



Mary Taylor, CPA
Auditor of State

**VILLAGE OF SOUTH RUSSELL
GEAUGA COUNTY**

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GEAUGA COUNTY

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of South Russell, Geauga County, Ohio (the Village), as of and for the years ended December 31, 2007 and December 31, 2006, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of South Russell, Geauga County, Ohio, as of December 31, 2007 and December 31, 2006, and the respective changes in cash financial position and the respective budgetary comparison for the General, Income Tax, Street Maintenance, and Safety funds thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

For the year ended December 31, 2006, the Government revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 13, 2009, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

Mary Taylor, CPA
Auditor of State

February 13, 2009

Village of South Russell
Management's Discussion and Analysis
For the Year Ended December 31, 2007
Unaudited

This discussion and analysis of the financial performance of the Village of South Russell's provides an overview of the Village's financial activities for the year ended December 31, 2007, within the limitations of the Village's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the financial performance of the Village of South Russell.

Highlights

Key highlights for 2007 are as follows:

Net assets of governmental activities increased \$316,222 or 39%.

The receipts of the governmental funds are primarily property and income taxes; these receipts represent \$2,267,314. Receipts increased for property and income tax for 2007 by \$135,923, which is attributable to business and individual being canvassed in an effort to enforce taxpayer compliance.

The Village paid \$319,846 to the Village of Chagrin Falls in 2007 as part of its contract for Fire, EMS and Dispatch Services provided by Chagrin Falls.

Using the Basic Financial Statements

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

Report Components

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

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

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

Basis of Accounting

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

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

Village of South Russell
Management's Discussion and Analysis
For the Year Ended December 31, 2007
Unaudited

Reporting the Village of South Russell as a Whole

The Statement of Net Assets and the Statement of Activities reflect how the Village of South Russell did financially during 2007, within the limitations of cash basis accounting. The Statement of Net Assets presents the cash balances and investments of the governmental activities of the Village at year-end. The Village of South Russell does not have any business-type activities. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Village's general receipts.

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

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

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

Reporting the Government's Most Significant Funds

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

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

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

Village of South Russell
Management's Discussion and Analysis
For the Year Ended December 31, 2007
Unaudited

The Government as a Whole

Table 1 provides a summary of the Government's net assets for 2007 compared to 2006 on a cash basis:

(Table 1)
Net Assets

	Governmental Activities	
	2007	2006
Assets		
Cash and Cash Equivalents	\$1,132,885	\$816,263
Total Assets	\$1,132,885	\$816,263
Net Assets		
Restricted for:		
Capital Projects	\$194,509	\$181,620
Other Purposes	696,940	489,015
Unrestricted	241,436	145,628
Total Net Assets	\$1,132,885	\$816,263

As mentioned previously, net assets of governmental activities increased \$316,062 or 39 percent during 2007. The primary reason contributing to the increase in cash balances is a reduction in capital outlay expenditures.

Table 2 reflects the changes in net assets on a cash basis in 2007 and 2006 for governmental activities:

Village of South Russell
Management's Discussion and Analysis
For the Year Ended December 31, 2007
Unaudited

(Table 2)
Changes in Net Assets

	Governmental Activities	
	2007	2006
Receipts:		
Program Receipts:		
Charges for Services and Sales	\$132,634	\$135,410
Operating Grants and Contributions	178,179	174,081
Total Program Receipts	310,813	309,491
General Receipts:		
Property and Other Local Taxes	1,007,553	1,004,662
Income Tax	1,259,761	1,126,729
Grants and Entitlements Not Restricted to Specific Programs	309,296	312,692
Interest	65,851	82,502
Miscellaneous	31,462	185,900
Total General Receipts	2,673,923	2,712,485
Total Receipts	2,984,736	3,021,976
Disbursements:		
General Government	477,556	443,841
Security of Persons and Property	1,279,135	1,248,611
Public Health Services	0	579
Community Environment	173,186	193,095
Transportation	686,619	528,519
Capital Outlay	51,618	1,047,769
Total Disbursements	2,668,114	3,462,414
Increase (Decrease) in Net Assets	316,622	(440,438)
Net Assets, January 1, 2007	816,263	1,256,701
Net Assets, December 31, 2007	\$1,132,885	\$816,263

Program receipts represent only 10 percent of total receipts and are primarily comprised of restricted intergovernmental receipts and charges for services such as motor vehicle license, gas tax money, fire fees, police fines, and zoning fees.

General receipts represent 90 percent of the Village's total receipts, and of this amount, over 84 percent are local taxes. Other receipts are very insignificant and somewhat unpredictable revenue sources.

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

Village of South Russell
 Management's Discussion and Analysis
 For the Year Ended December 31, 2007
 Unaudited

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

Governmental Activities

If you look at the Statement of Activities on page 10, you will see that the first column lists the major services provided by the Village. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for Public Safety and Transportation, which account for 48 and 26 percent of all governmental disbursements, respectively. General government also represents a significant cost, about 18 percent. The next two columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Village that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

	Governmental Activities			
	Total Cost	Net Cost	Total Cost	Net Cost
	Of Services	of Services	of Services	of Services
	2007	2007	2006	2006
General Government	477,556	(\$364,583)	443,841	(\$330,546)
Security of Persons and Property	1,279,135	(1,259,474)	1,248,611	(1,226,496)
Public Health Services	0	0	579	(579)
Community Environment	173,186	(173,186)	193,095	(193,095)
Transportation	686,619	(508,440)	528,519	(354,438)
Capital Outlay	51,618	(51,618)	1,047,769	(1,047,769)
Total Expenses	\$2,668,114	(\$2,357,301)	\$3,462,414	(\$3,152,923)

The dependence upon income and property tax receipts is apparent as over 75 percent of governmental activities are supported through these general receipts.

The Village's Funds

Total governmental funds had receipts of \$2,984,736 and disbursements of \$2,668,114.

General Fund receipts were more than disbursements by \$95,808 indicating that the General Fund is in a surplus situation.

General Fund Budgeting Highlights

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

Village of South Russell
Management's Discussion and Analysis
For the Year Ended December 31, 2007
Unaudited

During 2007, the Village amended its General Fund budget to reflect changing circumstances. Final budgeted receipts were the same as the original budgeted receipts.

Final disbursements were budgeted at \$839,569 while actual disbursements were \$902,407. The Village's actual disbursements were \$62,838 less than the final budget.

Capital Assets and Debt Administration

Capital Assets

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

Debt

The Village does not have any debt at this time.

Current Issues

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

Contacting the Village of South Russell's Financial Management

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

Village of South Russell, Geauga County

Statement of Net Assets - Cash Basis

December 31, 2007

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$1,132,885</u>
<i>Total Assets</i>	<u><u>\$1,132,885</u></u>
Net Assets	
Restricted for:	
Capital Projects	\$194,509
Other Purposes	696,940
Unrestricted	<u>241,436</u>
<i>Total Net Assets</i>	<u><u>\$1,132,885</u></u>

See accompanying notes to the basic financial statements

Village of South Russell, Geauga County
Statement of Activities- Cash Basis
For the Year Ended
December 31, 2007

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets
Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	
Governmental Activities				
General Government	\$477,556	\$112,973	\$0	(\$364,583)
Security of Persons and Property	1,279,135	19,661	0	(1,259,474)
Community Environment	173,186	0	0	(173,186)
Transportation	686,619	0	178,179	(508,440)
Capital Outlay	51,618	0	0	(51,618)
<i>Total Governmental Activities</i>	<u>2,668,114</u>	<u>132,634</u>	<u>178,179</u>	<u>(2,357,301)</u>
 General Receipts				
Property Taxes Levied for:				
				1,007,553
				1,259,761
				309,296
				65,851
				31,462
				<i>Total General Receipts</i> 2,673,923
				316,622
				<i>Net Assets Beginning of Year</i> 816,263
				<i>Net Assets End of Year</i> \$1,132,885

See accompanying notes to the basic financial statements

Village of South Russell, Geauga County
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2007

	General Fund	Street Maintenance Fund	Safety Fund	Income Tax Fund	Special Road Fund	Other Governmental Funds	Total Governmental Funds
Assets							
Equity in Pooled Cash and Cash Equivalents	\$241,436	\$260,939	\$64,864	\$232,282	\$140,261	\$193,103	\$1,132,885
<i>Total Assets</i>	<u>\$241,436</u>	<u>\$260,939</u>	<u>\$64,864</u>	<u>\$232,282</u>	<u>\$140,261</u>	<u>\$193,103</u>	<u>\$1,132,885</u>
Fund Balances							
Reserved:							
Reserved for Encumbrances					\$84,510		\$84,510
Unreserved:							
Undesignated (Deficit), Reported in:							
General Fund	\$241,436						\$241,436
Special Revenue Funds		\$260,939	\$64,864	\$232,282		\$138,855	696,940
Capital Projects Funds					\$55,751	54,248	109,999
<i>Total Fund Balances</i>	<u>\$241,436</u>	<u>\$260,939</u>	<u>\$64,864</u>	<u>\$232,282</u>	<u>\$140,261</u>	<u>\$193,103</u>	<u>\$1,132,885</u>

See accompanying notes to the basic financial statements

Village of South Russell, Geauga County
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year ended December 31, 2007

	General Fund	Street Maintenance Fund	Safety Fund	Income Tax Fund	Special Road Fund	Other Governmental Funds	Total Governmental Funds
Receipts							
Municipal Income Taxes				\$1,259,761			\$1,259,761
Property and Other Local Taxes	\$404,882		\$454,117			\$148,554	1,007,553
Charges for Services	53,468						53,468
Fines, Licenses and Permits	79,166						79,166
Intergovernmental	225,886	\$165,900	61,769			33,920	487,475
Interest	65,851						65,851
Miscellaneous	28,962		2,500				31,462
<i>Total Receipts</i>	<u>858,215</u>	<u>165,900</u>	<u>518,386</u>	<u>1,259,761</u>	<u>\$0</u>	<u>182,474</u>	<u>2,984,736</u>
Disbursements							
Current:							
General Government	399,529			78,027			477,556
Security of Persons and Property	265,459		1,013,676				1,279,135
Community Environment	173,186						173,186
Transportation		278,624			42,390	365,605	686,619
Capital Outlay						51,618	51,618
<i>Total Disbursements</i>	<u>838,174</u>	<u>278,624</u>	<u>1,013,676</u>	<u>78,027</u>	<u>42,390</u>	<u>417,223</u>	<u>2,668,114</u>
<i>Excess of Receipts</i>							
<i>Over (Under) Disbursements</i>	<u>20,041</u>	<u>(112,724)</u>	<u>(495,290)</u>	<u>1,181,734</u>	<u>(42,390)</u>	<u>(234,749)</u>	<u>316,622</u>
Other Financing Sources (Uses)							
Transfers In	140,000	200,000	530,000		115,000	240,233	1,225,233
Transfers Out	(64,233)			(1,161,000)			(1,225,233)
<i>Total Other Financing Sources (Uses)</i>	<u>75,767</u>	<u>200,000</u>	<u>530,000</u>	<u>(1,161,000)</u>	<u>115,000</u>	<u>240,233</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	95,808	87,276	34,710	20,734	72,610	5,484	316,622
<i>Fund Balances Beginning of Year</i>	<u>145,628</u>	<u>173,663</u>	<u>30,154</u>	<u>211,548</u>	<u>67,651</u>	<u>187,619</u>	<u>816,263</u>
<i>Fund Balances End of Year</i>	<u>\$241,436</u>	<u>\$260,939</u>	<u>\$64,864</u>	<u>\$232,282</u>	<u>\$140,261</u>	<u>\$193,103</u>	<u>\$1,132,885</u>

See accompanying notes to the basic financial statements

Village of South Russell, Geauga County
*Statement of Receipts, Disbursements and Changes
in Fund Balance - Budget and Actual -Budget Basis
General Fund
For the Year Ended December 31, 2007*

	<u>Budgeted Amounts</u>			Variance with
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Final Budget Positive (Negative)
Receipts				
Property and Other Local Taxes	\$391,371	\$391,371	\$404,882	\$13,511
Charges for Services	46,000	46,000	53,468	7,468
Fines, Licenses and Permits	59,000	59,000	79,166	20,166
Intergovernmental	154,564	209,100	225,886	16,786
Interest	12,000	12,000	65,851	53,851
Miscellaneous	10,500	10,500	28,962	18,462
<i>Total receipts</i>	<u>673,435</u>	<u>727,971</u>	<u>858,215</u>	<u>130,244</u>
Disbursements				
Current:				
General Government	393,730	411,176	399,529	11,647
Security of Persons and Property	248,900	248,900	265,459	(16,559)
Community Environment	179,493	179,493	173,186	6,307
<i>Total Disbursements</i>	<u>822,123</u>	<u>839,569</u>	<u>838,174</u>	<u>1,395</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(148,688)</u>	<u>(111,598)</u>	<u>20,041</u>	<u>131,639</u>
Other Financing Sources (Uses)				
Transfers In	140,000	140,000	140,000	0
Transfers Out	0	0	(64,233)	(64,233)
<i>Total Other Financing Sources (Uses)</i>	<u>140,000</u>	<u>140,000</u>	<u>75,767</u>	<u>(64,233)</u>
<i>Net Change in Fund Balance</i>	(8,688)	28,402	95,808	67,406
<i>Fund Balance Beginning of Year</i>	<u>143,784</u>	<u>143,784</u>	<u>143,784</u>	<u>0</u>
Prior Year Encumbrances Appropriated	<u>1,844</u>	<u>1,844</u>	<u>1,844</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$136,940</u></u>	<u><u>\$174,030</u></u>	<u><u>\$241,436</u></u>	<u><u>\$67,406</u></u>

See accompanying notes to the basic financial statements

Village of South Russell, Geauga County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Street Maintenance Fund
For the Year Ended December 31, 2007

	Budgeted Amounts		Actual	(Optional)
	Original	Final		Variance with Final Budget Positive (Negative)
Receipts				
Intergovernmental	\$149,158	\$149,158	\$165,900	\$16,742
<i>Total receipts</i>	<u>149,158</u>	<u>149,158</u>	<u>165,900</u>	<u>16,742</u>
Disbursements				
Current:				
Transportation	354,730	239,730	278,624	(38,894)
<i>Total Disbursements</i>	<u>354,730</u>	<u>239,730</u>	<u>278,624</u>	<u>(38,894)</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(205,572)</u>	<u>(90,572)</u>	<u>(112,724)</u>	<u>(22,152)</u>
Other Financing Sources (Uses)				
Transfers In	200,000	200,000	200,000	0
<i>Total Other Financing Sources (Uses)</i>	<u>200,000</u>	<u>200,000</u>	<u>200,000</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(5,572)	109,428	87,276	(22,152)
<i>Fund Balance Beginning of Year</i>	<u>173,663</u>	<u>173,663</u>	<u>173,663</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$168,091</u></u>	<u><u>\$283,091</u></u>	<u><u>\$260,939</u></u>	<u><u>(\$22,152)</u></u>

See accompanying notes to the basic financial statements

Village of South Russell, Geauga County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Safety Fund
For the Year Ended December 31, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Receipts				
Property and Other Local Taxes	\$451,548	\$451,548	\$454,117	\$2,569
Intergovernmental	52,620	52,620	61,769	9,149
Miscellaneous	0	0	2,500	2,500
<i>Total receipts</i>	<u>504,168</u>	<u>504,168</u>	<u>518,386</u>	<u>14,218</u>
Disbursements				
Current:				
Security of Persons and Property	1,039,545	1,065,000	1,013,676	51,324
<i>Total Disbursements</i>	<u>1,039,545</u>	<u>1,065,000</u>	<u>1,013,676</u>	<u>51,324</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(535,377)</u>	<u>(560,832)</u>	<u>(495,290)</u>	<u>65,542</u>
Other Financing Sources (Uses)				
Transfers In	530,000	530,000	530,000	0
<i>Total Other Financing Sources (Uses)</i>	<u>530,000</u>	<u>530,000</u>	<u>530,000</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(5,377)	(30,832)	34,710	65,542
<i>Fund Balance Beginning of Year</i>	<u>28,854</u>	<u>28,854</u>	<u>28,854</u>	<u>0</u>
Prior Year Encumbrances Appropriated	1,300	1,300	1,300	0
<i>Fund Balance End of Year</i>	<u>\$24,777</u>	<u>(\$678)</u>	<u>\$64,864</u>	<u>\$65,542</u>

See accompanying notes to the basic financial statements

Village of South Russell, Geauga County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Income Tax Fund
For the Year Ended December 31, 2007

	<u>Budgeted Amounts</u>			(Optional)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Receipts				
Municipal Income Taxes	<u>\$1,100,000</u>	<u>\$1,100,000</u>	<u>\$1,259,761</u>	<u>\$159,761</u>
<i>Total receipts</i>	<u>1,100,000</u>	<u>1,100,000</u>	<u>1,259,761</u>	<u>159,761</u>
Disbursements				
Current:				
General Government	<u>45,751</u>	<u>45,751</u>	<u>78,027</u>	<u>(32,276)</u>
<i>Total Disbursements</i>	<u>45,751</u>	<u>45,751</u>	<u>78,027</u>	<u>(32,276)</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>1,054,249</u>	<u>1,054,249</u>	<u>1,181,734</u>	<u>127,485</u>
Other Financing Sources (Uses)				
Transfers Out	<u>(1,046,000)</u>	<u>(1,161,000)</u>	<u>(1,161,000)</u>	<u>0</u>
<i>Total Other Financing Sources (Uses)</i>	<u>(1,046,000)</u>	<u>(1,161,000)</u>	<u>(1,161,000)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	8,249	(106,751)	20,734	127,485
<i>Fund Balance Beginning of Year</i>	<u>211,548</u>	<u>211,548</u>	<u>211,548</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$219,797</u></u>	<u><u>\$104,797</u></u>	<u><u>\$232,282</u></u>	<u><u>\$127,485</u></u>

See accompanying notes to the basic financial statements

Village of South Russell, Geauga County
Statement of Fiduciary Net Assets - Cash Basis
Fiduciary Fund
December 31, 2007

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$88,710</u>
<i>Total Assets</i>	<u><u>\$88,710</u></u>
Net Assets	
Unrestricted	<u>\$88,710</u>
<i>Total Net Assets</i>	<u><u>\$88,710</u></u>

See accompanying notes to the basic financial statements

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Village of South Russell
Notes to the Financial Statements
For the Year Ended December 31, 2007

Note 1 – Reporting Entity

The Village of South Russell, Geauga County, Ohio is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a six-member Council, who are elected at large for four-year terms. The Mayor is elected to a four-year term, serves as the President of Council and has no voting privileges, except in the case of a tie.

The reporting entity is comprised of the primary government.

A. Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Village. The Village provides general government services, maintenance of Village roads and police services.

B. Component Units

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

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

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

Village of South Russell
Notes to the Financial Statements
For the Year Ended December 31, 2007

Note 2 – Summary of Significant Accounting Policies

A. Basis of Presentation

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

Government-Wide Financial Statements

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

The statement of net assets presents the cash and investment balances of the governmental activities of the Village at December 31, 2007. The statement of activities compares disbursements with program receipts for the Village's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Village is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the Village's general receipts.

Fund Financial Statements

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

B. Fund Accounting

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

Village of South Russell
Notes to the Financial Statements
For the Year Ended December 31, 2007

Note 2 – Summary of Significant Accounting Policies (continued)

Governmental Funds

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

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

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

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

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

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

Fiduciary Funds

Fiduciary funds include pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held under a trust agreement for individuals, private organizations or other governments, which are not available to support the Village's own programs. The Village had no private purpose trust fund accounts during the reporting year. Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village's agency fund accounts for the receipts and expenditures of the South Russell Building Department as it relates to construction deposits.

C. **Basis of Accounting**

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

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

Village of South Russell
Notes to the Financial Statements
For the Year Ended December 31, 2007

Note 2 – Summary of Significant Accounting Policies (continued)

D. Budgetary Process

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

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

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

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

E. Cash and Investments

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

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

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

Village of South Russell
Notes to the Financial Statements
For the Year Ended December 31, 2007

Note 2 – Summary of Significant Accounting Policies (continued)

E. Cash and Investments (continued)

During 2007 the Village invested in Star Ohio, which is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. Star Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in Star Ohio are valued at Star Ohio's share price, which is the price the investment could be sold for on December 31, 2007.

Interest earnings are allocated to Village funds according to State statutes and grant requirements. Interest receipts credited to the General Fund during 2007 were \$65,851, which includes \$55,793 assigned from other Village funds.

F. Restricted Assets

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

G. Inventory and Prepaid Items

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

H. Capital Assets

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

I. Accumulated Leave

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

J. Employer Contributions to Cost-Sharing Pension Plans

The Village recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for post retirement health care benefits.

K. Net Assets

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

Village of South Russell
Notes to the Financial Statements
For the Year Ended December 31, 2007

Note 2 – Summary of Significant Accounting Policies (continued)

K. Net Assets (continued)

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

L. Fund Balance Reserves

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

M. Interfund Transactions

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

Note 3 – Accountability and Compliance

Contrary to Ohio Revised Code Section 5705.41(B), (D) the following funds had expenditures plus encumbrances that exceeded appropriations for the year ending December 31, 2007:

Fund	Appropriations	Expenditures plus Encumbrances	Variance
General Fund	\$839,569	\$902,390	\$(62,811)
Special Revenue Fund – St. Maintenance Fund	239,730	278,624	(38,894)
Special Revenue Fund – Income Tax Fund	45,751	78,027	(32,276)
Capital Projects Fund – Special Bldg/Land Fund	30,000	51,618	(21,618)

Note 4 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the cash basis are outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis) (and outstanding year end advances are treated as an other financing source or use (budgetary basis) rather than as an interfund receivable or payable (cash basis)). The encumbrances outstanding at year-end (budgetary basis) amounted to \$84,510 for the special road fund. There were no outstanding advances at year-end.

Village of South Russell
Notes to the Financial Statements
For the Year Ended December 31, 2007

Note 5 – Deposits and Investments

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

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

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

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

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

1. United States Treasury bills, bonds, notes or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily and the term of the agreement must not exceed thirty days;
3. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
4. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
5. The State Treasurer's investment pool (Star Ohio).

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

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the

Village of South Russell
Notes to the Financial Statements
For the Year Ended December 31, 2007

Note 5 – Deposits and Investments (continued)

date of the purchase, unless matched to a specific obligation or debt of the Village, and must be purchased with the expectation that it will be held to maturity.

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

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$1,112,794 of the Village's bank balance of \$1,212,794 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Village's name.

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

Investments

As of December 31, 2007, the Village had the following investments

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

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

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

Village of South Russell
Notes to the Financial Statements
For the Year Ended December 31, 2007

Note 6 – Income Taxes

The Village levies a 1.00 percent income tax whose proceeds are placed into the Income Tax Fund and then transferred to other funds. The Village levies and collects the tax on all income earned within the Village as well as on incomes of residents earned outside the Village. In the latter case, the Village allows a credit of the lesser of actual taxes paid to another city or 75 percent of the 1.00 percent tax rate on taxable income. Employers within the Village are required to withhold income tax on employee earnings and remit the tax to the Village at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually. All residents age 18 years of age and older are required to file an annual return. Retired individuals are required to file an exemption certificate annually.

Note 7 – Property Taxes

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Village. Property tax receipts received in 2007 for real and public utility property taxes represents collections of the 2006 taxes. Property tax payments received during 2007 for tangible personal property (other than public utility property) is for 2007 taxes.

2007 real property taxes are levied after October 1, 2007 on the assessed values as of January 1, 2007, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. 2007 real property taxes are collected in and intended to finance 2008.

Real property taxes are payable annually or semi-annually. 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. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2007 represent the collection of 2006 taxes. Public utility real and tangible personal property taxes received in 2007 became a lien on December 31, 2006, were levied after October 1, 2006, and are collected with real property taxes. The County is responsible for assessing property, and for billing, collecting and distributing all property taxes on behalf of the Village.

Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2006 public utility property taxes which became a lien on December 31, 2006, are levied after October 1, 2006, and are collected in 2007 with real property taxes.

2007 tangible property taxes are levied after October 1, 2006, on the value as of December 31, 2006. Collections are made in 2007. Tangible personal property assessments are being phased out – the assessment percentage for all property including inventory for 2007 is 12.5 percent. This will be reduced to 6.25 percent for 2008, and zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 3, with the remainder due September 20.

Village of South Russell
Notes to the Financial Statements
For the Year Ended December 31, 2007

Note 7 – Property Taxes (continued)

The full tax rate for all Village operations for the year ended December 31, 2007, was \$30.62 per \$1,000 of assessed value. The assessed values of real and personal property upon which 2007 property tax receipts were based are as follows:

Real Property	\$135,574,510
Public Utility Property	2,594,970
Tangible Personal Property	1,048,660
Total Assessed Values	<u>\$139,218,040</u>

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

Note 8 – Risk Management

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

The Village maintains commercial insurance coverage with Great American Insurance Company of New York for the following:

General Liability	\$ 1,000,000
Public Officials Liability	\$ 1,000,000
Automobile Coverage	\$ 1,000,000
Building and Property	\$ 1,536,502
Umbrella Liability	\$ 2,000,000

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

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

The Village also provides health, life insurance and a flexible spending plan to full-time employees through private carriers. The premiums for these employee benefits in 2007 totaled \$151,086.

Village of South Russell
Notes to the Financial Statements
For the Year Ended December 31, 2007

Note 9 – Defined Benefit Pension Plans

A. Ohio Public Employees Retirement System

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

The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

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

For the year ended December 31, 2007 the members of all three plans were required to contribute 9.5 percent of their annual covered salaried. The Village's contribution rate for pension benefits for 2007 was 13.85 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Village's required contributions for OPERS obligations for 2007, 2006, and 2005 was \$42,584, \$44,017 and \$48,474, respectively.

B. Ohio Police and Fire Pension Fund

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

Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations while the Village is required to contribute 19.50 percent for police officers. Contributions are authorized by State statute. The Village's required contributions to the Fund for 2007, 2006, and 2005 was \$65,868, \$64,061, and \$61,907, respectively.

Village of South Russell
Notes to the Financial Statements
For the Year Ended December 31, 2007

Note 10 – Postemployment Benefits

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for post-retirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of post-retirement health care based on authority granted by State statute. The 2007 local government employer contribution rate was 13.85 percent of covered payroll; 5.00 percent of covered payroll was the portion that was used to fund health care for the first half of 2007 and 6.00 percent of covered payroll was the portion that was used to fund health care for the second half of 2007.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2005, include a rate of return on investments of 6.50 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.30 percent based on additional annual pay increases. Health care premiums were assumed to increase between .50 and 6.00 percent annually for the next nine years and 4.00 percent annually after nine years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12 percent corridor.

The number of active contributing participants in the traditional and combined plans was 374,979 as of December 31, 2007. The number of active contributing participants for both plans used in the December 31, 2006, actuarial valuation was 362,130. Actual employer contributions for 2007 which were used to fund postemployment benefits were \$28,050. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2006, were \$12.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$30.7 billion and \$18.7 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. To improve the solvency of the Health Care Fund, OPERS created a separate investment pool for health care assets. Member and employer contribution rates increases as of January 1, 2006, and January 1, 2007, which will allow additional funds to be allocated to the health care plan.

B. Ohio Police and Fire Pension Fund

The Ohio Police and Fire Pension Fund (OP&F) provides postretirement health care coverage to any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school full-time or on a 2/3 basis.

Village of South Russell
Notes to the Financial Statements
For the Year Ended December 31, 2007

Note 10 – Postemployment Benefits (continued)

The health care coverage provided by the retirement system is considered an Other Post-employment Benefit (OPEB) as described in *GASB Statement No. 12*. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund’s board of trustees to provide health care coverage and states that health care costs paid from the fund of OP&F shall be included in the employer’s contribution rate. Health care funding and accounting is on a pay-as-you-go basis.

The total police employer contribution rate is 19.5 percent of covered payroll, of which 6.75 percent of covered payroll was applied to the post-employment health care program during 2007. In addition, since July 1, 1992, most retirees and survivors have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The Village’s actual contributions for 2007 that were used to fund postemployment benefits was \$34,871 for police officers. The OP&F’s total health care expense for the year ended December 31, 2006 (the latest information available) was \$120,373,722, which was net of member contributions of \$58,532,848. The number of OP&F participants eligible to receive health care benefits as of December 31, 2006, was 10,563 for firefighters.

Note 11 – Interfund Transfers

During 2007 the following transfer were made:

Transfers from the General Fund to:	
Special Building/Land Fund	\$ 64,233
Transfers from the Income Tax Fund to:	
Cemetery Fund	1,000
Street Maintenance Fund	200,000
Safety Fund	530,000
Operating Fund	175,000
Special Road Fund	115,000
General Fund	<u>140,000</u>
Total Transfers	<u>\$1,225,233</u>

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

Village of South Russell
Notes to the Financial Statements
For the Year Ended December 31, 2007

Note 12 – Construction and Contractual Commitments

The Village has an outstanding construction commitment for \$84,510 for the Special Road program started in 2007 and to be completed in 2008.

Note 13 – Contingent Liabilities

Litigation

The Village is not a party in any lawsuits.

Grants

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

Village of South Russell
Management's Discussion and Analysis
For the Year Ended December 31, 2006
Unaudited

This discussion and analysis of the financial performance of the Village of South Russell's provides an overview of the Village's financial activities for the year ended December 31, 2006, within the limitations of the Village's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the financial performance of the Village of South Russell.

Highlights

Key highlights for 2006 are as follows:

Net assets of governmental activities decreased \$440,438 or 35%. The fund most affected by the decrease in cash and cash equivalents, was the Special Building and Land Fund, due to the acquisition of the Muggleton property.

The receipts of the governmental funds are primarily property and income taxes. These receipts represent \$2,131,391 and 75 percent of the total cash received for governmental activities during the year. Property and income tax receipts for 2006 increased by \$262,000 attributable to a replacement levy for police expenses, which was approved by voters in 2004.

The Village paid \$296,740 to the Village of Chagrin Falls in 2006 as part of its contract for Fire, EMS and Dispatch Services provided by Chagrin Falls.

Using the Basic Financial Statements

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

Report Components

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

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

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

Basis of Accounting

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

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

Reporting the Village of South Russell as a Whole

The Statement of Net Assets and the Statement of Activities reflect how the Village of South Russell did financially during 2006, within the limitations of cash basis accounting. The Statement of Net Assets presents the cash balances and investments of the governmental activities of the Village at year-end. The Village of South Russell does not have any business-type activities. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Village's general receipts.

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

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

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

Reporting the Government's Most Significant Funds

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

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

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

The Government as a Whole

Village of South Russell
Management's Discussion and Analysis
For the Year Ended December 31, 2006
Unaudited

Table 1 provides a summary of the Government's net assets for 2006 compared to 2005 on a cash basis:

(Table 1)
Net Assets

	Governmental Activities	
	2006	2005
Assets		
Cash and Cash Equivalents	\$816,263	\$1,256,701
Total Assets	\$816,263	\$1,256,701
Net Assets		
Restricted for:		
Capital Projects	\$181,620	\$979,136
Other Purposes	489,015	220,890
Unrestricted	145,628	56,675
Total Net Assets	\$816,263	\$1,256,701

As mentioned previously, net assets of governmental activities decreased \$440,438 or 35 percent during 2006. The primary reason contributing to the decrease in cash balances is expenditures for the Muggleton property acquisition and the purchase of a truck cab and chassis for the Street Department.

Since the Village did not prepare financial statements in this format for 2005, a comparative analysis of government-wide data has not been presented. In future years, when prior year information is available, a comparative analysis will be presented as Table 2 – Changes in Net Assets

Village of South Russell
Management's Discussion and Analysis
For the Year Ended December 31, 2006
Unaudited

(Table 2)
Changes in Net Assets

	Governmental Activities
	2006
Receipts:	
Program Receipts:	
Charges for Services and Sales	\$135,410
Operating Grants and Contributions	174,081
Total Program Receipts	309,491
General Receipts:	
Property and Other Local Taxes	1,004,662
Income Tax	1,126,729
Grants and Entitlements Not Restricted to Specific Programs	312,692
Interest	82,502
Miscellaneous	185,900
Total General Receipts	2,712,485
Total Receipts	3,021,976
Disbursements:	
General Government	443,841
Security of Persons and Property	1,248,611
Public Health Services	579
Community Environment	193,095
Transportation	528,519
Capital Outlay	1,047,769
Total Disbursements	3,462,414
Increase (Decrease) in Net Assets	(440,438)
Net Assets, January 1, 2007	1,256,701
Net Assets, December 31, 2007	\$816,263

Program receipts represent only 10 percent of total receipts and are primarily comprised of restricted intergovernmental receipts and charges for services such as motor vehicle license, gas tax money, fire fees, police fines, and zoning fees.

General receipts represent 90 percent of the Village's total receipts, and of this amount, over 78 percent are local taxes. Other receipts are very insignificant and somewhat unpredictable revenue sources.

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

Village of South Russell
Management's Discussion and Analysis
For the Year Ended December 31, 2006
Unaudited

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

Governmental Activities

If you look at the Statement of Activities on page 40, you will see that the first column lists the major services provided by the Village. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for Public Safety, Transportation, and Capital Outlay, which account for 36, 15, and 30 percent of all governmental disbursements, respectively. General government also represents a significant cost, about 13 percent. The next two columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Village that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

Governmental Activities

	Total Cost of Services 2006	Net Cost of Services 2006
	2006	2006
General Government	443,841	(\$330,546)
Security of Persons and Property	1,248,611	(1,226,496)
Public Health Services	579	(579)
Community Environment	193,095	(193,095)
Transportation	528,519	(354,438)
Capital Outlay	1,047,769	(1,047,769)
Total Expenses	\$3,462,414	(\$3,152,923)

The dependence upon income and property tax receipts is apparent as over 70 percent of governmental activities are supported through these general receipts.

The Village's Funds

Total governmental funds had receipts of \$3,021,976 and disbursements of \$3,462,414.

General Fund receipts were more than disbursements by \$88,953 indicating that the General Fund is in a surplus situation.

General Fund Budgeting Highlights

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

Village of South Russell
Management's Discussion and Analysis
For the Year Ended December 31, 2006
Unaudited

During 2006, the Village amended its General Fund budget to reflect changing circumstances. Final budgeted receipts were the same as the original budgeted receipts.

Final disbursements were budgeted at \$1,130,210 while actual disbursements were \$1,049,985. The Village's actual disbursements were \$80,225 less than the final budget.

Capital Assets and Debt Administration

Capital Assets

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

Debt

The Village does not have any debt at this time.

Current Issues

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

Contacting the Village of South Russell's Financial Management

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

Village of South Russell, Geauga County

Statement of Net Assets - Cash Basis

December 31, 2006

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$816,263</u>
<i>Total Assets</i>	<u><u>\$816,263</u></u>
Net Assets	
Restricted for:	
Capital Projects	\$181,620
Other Purposes	489,015
Unrestricted	<u>145,628</u>
<i>Total Net Assets</i>	<u><u>\$816,263</u></u>

See accompanying notes to the basic financial statements

Village of South Russell, Geauga County
Statement of Activities- Cash Basis
For the Year Ended
December 31, 2006

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
General Government	\$443,841	\$113,295	\$0	(\$330,546)
Security of Persons and Property	1,248,611	22,115	0	(1,226,496)
Public Health Services	579	0	0	(579)
Community Environment	193,095	0	0	(193,095)
Transportation	528,519	0	174,081	(354,438)
Capital Outlay	1,047,769	0	0	(1,047,769)
<i>Total Governmental Activities</i>	3,462,414	135,410	174,081	(3,152,923)
 General Receipts				
Property Taxes				1,004,662
Municipal Income Taxes				1,126,729
Grants and Entitlements not Restricted to Specific Programs				312,692
Interest				82,502
Miscellaneous				185,900
<i>Total General Receipts</i>				2,712,485
Change in Net Assets				(440,438)
<i>Net Assets Beginning of Year</i>				1,256,701
<i>Net Assets End of Year</i>				\$816,263

See accompanying notes to the basic financial statements

Village of South Russell, Geauga County
Statement of Cash Basis Assets and Fund Balances
 Governmental Funds
 December 31, 2006

	General Fund	Street Maintenance Fund	Safety Fund	Income Tax Fund	Special Bldg/Land Fund	Other Governmental Funds	Total Governmental Funds
Assets							
Equity in Pooled Cash and Cash Equivalents	\$145,628	\$173,663	\$30,154	\$211,548	\$32,561	\$222,709	\$816,263
<i>Total Assets</i>	<u>\$145,628</u>	<u>\$173,663</u>	<u>\$30,154</u>	<u>\$211,548</u>	<u>\$32,561</u>	<u>\$222,709</u>	<u>\$816,263</u>
Fund Balances							
Reserved:							
Reserved for Encumbrances	\$1,844		\$1,300			\$39,671	\$42,815
Unreserved:							
Undesignated (Deficit), Reported in:							
General Fund	143,784						143,784
Special Revenue Funds		173,663	28,854	\$211,548		73,650	487,715
Capital Projects Funds					\$32,561	109,388	141,949
<i>Total Fund Balances</i>	<u>\$145,628</u>	<u>\$173,663</u>	<u>\$30,154</u>	<u>\$211,548</u>	<u>\$32,561</u>	<u>\$222,709</u>	<u>\$816,263</u>

See accompanying notes to the basic financial statements

Village of South Russell, Geauga County
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year ended December 31, 2006

	General Fund	Street Maintenance Fund	Safety Fund	Income Tax Fund	Special Bldg/Land Fund	Other Governmental Funds	Total Governmental Funds
Receipts							
Municipal Income Taxes				\$1,126,729			\$1,126,729
Property and Other Local Taxes	\$405,267		\$452,456			\$146,939	1,004,662
Charges for Services	52,186						52,186
Fines, Licenses and Permits	83,224						83,224
Intergovernmental	228,015	\$165,377	62,503			30,878	486,773
Interest	82,502						82,502
Miscellaneous	185,900						185,900
<i>Total Receipts</i>	<u>1,037,094</u>	<u>165,377</u>	<u>514,959</u>	<u>1,126,729</u>	<u>\$0</u>	<u>177,817</u>	<u>3,021,976</u>
Disbursements							
Current:							
General Government	377,779			66,062			443,841
Security of Persons and Property	237,127		1,011,484				1,248,611
Public Health Services						579	579
Community Environment	193,095						193,095
Basic Utility Services							0
Transportation		176,470				352,049	528,519
Capital Outlay					1,047,769		1,047,769
<i>Total Disbursements</i>	<u>808,001</u>	<u>176,470</u>	<u>1,011,484</u>	<u>66,062</u>	<u>1,047,769</u>	<u>352,628</u>	<u>3,462,414</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>229,093</u>	<u>(11,093)</u>	<u>(496,525)</u>	<u>1,060,667</u>	<u>(1,047,769)</u>	<u>(174,811)</u>	<u>(440,438)</u>
Other Financing Sources (Uses)							
Transfers In	100,000	100,000	520,000		240,140	193,000	1,153,140
Transfers Out	(240,140)			(913,000)			(1,153,140)
<i>Total Other Financing Sources (Uses)</i>	<u>(140,140)</u>	<u>100,000</u>	<u>520,000</u>	<u>(913,000)</u>	<u>240,140</u>	<u>193,000</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	88,953	88,907	23,475	147,667	(807,629)	18,189	(440,438)
<i>Fund Balances Beginning of Year</i>	<u>56,675</u>	<u>84,756</u>	<u>6,679</u>	<u>63,881</u>	<u>840,190</u>	<u>204,520</u>	<u>1,256,701</u>
<i>Fund Balances End of Year</i>	<u>\$145,628</u>	<u>\$173,663</u>	<u>\$30,154</u>	<u>\$211,548</u>	<u>\$32,561</u>	<u>\$222,709</u>	<u>\$816,263</u>

See accompanying notes to the basic financial statements

Village of South Russell, Geauga County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
General Fund
For the Year Ended December 31, 2006

	<u>Budgeted Amounts</u>			(Optional)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Receipts				
Property and Other Local Taxes	\$371,889	\$400,123	\$405,267	5,144
Charges for Services	50,000	50,000	52,186	2,186
Fines, Licenses and Permits	72,500	72,500	83,224	10,724
Intergovernmental	153,953	224,953	228,015	3,062
Interest	15,000	19,150	82,502	63,352
Miscellaneous	9,600	179,600	185,900	6,300
<i>Total receipts</i>	<u>672,942</u>	<u>946,326</u>	<u>1,037,094</u>	<u>90,768</u>
Disbursements				
Current:				
General Government	405,250	412,210	377,779	34,431
Security of Persons and Property	236,300	241,400	238,971	2,429
Community Environment	236,600	236,600	193,095	43,505
<i>Total Disbursements</i>	<u>878,150</u>	<u>890,210</u>	<u>809,845</u>	<u>80,365</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(205,208)</u>	<u>56,116</u>	<u>227,249</u>	<u>171,133</u>
Other Financing Sources (Uses)				
Transfers In	134,000	200,000	100,000	(100,000)
Transfers Out	0	(240,000)	(240,140)	(140)
<i>Total Other Financing Sources (Uses)</i>	<u>134,000</u>	<u>(40,000)</u>	<u>(140,140)</u>	<u>(100,140)</u>
<i>Net Change in Fund Balance</i>	(71,208)	16,116	87,109	70,993
<i>Fund Balance Beginning of Year</i>	<u>56,675</u>	<u>56,675</u>	<u>56,675</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>(\$14,533)</u></u>	<u><u>\$72,791</u></u>	<u><u>\$143,784</u></u>	<u><u>\$70,993</u></u>

See accompanying notes to the basic financial statements

Village of South Russell, Geauga County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Street Maintenance Fund
For the Year Ended December 31, 2006

	Budgeted Amounts		Actual	(Optional)
	Original	Final		Variance with Final Budget Positive (Negative)
Receipts				
Intergovernmental	\$110,000	\$110,000	\$165,377	\$55,377
<i>Total receipts</i>	<u>110,000</u>	<u>110,000</u>	<u>165,377</u>	<u>55,377</u>
Disbursements				
Current:				
Transportation	208,850	208,850	176,470	32,380
<i>Total Disbursements</i>	<u>208,850</u>	<u>208,850</u>	<u>176,470</u>	<u>32,380</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(98,850)</u>	<u>(98,850)</u>	<u>(11,093)</u>	<u>87,757</u>
Other Financing Sources (Uses)				
Transfers In	230,000	100,000	100,000	0
<i>Total Other Financing Sources (Uses)</i>	<u>230,000</u>	<u>100,000</u>	<u>100,000</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	131,150	1,150	88,907	87,757
<i>Fund Balance Beginning of Year</i>	<u>84,756</u>	<u>84,756</u>	<u>84,756</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$215,906</u></u>	<u><u>\$85,906</u></u>	<u><u>\$173,663</u></u>	<u><u>\$87,757</u></u>

See accompanying notes to the basic financial statements

Village of South Russell, Geauga County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Safety Fund
For the Year Ended December 31, 2006

	Budgeted Amounts		Actual	(Optional)
	Original	Final		Variance with Final Budget Positive (Negative)
Receipts				
Property and Other Local Taxes	\$448,693	\$450,692	\$452,456	\$1,764
Intergovernmental	58,441	56,442	62,503	6,061
<i>Total receipts</i>	<u>507,134</u>	<u>507,134</u>	<u>514,959</u>	<u>7,825</u>
Disbursements				
Current:				
Security of Persons and Property	1,025,694	1,027,694	1,012,784	14,910
<i>Total Disbursements</i>	<u>1,025,694</u>	<u>1,027,694</u>	<u>1,012,784</u>	<u>14,910</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(518,560)</u>	<u>(520,560)</u>	<u>(497,825)</u>	<u>22,735</u>
Other Financing Sources (Uses)				
Transfers In	520,000	520,000	520,000	0
<i>Total Other Financing Sources (Uses)</i>	<u>520,000</u>	<u>520,000</u>	<u>520,000</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	1,440	(560)	22,175	22,735
<i>Fund Balance Beginning of Year</i>	<u>6,679</u>	<u>6,679</u>	<u>6,679</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$8,119</u></u>	<u><u>\$6,119</u></u>	<u><u>\$28,854</u></u>	<u><u>\$22,735</u></u>

See accompanying notes to the basic financial statements

Village of South Russell, Geauga County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Income Tax Fund
For the Year Ended December 31, 2006

	<u>Budgeted Amounts</u>			(Optional)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Receipts				
Municipal Income Taxes	<u>\$1,150,000</u>	<u>\$1,150,000</u>	<u>\$1,126,729</u>	<u>(\$23,271)</u>
<i>Total receipts</i>	<u>1,150,000</u>	<u>1,150,000</u>	<u>1,126,729</u>	<u>(23,271)</u>
Disbursements				
Current:				
General Government	<u>63,000</u>	<u>63,000</u>	<u>66,062</u>	<u>(3,062)</u>
<i>Total Disbursements</i>	<u>63,000</u>	<u>63,000</u>	<u>66,062</u>	<u>(3,062)</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>1,087,000</u>	<u>1,087,000</u>	<u>1,060,667</u>	<u>(26,333)</u>
Other Financing Sources (Uses)				
Transfers Out	<u>(1,013,000)</u>	<u>(1,013,000)</u>	<u>(913,000)</u>	<u>100,000</u>
<i>Total Other Financing Sources (Uses)</i>	<u>(1,013,000)</u>	<u>(1,013,000)</u>	<u>(913,000)</u>	<u>100,000</u>
<i>Net Change in Fund Balance</i>	74,000	74,000	147,667	73,667
<i>Fund Balance Beginning of Year</i>	<u>63,881</u>	<u>63,881</u>	<u>63,881</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$137,881</u></u>	<u><u>\$137,881</u></u>	<u><u>\$211,548</u></u>	<u><u>\$73,667</u></u>

See accompanying notes to the basic financial statements

Village of South Russell, Geauga County
Statement of Fiduciary Net Assets - Cash Basis
Fiduciary Funds
December 31, 2006

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$131,744
<i>Total Assets</i>	<u>\$131,744</u>
Net Assets	
Unrestricted	\$131,744
<i>Total Net Assets</i>	<u>\$131,744</u>

See accompanying notes to the basic financial statements

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Village of South Russell
Notes to the Financial Statements
For the Year Ended December 31, 2006

Note 1 – Reporting Entity

The Village of South Russell, Geauga County, Ohio is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a six-member Council, who are elected at large for four-year terms. The Mayor is elected to a four-year term, serves as the President of Council and has no voting privileges, except in the case of a tie.

The reporting entity is comprised of the primary government.

A. Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Village. The Village provides general government services, maintenance of Village roads and police services.

B. Component Units

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

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

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

Village of South Russell
Notes to the Financial Statements
For the Year Ended December 31, 2006

Note 2 – Summary of Significant Accounting Policies

A. Basis of Presentation

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

Government-Wide Financial Statements

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

The statement of net assets presents the cash and investment balances of the governmental activities of the Village at December 31, 2006. The statement of activities compares disbursements with program receipts for the Village's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Village is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the Village's general receipts.

Fund Financial Statements

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

B. Fund Accounting

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

Village of South Russell
Notes to the Financial Statements
For the Year Ended December 31, 2006

Note 2 – Summary of Significant Accounting Policies (continued)

Governmental Funds

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

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

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

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

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

Special Bldg/Land Fund – This fund is used to purchase buildings and land within the Village.

Fiduciary Funds

Fiduciary funds include pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held under a trust agreement for individuals, private organizations or other governments, which are not available to support the Village's own programs. The Village had no private purpose trust fund accounts during the reporting year. Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village's agency fund accounts for the receipts and expenditures of the South Russell Building Department as it relates to construction deposits.

C. **Basis of Accounting**

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

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

Village of South Russell
Notes to the Financial Statements
For the Year Ended December 31, 2006

Note 2 – Summary of Significant Accounting Policies (continued)

D. Budgetary Process

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

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

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

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

E. Cash and Investments

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

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

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

Village of South Russell
Notes to the Financial Statements
For the Year Ended December 31, 2006

Note 2 – Summary of Significant Accounting Policies (continued)

E. Cash and Investments (continued)

During 2006 the Village invested in Star Ohio, which is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. Star Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in Star Ohio are valued at Star Ohio's share price, which is the price the investment could be sold for on December 31, 2006.

Interest earnings are allocated to Village funds according to State statutes and grant requirements. Interest receipts credited to the General Fund during 2006 were \$82,502, which includes \$74,650 assigned from other Village funds.

F. Restricted Assets

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

G. Inventory and Prepaid Items

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

H. Capital Assets

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

I. Accumulated Leave

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

J. Employer Contributions to Cost-Sharing Pension Plans

The Village recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 10 and 11, the employer contributions include portions for pension benefits and for post retirement health care benefits.

Village of South Russell
Notes to the Financial Statements
For the Year Ended December 31, 2006

Note 2 – Summary of Significant Accounting Policies (continued)

K. Net Assets

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

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

L. Fund Balance Reserves

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

M. Interfund Transactions

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

Note 3 – Change in Basis of Accounting and Restatement of Fund Equity

Last year the Village reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. This year the Village has implemented the cash basis of accounting described in note 2. The fund financial statements now present each major fund in a separate column with nonmajor funds aggregated and presented in a single column, rather than a column for each fund type.

Note 4 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the cash basis are outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis) (and outstanding year end advances are treated as an other financing source or use (budgetary basis) rather than as an interfund receivable or payable (cash basis)). The encumbrances outstanding at year-end (budgetary basis) amounted to \$1,844 for the general fund, \$1,300 for the safety fund and \$39,671 for the special equipment fund. There were no outstanding advances at year-end.

Village of South Russell
Notes to the Financial Statements
For the Year Ended December 31, 2006

Note 5 – Deposits and Investments

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

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

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

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

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

1. United States Treasury bills, bonds, notes or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily and the term of the agreement must not exceed thirty days;
3. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
4. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
5. The State Treasurer's investment pool (Star Ohio).

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

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the

Village of South Russell
Notes to the Financial Statements
For the Year Ended December 31, 2006

Note 5 – Deposits and Investments (continued)

date of the purchase, unless matched to a specific obligation or debt of the Village, and must be purchased with the expectation that it will be held to maturity.

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

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$707,177 of the Village's bank balance of \$907,177 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Village's name.

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

Investments

As of December 31, 2006, the Village had the following investments

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

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

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

Village of South Russell
Notes to the Financial Statements
For the Year Ended December 31, 2006

Note 6 – Income Taxes

The Village levies a 1.00 percent income tax whose proceeds are placed into the Income Tax Fund and then transferred to other funds. The Village levies and collects the tax on all income earned within the Village as well as on incomes of residents earned outside the Village. In the latter case, the Village allows a credit of the lesser of actual taxes paid to another city or 75 percent of the 1.00 percent tax rate on taxable income. Employers within the Village are required to withhold income tax on employee earnings and remit the tax to the Village at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually. All residents age 18 years of age and older are required to file an annual return. Retired individuals are required to file an exemption certificate annually.

Note 7 – Property Taxes

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Village. Property tax receipts received in 2006 for real and public utility property taxes represents collections of the 2005 taxes. Property tax payments received during 2006 for tangible personal property (other than public utility property) is for 2006 taxes.

2006 real property taxes are levied after October 1, 2006 on the assessed values as of January 1, 2006, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. 2006 real property taxes are collected in and intended to finance 2007.

Real property taxes are payable annually or semi-annually. 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. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2005 public utility property taxes which became a lien on December 31, 2005, are levied after October 1, 2005, and are collected in 2006 with real property taxes.

2006 tangible property taxes are levied after October 1, 2005, on the value as of December 31, 2005. Collections are made in 2006. Tangible personal property assessments are being phased out – the assessment percentage for all property including inventory for 2006 is 18.75 percent. This will be reduced to 12.5 percent for 2007, 6.25 percent for 2008, and zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 3, with the remainder due September 20.

The full tax rate for all Village operations for the year ended December 31, 2006, was \$30.62 per \$1,000 of assessed value. The assessed values of real and personal property upon which 2006 property tax receipts were based are as follows:

Village of South Russell
Notes to the Financial Statements
For the Year Ended December 31, 2006

Note 7 – Property Taxes (continued)

Real Property	\$135,574,510
Public Utility Property	2,594,970
Tangible Personal Property	1,048,660
Total Assessed Values	<u>\$139,218,140</u>

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

Note 8 – Risk Management

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

The Village maintains commercial insurance coverage with Great American Insurance Company of New York for the following:

General Liability	\$ 1,000,000
Public Officials Liability	\$ 1,000,000
Automobile Coverage	\$ 1,000,000
Building and Property	\$ 1,536,502
Umbrella Liability	\$ 2,000,000

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

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

The Village also provides health, life insurance and a flexible spending plan to full-time employees through private carriers.

Note 9 – Defined Benefit Pension Plans

A. Ohio Public Employees Retirement System

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

Village of South Russell
Notes to the Financial Statements
For the Year Ended December 31, 2006

Note 9 – Defined Benefit Pension Plans (continued)

The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

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

For the year ended December 31, 2006 the members of all three plans were required to contribute 9.5 percent of their annual covered salary. The Village's contribution rate for pension benefits for 2006 was 13.70 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Village's required contributions for OPERS obligations for 2006, 2005, and 2004 was \$44,017, \$48,474, and \$46,354, respectively.

B. Ohio Police and Fire Pension Fund

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

Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations while the Village is required to contribute 19.50 percent for police officers. Contributions are authorized by State statute. The Village's required contributions to the Fund for 2006, 2005, and 2004 was \$64,061, \$61,907, and \$ 59,855, respectively.

Note 10 – Postemployment Benefits

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for post-retirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of

Village of South Russell
Notes to the Financial Statements
For the Year Ended December 31, 2006

Note 10 – Postemployment Benefits (continued)

each employer's contribution to the traditional or combined plans is set aside for the funding of post-retirement health care based on authority granted by State statute. The 2006 local government employer contribution rate was 13.70 percent of covered payroll; 4.5 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2005, include a rate of return on investments of 6.50 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.30 percent based on additional annual pay increases. Health care premiums were assumed to increase between .50 and 6.00 percent annually for the next nine years and 4.00 percent annually after nine years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12 percent corridor.

The number of active contributing participants in the traditional and combined plans was 374,979 as of December 31, 2006. The number of active contributing participants for both plans used in the December 31, 2006, actuarial valuation was 362,130. Actual employer contributions for 2006 which were used to fund postemployment benefits were \$21,530. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2006, were \$12.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$30.7 billion and \$18.7 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2006. To improve the solvency of the Health Care Fund, OPERS created a separate investment pool for health care assets. Member and employer contribution rates increases as of January 1, 2006, and January 1, 2006, which will allow additional funds to be allocated to the health care plan.

B. Ohio Police and Fire Pension Fund

The Ohio Police and Fire Pension Fund (OP&F) provides postretirement health care coverage to any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school full-time or on a 2/3 basis.

The health care coverage provided by the retirement system is considered an Other Post-employment Benefit (OPEB) as described in *GASB Statement No. 12*. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the fund of OP&F shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis.

Village of South Russell
Notes to the Financial Statements
For the Year Ended December 31, 2006

Note 10 – Postemployment Benefits (continued)

The total police employer contribution rate is 19.5 percent of covered payroll, of which 7.75 percent of covered payroll was applied to the post-employment health care program during 2006. In addition, since July 1, 1992, most retirees and survivors have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The Village's actual contributions for 2006 that were used to fund postemployment benefits was \$42,253 for police officers. The OP&F's total health care expense for the year ended December 31, 2006 was \$120,373,722, which was net of member contributions of \$58,532,848. The number of OP&F participants eligible to receive health care benefits as of December 31, 2006, was 10,563 for firefighters.

Note 11 – Interfund Transfers

During 2006 the following transfer were made:

Transfers from the General Fund to:	
Special Building/Land Fund	\$240,000
Transfers from the Income Tax Fund to:	
Cemetery Fund	100,000
Street Maintenance Fund	100,000
Safety Fund	520,000
Operating Fund	160,000
Special Equipment Fund	<u>33,000</u>
Total Transfers	<u>\$1,153,000</u>

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

Note 12 – Construction and Contractual Commitments

The Village has an outstanding contract with Concord Equipment of \$55,624 for equipment to be installed on a truck that was purchased in 2006.

Village of South Russell
Notes to the Financial Statements
For the Year Ended December 31, 2006

Note 13 – Contingent Liabilities

Litigation

The Village is not a party in any lawsuits.

Grants

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



Mary Taylor, CPA

Auditor of State

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

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

To the Village Council:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of South Russell, Geauga County, Ohio, (the Village) as of and for the years ended December 31, 2007 and December 31, 2006, which collectively comprise the Village's basic financial statements and have issued our report thereon dated February 13, 2009, wherein we noted the Village revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

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 a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in 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 the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider finding 2007-002 described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

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 internal control deficiencies that might be significant deficiencies or material weaknesses. We believe the significant deficiency described above is not a material weakness.

We noted certain matters that we reported to the Village's management in a separate letter dated February 13, 2009.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2007-001.

We also noted certain noncompliance or other matters that we reported to the Village's management in a separate letter dated February 13, 2009.

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.

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



Mary Taylor, CPA
Auditor of State

February 13, 2009

**SOUTH RUSSELL VILLAGE
GEAUGA COUNTY**

**FOR THE FISCAL YEARS ENDED DECEMBER 31, 2007 AND 2006
SCHEDULE OF FINDINGS**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2007-001

Ohio Revised Code Section 5705.41(B) prohibits a subdivision or taxing unit from making an expenditure of money unless it has been properly appropriated.

The following funds had expenditures plus encumbrances that exceeded appropriations for the year ending December 31, 2007:

Fund	Appropriations	Expenditures plus Encumbrances	Variance
General Fund	\$839,569	\$902,390	\$(62,811)
Special Revenue Fund – St. Maintenance Fund	239,730	278,624	(38,894)
Special Revenue Fund – Income Tax Fund	45,751	78,027	(32,276)
Capital Projects Fund – Special Bldg/Land Fund	30,000	51,618	(21,618)

The Village should monitor the expenditures in comparison to appropriations.

Official's Response:

After reviewing the financial statements, we agree with the finding. The Village will take appropriate measures to watch this more closely in the future by monitoring expenditure to appropriation on a monthly basis.

FINDING NUMBER 2007-002

Financial Reporting

Sound financial reporting is the responsibility of the Fiscal Officer and the Village Council and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. There were adjustments made to the financial statements in 2006 to reclassify one fund as a major fund, in 2007 audit adjustments were required to designate two additional funds as major funds for the presentation of the OCBOA GASB 34 statements.

The lack of controls over the classification of funds and financial reporting can result in errors and irregularities that may go undetected and decrease the reliability of the financial data throughout the year.

We recommend the Village adopt procedures for the Fiscal Officer and the Village Council to review the classification of funds and financial reporting to increase the reliability of the financial data throughout the year.

Official's Response:

The Village will put a system into place to review classifications of funds and financial reporting to increase reliability of financial data.



Mary Taylor, CPA
Auditor of State

VILLAGE OF SOUTH RUSSELL

GEAUGA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 17, 2009