income (Loss)	7,857	-	7,857
Non-Operating Cash Receipts			
Other Non-Operating Cash Receipts	-	\$ 3,375	3,375
Municipal Income Taxes	263,865	-	263,865
Total Non-Operating Cash Receipts/(Disbursements)	<u>263,865</u>	<u>3,375</u>	<u>267,240</u>
Non-Operating Cash Receipts/(Disbursements)			
Other Non-Operating Cash Disbursements	-	(3,375)	(3,375)
Debt Service:			
Principal Payment	(36,229)	-	(36,229)
Interest and Other Fiscal Charges	(44,085)	-	(44,085)
Total Non-Operating Cash Receipts/(Disbursements)	<u>(80,314)</u>	<u>(3,375)</u>	<u>(83,689)</u>
Net Receipts (Under) Disbursements	191,408	-	191,408
Fund Cash Balances, January 1, 2006	<u>659,610</u>	<u>-</u>	<u>659,610</u>
Fund Cash Balances, December 31, 2006	<u>\$ 851,018</u>	<u>\$ -</u>	<u>\$ 851,018</u>

See accompanying Notes to the Financial Statements.

VILLAGE OF RUSSIA
SHELBY COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2007 and 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

E. DESCRIPTION OF THE ENTITY

The Village of Russia, (the Village) is a body corporate and politic established for the purpose of exercising 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 street maintenance and water utilities operations, park operations, and police protection services. The Village appropriates General Fund money to support a volunteer fire department.

The Village's management believes these financial statements included in this report represent all of the funds of the Village over which the Village has the ability to exercise direct operating control.

E. BASIS OF ACCOUNTING

The Village prepares its financial statements following the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis 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.)

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

E. CASH AND INVESTMENTS

The Village maintains all available cash in an interest-bearing checking account and a certificate of deposit.

E. FUND ACCOUNTING

The Village maintains its accounting records in accordance with the principles of "Fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

VILLAGE OF RUSSIA
SHELBY COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2007 and 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

D. FUND ACCOUNTING – (Continued)

Governmental Fund Types:

General Fund: The general operating fund of the Village. It is used to account for all financial resources except those required by law or contract to be accounted for in another fund.

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

- Street Construction Maintenance & Repair Fund – This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village streets.
- Street Lights Fund – This fund receives special assessment monies for constructing, maintaining and repairing Village street lights.

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:

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

Capital Projects Funds: This fund is 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 Projects Fund:

- Capital Improvement Fund - This fund receives income tax receipts to be used for capital improvements.

VILLAGE OF RUSSIA
SHELBY COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2007 and 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

D. FUND ACCOUNTING – (Continued)

Proprietary Fund Types:

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

- Sewer Fund – This fund receives charges for services from residents to cover the cost of providing this utility.
- Utilities Install Fund – This fund receives income tax receipts to be used for the construction of water plant.

Fiduciary Fund Types:

Fiduciary Funds: The agency fund is used to account for funds held by the Village in a trustee capacity or agent for individuals or private organizations. The Village had the following significant Fiduciary Fund:

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

E. BUDGETARY PROCESS

A budget of estimated cash receipts and disbursements is prepared by the Clerk-Treasurer, approved by the Village Council, and submitted to the county auditor, as secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

1. Estimated Resources

The county auditor calculates the estimated revenues available to the Village. He prepares a certificate of estimated resources based upon this calculation and upon the other financial information supplied in the budget sent by the Village. The certificate is approved by the county budget commission and sent to the Village Clerk by September 1.

Prior to December 31, the Village must revise its budget so that the total budgeted expenditures for a fund will not exceed the amount of stated in the certificate of estimated resources. The revised budget serves as the basis for the annual appropriation measure.

VILLAGE OF RUSSIA
SHELBY COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2007 and 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

E. BUDGETARY PROCESS – (Continued)

On or about January 1, the Clerk sends the county auditor a certificate to which includes the actual unencumbered balances from the preceding year. The county auditor prepares an amended certificate, submits it to the county budget commission for approval. This amended certificate may be further amended during the year if Clerk-Treasurer identifies increases or decreases in revenue. The amounts reported in the budgetary footnote reflect the amounts in the final amended certificates issued during 2007 and 2006.

Budget receipts, as shown in Note 5, do not include the unencumbered fund balances as of January 1, 2007 and 2006. However, those fund balances are available for appropriation.

2. Appropriations

A temporary appropriation measure to control cash expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation measure must be passed by March 31 of each year for the period January 1 to December 31. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.

3. Encumbrances

The Village is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The sum of expenditures and encumbrances may not exceed appropriated totals at any level of budgetary control. The legal level of control is the fund level.

Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year without being re-appropriated.

A summary of 2007 and 2006 budgetary activity appears in Note 5.

**VILLAGE OF RUSSIA
SHELBY COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2007 and 2006**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

F. PROPERTY, PLANT AND EQUIPMENT

Acquisitions of property, plant and equipment are recorded as capital outlay 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. CASH AND INVESTMENTS

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

	<u>2007</u>	<u>2006</u>
Demand deposits	\$ 293,802	\$ 703,825
Certificates of deposits	<u>1,350,000</u>	<u>750,000</u>
Total deposits	<u>\$ 1,643,802</u>	<u>\$1,453,825</u>

Deposits: Deposits are either (1) insured by the Federal Deposit Insurance Corporation or (2) collateralized by securities specifically pledged by the financial institution to the Village or (3) collateralized by the financial institution's public entity deposit pool.

3. PROPERTY TAXES

Real property taxes become a lien on all non-exempt real property located in the county on January 1. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20 of the following year. Under certain circumstances, state statute permits later payment dates to be established.

Real property owners' tax bills are further reduced by homestead and rollback deductions when applicable. The amount of these homestead and rollback reductions is reimbursed to the Village by the State of Ohio.

The Shelby County Treasurer collects property tax on behalf of all taxing Villages within the county. The Shelby County Auditor periodically remits to the taxing Village their portions of the taxes collected.

VILLAGE OF RUSSIA
SHELBY COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2007 and 2006

4. DEFINED BENEFIT PENSION PLAN

The Village's elected officials and 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. For 2007 and 2006, OPERS members contributed 9.5 percent and 9.0 percent, respectively, of their wages. During 2007 and 2006 the Village contributed an amount equal to 13.85 percent and 13.70 percent, respectively, of participants' gross wages. The Village has paid all contributions required through December 31, 2007.

5. BUDGETARY ACTIVITY

2007 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 501,925	\$ 418,536	\$ (83,389)
Special Revenue	62,150	56,855	(5,295)
Debt Services	3,850	3,808	(42)
Capital Projects	297,500	213,540	(83,960)
Enterprise	405,000	385,956	(19,044)

2007 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 368,168	\$ 327,239	\$ 40,929
Special Revenue	109,307	57,861	51,446
Debt Service	13,408	3,949	9,459
Capital Projects	618,472	107,281	511,191
Enterprise	1,381,026	392,388	988,638

2006 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 249,390	\$ 433,009	\$ 183,619
Special Revenue	62,300	59,671	(2,629)
Debt Services	10,000	3,609	(6,391)
Capital Projects	361,500	246,879	(114,621)
Enterprise	454,000	406,966	(47,034)

VILLAGE OF RUSSIA
SHELBY COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2007 and 2006

5. BUDGETARY ACTIVITY – (Continued)

2006 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 368,158	\$ 245,783	\$ 122,375
Special Revenue	88,778	45,550	43,228
Debt Service	4,512	4,183	329
Capital Projects	671,613	321,269	350,344
Enterprise	563,467	215,558	347,909

6. DEBT

Debt outstanding at December 31, 2007 was as follow:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority	\$ 557,725	7.21%
Ohio Public Works Commission Loan	5,826	0.00%
North Street Note	8,374	6.755%
Cordonnier Land Note	<u>246,054</u>	4.5%
Total	<u>\$ 817,979</u>	

The Ohio Water Development Authority (OWDA) and the Ohio Public Works Commission (OPWC) loans were issued to pay for improvements to the sewer system within the Village. The OWDA loan is being repaid in semi-annual installments of \$40,090, including interest, respectively. The OPWC loan is being repaid in semi-annual installments of \$485 and is interest free. The OWDA and OPWC loans are collateralized by the Village's taxing authority.

The North Street Note was issued to pay for road improvements with interest being repaid semi-annually.

The Cordonnier Land Note was issued to purchase 54.812 acres of land. The Village entered into this note on February 20, 2006 and the initial payment was the only money to change hands in this transaction. The original cost of this land was \$328,072.

**VILLAGE OF RUSSIA
SHELBY COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2007 and 2006**

6. DEBT – (Continued)

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

Year Ending December 31:	OWDA LOAN	OPWC LOAN	North Street Loan	Cordonnier Note
2008	\$ 80,180	\$ 971	\$ 3,524	\$ 93,090
2009	80,180	971	3,278	89,380
2010	80,180	971	3,036	85,690
2011	80,180	971	0	0
2012	80,180	971	0	0
2013-2017	<u>400,900</u>	<u>971</u>	<u>0</u>	<u>0</u>
Total	<u>\$801,800</u>	<u>\$ 5,826</u>	<u>\$ 9,839</u>	<u>\$268,160</u>

7. RISK MANAGEMENT

Commercial Insurance

The Village has obtained insurance for the following risks:

- Comprehensive property and general liability;
- Commercial Umbrella Liability;
- Law Enforcement Liability;
- Public Officials Liability; and
- Commercial Auto Liability.

There were no significant reductions in coverage from prior years and claims have not exceeded insurance coverage in any of the past three years. The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is based on accident history and administrative costs.

8. CONTINGENT LIABILITIES/ SUBSEQUENT EVENTS

The Village has entered into a Water or Waste System Grant with the United States Department of Agriculture Rural Utilities Service office for the purpose of constructing a water distribution system and treatment plant. The total construction cost is estimated to be \$5,000,000. The Village will receive a \$1,000,000 grant from the USDA and the remainder will be financed by the Village.

Management believes there are no pending claims or lawsuits.

VILLAGE OF RUSSIA
SHELBY COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2007 and 2006

9. BUDGETARY NONCOMPLIANCE

The Village had the following citations for budgetary noncompliance:

- Contrary to **Ohio Rev. Code Section 5705.41 (B)**, the Village had expenditures that exceed appropriations at the fund level.
- Contrary to **Ohio Revised Code Section 5705.41 (D)(1)**, the Village did not obtain prior certification for expenditures.
- Contrary to **Ohio Rev. Code Section 5705.39**, the Village had appropriations that exceeded estimated resources.

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

To the Village Council:

We have audited the financial statements of the Village of Russia, Shelby County (the Village) as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated May 15, 2008, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. 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.

Internal Controls 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 auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that a misstatement of the Village's financial statements that is more than inconsequential will not be prevented or detected by the Village's internal control. We consider the deficiencies described in the accompanying Schedule of Findings, items 2007-VRSC-001, 002, and 005 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Village's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, we believe the significant deficiencies described above to be material weaknesses.

Compliance and Other Matters

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, grants agreements and other matters, 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 several instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2007-VRSC-001, 003 and 004.

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

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

Charles E. Harris & Associates, Inc.
May 15, 2008

VILLAGE OF RUSSIA
SHELBY COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2007 & 2006

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

FINDING NUMBER 2005-VRSC-001
Noncompliance Citation and Material Weakness

Ohio Revised Code Section 5705.41 (D)(1), requires, in part, that no subdivision or taxing unit shall make any contract or order any expenditure unless there is attached thereto a certificate of the fiscal officer of the subdivision certifying that the amount required to meet the obligation has been lawfully appropriated for such purposes and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Every contract made without such a certificate shall be void and no warrant shall be issued in payment of any amount due thereon.

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

"Then and Now" Certificate – If the fiscal officer can certify that both at the time the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditure by the Village.

Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

**VILLAGE OF RUSSIA
SHELBY COUNTY**

**SCHEDULE OF FINDINGS – (Continued)
DECEMBER 31, 2007 & 2006**

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

**FINDING NUMBER 2007-VRSC-001
(Continued)**

Super Blanket Certificate – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

During 2007 and 2006, the Fiscal Officer did not certify any expenditure prior to incurring the obligation. It was also found that neither of the two exceptions noted above were utilized for the items to be found in noncompliance. To avoid overspending, the Village should certify the availability of funds prior to incurring the obligation for expenditure.

We recommend the Village’s management implement procedures to gain fiscal control over expenditures. Purchase orders containing the required certification should be utilized to certify the availability of funds prior to commitments being incurred. Appropriations should then be encumbered and balances maintained of unencumbered appropriations. Additional purchase orders should be issued only after the fiscal officer determines that sufficient unencumbered appropriations exist in the amount of the requested purchase.

The Fiscal Officer will review budgetary requirements, including purchasing and make improvements as necessary.

**FINDING NUMBER 2007-VRSC-002
Material Weakness**

Incorrect Accounting Transactions

During the audit of the Village’s financial records for the years ended December 31, 2007 and 2006 we noted a number of transactions incorrectly recorded, a number of receipts and disbursements incorrectly reported in the annual financial reports. The financial statements have been adjusted to present the accounting information correctly and the Village has agreed with the required reclassifications and adjustments. Below is a listing of the various erroneous accounting transactions:

**VILLAGE OF RUSSIA
SHELBY COUNTY**

**SCHEDULE OF FINDINGS – (Continued)
DECEMBER 31, 2007 & 2006**

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

**FINDING NUMBER 2007-VRSC-002
(Continued)**

- Debt Service, for year end 2007, was included in Capital Outlay;
- Debt Service, for 2007 and 2006, combined principal reduction with interest and fiscal charges;
- During 2007 and 2006, the Village incorrectly allocated municipal income tax receipts.

We recommend that the Village closely follow the Village Officer’s Handbook and the Ohio Revised Code when recording transactions. We also recommend that the Fiscal Officer follow the amended income tax ordinance when recording and allocating income tax receipts. We also recommend that the Fiscal Officer contact the Auditor of State for additional guidance as needed.

The Village indicated they will follow the Village Officer’s Handbook and the Ohio Revised Code when recording transactions and will seek additional guidance as needed.

**FINDING NUMBER 2007-VRSC-003
Noncompliance Citation**

Ohio Rev. Code Section 5705.39 requires that total appropriations from each fund shall not exceed total estimated fund resources from each fund as certified by the county budget commission. This section also provides that no appropriation measure shall become effective until the Village obtains the County Auditor’s certificate that total appropriations from each fund do not exceed the total official estimate or amended official estimate when amending estimated resources.

During the year-end December 31, 2007, total appropriations exceeded total estimated resources at year-end as follows:

Fund	Estimated Resources	Appropriations	Variance
Special Revenue Fund:			
Street Lights Fund	\$ 12,931	\$ 17,277	\$ (4,346)
Capital Projects Fund			
Capital Improvement Fund	305,224	618,472	(313,248)
Enterprise Fund:			
Utility Installation Fund	603,253	811,676	(208,423)

**VILLAGE OF RUSSIA
SHELBY COUNTY**

**SCHEDULE OF FINDINGS – (Continued)
DECEMBER 31, 2007 & 2006**

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

**FINDING NUMBER 2007-VRSC-003
(Continued)**

During the year-end December 31, 2006, total appropriations exceeded total estimated resources at year-end as follows:

Fund	Estimated Resources	Appropriations	Variance
Capital Projects Fund			
Capital Improvement Fund	\$ 443,614	\$ 671,613	\$ (227,999)

Council and the Fiscal Officer should monitor appropriations versus estimated resources and modify as necessary to help avoid overspending.

The Fiscal Officer will review all budgetary requirements and implement as necessary.

**FINDING NUMBER 2007-VRSC-004
Noncompliance Citation**

Ohio Rev. Code § 5705.41(B) prohibits a subdivision or taxing authority from expending money unless it has been appropriated.

We noted the following fund had expenditures plus encumbrances that exceeded appropriations at December 31, 2006:

Fund	Approved Appropriations	Budgetary Expenditures	Variance
Enterprise Fund			
Utility Installation Fund	\$ 85,000	\$ 141,692	\$ (56,692)

The Clerk-Treasurer should deny payment requests exceeding appropriations, as required by Ohio Rev. Code Section 5705.41(B). We recommend Village Council and the Clerk-Treasurer compare expenditures to appropriations on a monthly basis. If appropriations in addition to those already adopted will be needed, then Council should take the necessary steps to adopt additional appropriations, if possible, to prevent expenditures from exceeding appropriations.

The Clerk-Treasurer will review budgetary requirements and implement as necessary.

**VILLAGE OF RUSSIA
SHELBY COUNTY**

**SCHEDULE OF FINDINGS – (Continued)
DECEMBER 31, 2007 & 2006**

<p>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</p>

**FINDING NUMBER 2007-VRSC-005
Material Weakness**

Income Tax Receipts and Refunds Allocated Incorrectly

The Fiscal Officer incorrectly allocated the income tax receipts and refunds. The Income Tax Ordinance states to which funds income tax receipts and refunds are to be allocated and the applicable percentages. During 2006 and 2007, the Fiscal officer did not follow the ordinance's stated allocation. The financial statements have been adjusted to reflect the correct income tax allocation. The Village is in agreement with this and has adjusted its books accordingly.

We recommend that the Village and Fiscal Officer follow the Income Tax Ordinance related to allocating receipts and refunds.

The Fiscal Officer will properly allocate income tax receipts and refunds in the future.

VILLAGE OF RUSSIA
SHELBY COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2007 AND 2006

FINDING NUMBER	FUNDING SUMMARY	FULLY CORRECTED?	Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2005-VRSC-001	Contrary to Ohio Rev. Code Section 5705.41(D), the Village did not certify any expenditures.	No	Citation re-issued as finding number 2007-VRSC-001.
2005-VRSC-002	Village did not allocate Municipal Income Tax Receipts in accordance with the Income Tax Ordinance.	No	Citation re-issued as finding number 2007-VRSC-005.



Mary Taylor, CPA
Auditor of State

VILLAGE OF RUSSIA

SHELBY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JULY 31, 2008