

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

AUDIT REPORT

FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

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



Mary Taylor, CPA

Auditor of State

Members of Council
Village of Russia
232 West Main Street
Russia, Ohio 45363

We have reviewed the *Report of Independent Accountants* of the Village of Russia, Shelby County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2008 through December 31, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

September 29, 2010

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**VILLAGE OF RUSSIA
SHELBY COUNTY
AUDIT REPORT
For Years Ending December 31, 2009 and 2008**

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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Russia, Shelby County, Ohio (the Village), as of and for the years ended December 31, 2009 and 2008. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2009 and 2008. Instead of the combined funds the accompanying financial statements present for 2009 and 2008, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2009 and 2008. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since the Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2009 and 2008, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2009 and 2008, or its changes in financial position or cash flows for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Russia, Shelby County, as of December 31, 2009 and 2008, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the years ended December 31, 2009 and 2008. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 13, 2010 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, grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village's basic financial statements. The accompanying schedule of federal awards expenditures is presented for the purposes of additional analysis as required by *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information as been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

Charles E. Harris & Associates, Inc.
August 13, 2010

VILLAGE OF RUSSIA
SHELBY COUNTY, OHIO
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES -
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>Governmental Fund Types</u>				<u>Total Governmental Funds</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Receipts					
Property and Other Local Taxes	\$ 22,489	\$ -	\$ -	\$ -	\$ 22,489
Municipal Income Taxes	224,160	-	-	96,069	320,229
Intergovernmental	35,716	53,038	-	85,026	173,780
Special Assessment	-	35,884	3,114	-	38,998
Charges for Services	2,503	-	-	-	2,503
Fines and Forfeitures	239	-	-	-	239
Interest	1,914	-	-	-	1,914
Other	45,719	1,025	-	-	46,744
Total Receipts	<u>332,740</u>	<u>89,947</u>	<u>3,114</u>	<u>181,095</u>	<u>606,896</u>
Disbursements					
Current:					
Security of Persons and Property	22,542	13,383	-	-	35,925
Public Health Services	4,795	-	-	-	4,795
Leisure Time Activities	30,360	-	-	-	30,360
Community Environment	106	-	-	-	106
Basic Utility Services	5,599	-	-	-	5,599
Transportation	-	45,106	-	-	45,106
General Government	222,333	-	-	-	222,333
Capital Outlay	-	52,304	-	90,292	142,596
Debt Service					
Principal Payments	-	-	2,791	82,018	84,809
Interest Payments	-	-	637	7,382	8,019
Total Disbursements	<u>285,735</u>	<u>110,793</u>	<u>3,428</u>	<u>179,692</u>	<u>579,648</u>
Receipts Over (Under) Disbursements	47,005	(20,846)	(314)	1,403	27,248
Other Financing Sources (Uses)					
Transfers	(450,000)	-	-	-	(450,000)
Total Other Financing Sources (Uses)	<u>(450,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(450,000)</u>
Net Change in Fund Balances	(402,995)	(20,846)	(314)	1,403	(422,752)
Fund Balances Beginning of Year	<u>689,721</u>	<u>64,454</u>	<u>9,231</u>	<u>119,300</u>	<u>882,706</u>
Fund Balances End of Year	<u>\$ 286,726</u>	<u>\$ 43,608</u>	<u>\$ 8,917</u>	<u>\$ 120,703</u>	<u>\$ 459,954</u>

See accompanying notes to the financial statements

VILLAGE OF RUSSIA
SHELBY COUNTY, OHIO
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES -
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	
	<u>Enterprise</u>	<u>Agency</u>	<u>Total</u>
Operating Receipts			
Charges for Services	\$ 340,325	\$ -	\$ 340,325
Total Operating Receipts	<u>340,325</u>	<u>-</u>	<u>340,325</u>
Operating Disbursements			
Personal Services	41,057	-	41,057
Contractual Services	6,711	-	6,711
Supplies and Materials	51,255	-	51,255
Capital Outlay	761,572	-	761,572
Other	8,778	-	8,778
Total Operating Disbursements	<u>869,373</u>	<u>-</u>	<u>869,373</u>
Operating Income (Loss)	(529,048)	-	(529,048)
Non-Operating Receipts (Disbursements)			
Other Non-Operating Cash Receipts	-	1,185	1,185
Other Non-Operating Cash Disbursements	-	(1,185)	(1,185)
Municipal Income Taxes	160,114	-	160,114
Intergovernmental Receipts	1,000,000	-	1,000,000
Other Debt Proceeds	296,101	-	296,101
Miscellaneous Receipts	6,485	-	6,485
Redemption of Principal	(1,190,346)	-	(1,190,346)
Interest and Other Fiscal Charges	(51,716)	-	(51,716)
Total Non-Operating Receipts (Disbursements)	<u>220,638</u>	<u>-</u>	<u>220,638</u>
Income (Loss) before Transfers	(308,410)	-	(308,410)
Transfers	<u>450,000</u>	<u>-</u>	<u>450,000</u>
Receipts Over (Under) Disbursements	141,590	-	141,590
Fund Balances Beginning of Year	<u>226,716</u>	<u>-</u>	<u>226,716</u>
Fund Balances End of Year	<u>\$ 368,306</u>	<u>\$ -</u>	<u>\$ 368,306</u>

See accompanying notes to the financial statements

VILLAGE OF RUSSIA
SHELBY COUNTY, OHIO
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES -
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008

	Governmental Fund Types				Total Governmental Funds
	General	Special Revenue	Debt Service	Capital Projects	
Receipts					
Property and Other Local Taxes	\$ 21,192	\$ -	\$ -	\$ -	\$ 21,192
Municipal Income Taxes	259,475	-	-	111,189	370,664
Intergovernmental	41,090	37,914	-	358,394	437,398
Special Assessment	-	15,217	3,346	-	18,563
Fines and Forfeitures	128	-	-	-	128
Interest	29,493	-	-	-	29,493
Other	6,456	-	-	-	6,456
Total Receipts	357,834	53,131	3,346	469,583	883,894
Disbursements					
Current:					
Security of Persons and Property	29,224	14,498	-	-	43,722
Public Health Services	3,130	-	-	-	3,130
Leisure Time Activities	41,454	-	-	-	41,454
Community Environment	206	-	-	-	206
Basic Utility Services	5,986	-	-	-	5,986
Transportation	-	21,376	-	-	21,376
General Government	216,582	-	-	-	216,582
Capital Outlay	-	-	-	371,176	371,176
Debt Service	-	-	-	-	-
Principal Payments	-	-	2,791	82,018	84,809
Interest Payments	-	-	891	11,072	11,963
Total Disbursements	296,582	35,874	3,682	464,266	800,404
Receipts Over (Under) Disbursements	61,252	17,257	(336)	5,317	83,490
Fund Balances Beginning of Year	628,469	47,197	9,567	113,983	799,216
Fund Balances End of Year	<u>\$ 689,721</u>	<u>\$ 64,454</u>	<u>\$ 9,231</u>	<u>\$ 119,300</u>	<u>\$ 882,706</u>

See accompanying notes to the financial statements

VILLAGE OF RUSSIA
SHELBY COUNTY, OHIO
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES -
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	
	<u>Enterprise</u>	<u>Agency</u>	<u>Total</u>
Operating Receipts			
Charges for Services	\$ 137,491	\$ -	\$ 137,491
Total Operating Receipts	<u>137,491</u>	<u>-</u>	<u>137,491</u>
Operating Disbursements			
Personal Services	12,596	-	12,596
Contractual Services	1,011	-	1,011
Supplies and Materials	26,193	-	26,193
Capital Outlay	4,430,120	-	4,430,120
Other	21,303	-	21,303
Total Operating Disbursements	<u>4,491,223</u>	<u>-</u>	<u>4,491,223</u>
Operating Income (Loss)	(4,353,732)	-	(4,353,732)
Non-Operating Receipts (Disbursements)			
Other Non-Operating Cash Receipts	-	1,850	1,850
Other Non-Operating Cash Disbursements	-	(1,850)	(1,850)
Municipal Income Taxes	185,314	-	185,314
Other Debt Proceeds	3,630,579	-	3,630,579
Redemption of Principal	(40,938)	-	(40,938)
Interest and Other Fiscal Charges	(39,093)	-	(39,093)
Total Non-Operating Receipts (Disbursements)	<u>3,735,862</u>	<u>-</u>	<u>3,735,862</u>
Receipts Over (Under) Disbursements	(617,870)	-	(617,870)
Fund Balances Beginning of Year	<u>844,586</u>	<u>-</u>	<u>844,586</u>
Fund Balances End of Year	<u>\$ 226,716</u>	<u>\$ -</u>	<u>\$ 226,716</u>

See accompanying notes to the financial statements

VILLAGE OF RUSSIA
SHELBY COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

The Village of Russia, (the Village) is a body corporate and politic established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly elected, six-member Council. The Village provides street maintenance and water utilities operations, park operations, and police protection services. The Village appropriates General Fund money to support a volunteer fire department.

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

B. BASIS OF ACCOUNTING

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

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

C. CASH

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

D. FUND ACCOUNTING

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

VILLAGE OF RUSSIA
SHELBY COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

D. FUND ACCOUNTING – (Continued)

Governmental Fund Types:

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

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

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

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

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

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

- *Capital Improvement Fund* – This fund receives a portion of the monies collected for sales tax from the County Auditor for permanent improvement and repayment of debt relating to capital expenditures.

Proprietary Fund Types:

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

VILLAGE OF RUSSIA
SHELBY COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

D. FUND ACCOUNTING – (Continued)

Proprietary Fund Types – (Continued)

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

Fiduciary Fund Types:

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

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

E. BUDGETARY PROCESS

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

1. Estimated Resources

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

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

VILLAGE OF RUSSIA
SHELBY COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

E. BUDGETARY PROCESS – (Continued)

1. Estimated Resources – (Continued)

On or about January 1, the Fiscal Officer sends the county auditor a certificate to which includes the actual unencumbered balances from the preceding year. The county auditor prepares an amended certificate, submits it to the county budget commission for approval. This amended certificate may be further amended during the year if Fiscal Officer identifies increases or decreases in revenue. The amounts reported in the budgetary footnote reflect the amounts in the final amended certificates issued during 2009 and 2008.

Budget receipts, as shown in Note 5, do not include the unencumbered fund balances as of January 1, 2009 and 2008. However, those fund balances are available for appropriation.

2. Appropriations

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

3. Encumbrances

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

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

A summary of 2009 and 2008 budgetary activity appears in Note 5.

**VILLAGE OF RUSSIA
SHELBY COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

F. PROPERTY, PLANT AND EQUIPMENT

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

G. ACCUMULATED LEAVE

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

2. EQUITY IN POOLED CASH AND CASH EQUIVALENTS

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

	<u>2009</u>	<u>2008</u>
Demand deposits	\$ 828,260	\$ 109,422
Certificates of deposits	-	1,000,000
Total deposits	<u>\$ 828,260</u>	<u>\$ 1,109,422</u>

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

3. PROPERTY TAXES

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

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

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

VILLAGE OF RUSSIA
SHELBY COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008

4. DEFINED BENEFIT PENSION PLAN

The Village's elected officials and employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2009 and 2008, OPERS members contributed 10 percent of their wages. During 2009 and 2008 the Village contributed an amount equal to 14 percent of participants' gross wages. The Village has paid all contributions required through December 31, 2009.

5. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2009 and 2008 follows:

2009 Budgeted vs. Actual Receipts

<u>Funds</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 313,174	\$ 332,740	\$ 19,566
Special Revenue	167,900	89,947	(77,953)
Debt Service	3,500	3,114	(386)
Capital Projects	90,418	181,095	90,677
Enterprise	1,762,118	2,253,025	490,907

2009 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Funds</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 356,710	\$ 735,735	\$ (379,025)
Special Revenue	115,300	110,793	4,507
Debt Service	3,700	3,428	272
Capital Projects	99,400	179,692	(80,292)
Enterprise	1,615,697	2,111,435	(495,738)

VILLAGE OF RUSSIA
SHELBY COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008

5. BUDGETARY ACTIVITY – (Continued)

2008 Budgeted vs. Actual Receipts

<u>Funds</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 403,034	\$ 357,834	\$ (45,200)
Special Revenue	56,000	53,131	(2,869)
Debt Service	4,000	3,346	(654)
Capital Projects	139,298	469,583	330,258
Enterprise	5,801,892	3,953,384	(1,848,508)

2008 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Funds</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 611,350	\$ 296,582	\$ 314,768
Special Revenue	108,042	35,874	72,168
Debt Service	3,724	3,682	42
Capital Projects	104,781	464,266	(359,485)
Enterprise	6,429,263	4,571,254	1,858,009

6. DEBT

Debt outstanding at December 31, 2009 was as follow:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority loan #1856	\$ 474,910	7.21%
Ohio Water Development Authority loan #5202	2,960,225	1.5%
Ohio Public Works Commission loan #CM407	3,883	0.00%
Ohio Public Works Commission loan #CM10L	8,114	0.00%
North Street Note	2,791	6.755%
Cordonnier Land Note	<u>82,018</u>	4.5%
Total	<u>\$ 3,531,941</u>	

The Ohio Water Development Authority (OWDA) and the Ohio Public Works Commission (OPWC) loans were issued to pay for improvements to the sewer system within the Village. The OWDA loans are being repaid in semi-annual installments of \$40,090 and \$62,275, including interest, respectively. The OPWC loans are being repaid in semi-annual installments of \$485 and \$140, respectively, and are interest free. The OWDA and OPWC loans are collateralized by the Village's taxing authority. The balance of the OWDA loan #5202 includes \$24,177 of OWDA fees and \$164,007 of capitalized interest.

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

VILLAGE OF RUSSIA
SHELBY COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008

6. DEBT – (Continued)

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

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

Year Ending December 31:	OWDA Loan	OWDA Loan	OPWC Loan	OPWC Loan	North Street Loan	Cordonnier Note
2010	\$ 80,180	\$ 62,275	\$ 971	\$ 280	\$ 3,036	\$ 85,690
2011	80,180	124,550	971	280	0	0
2012	80,180	124,550	971	280	0	0
2013	80,180	124,550	971	280	0	0
2014	80,180	124,550	0	280	0	0
2015-2019	240,540	622,750	0	1399	0	0
2020-2024	0	622,750	0	1399	0	0
2025-2029	0	622,750	0	1399	0	0
2030-2034	0	622,750	0	1399	0	0
2035-2039	0	622,750	0	1118	0	0
Total	<u>\$ 641,440</u>	<u>\$ 3,674,225</u>	<u>\$ 3,884</u>	<u>\$ 8,114</u>	<u>\$ 3,036</u>	<u>\$ 85,690</u>

7. RISK MANAGEMENT

The Village has obtained Commercial Insurance for the following risks:

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

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

8. CONTINGENT LIABILITIES/SUBSEQUENT EVENTS

Management believes there are no pending claims or lawsuits.

9. TRANSFERS

The General Fund transferred \$450,000 to the Utility Install Fund – Enterprise Fund to subsidize operations in 2009. The transfers of these funds met all requirements of the Ohio Revised Code.

VILLAGE OF RUSSIA
SHELBY COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008

10. BUDGETARY NONCOMPLIANCE

The Village had the following citations for budgetary noncompliance:

- Contrary to **Ohio Rev. Code Section 5705.41(B)**, the Village had expenditures plus encumbrances that exceeded appropriations.
- Contrary to **Ohio Revised Code Section 5705.36**, the Village did not request an amended certificate of estimated resources upon determination that revenue collected was going to be less than estimated.
- Contrary to **Ohio Rev. Code Section 5705.39**, the Village had appropriations that exceeded estimated resources.

VILLAGE OF RUSSIA
SHELBY COUNTY, OHIO
Schedule of Expenditures of Federal Awards
For the year ended December 31, 2009

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>2009 Expenditures</u>
UNITED STATES DEPARTMENT OF AGRICULTURE		
Direct program:		
Water and Waste Disposal Systems for Rural Communities	10.760	\$ 1,000,000
TOTAL EXPENDITURES OF FEDERAL AWARDS		<u>\$ 1,000,000</u>

NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditure (the Schedule) summarizes activity of the Village’s federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B – MATCHING REQUIREMENTS

Certain Federal programs require that the Village contribute non-Federal funds (matching funds) to support the Federally-funded programs. The Village has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.

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

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

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

To the Village Council:

We have audited the financial statements of the Village of Russia, Shelby County (the Village) as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated August 13, 2010, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. *A material weakness* is a deficiency, or combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2009-VRSC-001 described in the accompanying schedule of findings to be a material weakness.

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 grants 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 such an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2009-VRSC-002, 2009-VRSC-003, and 2009-VRSC-004.

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

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

Charles E. Harris & Associates, Inc.

August 13, 2010

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Certified Public Accountants

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133

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

To the Village Council:

Compliance

We have audited the compliance of the Village of Russia, Shelby County, Ohio (the Village), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that apply to its major federal program for the year ended December 31, 2009. The summary of auditor's results section of the accompanying schedule of findings identifies the Village's major federal program. The Village's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the Village's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the Village's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Village's compliance with requirements.

In our opinion, the Village complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended December 31, 2009.

Internal Control Over Compliance

The Village's management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Village's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Village's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

Charles E. Harris and Associates, Inc.
August 13, 2010

**VILLAGE OF RUSSIA
SHELBY COUNTY**

**OMB CIRCULAR A-133 SECTION .505
SCHEDULE OF FINDINGS
DECEMBER 31, 2009 & 2008**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Unqualified Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any other significant deficiencies reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant deficiencies reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under Section .510	No
(d)(1)(vii)	Major Programs:	CFDA # 10.760 - Water and Waste Disposal Systems for Rural Communities
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: >\$300,000 Type B: All Others
(d)(1)(ix)	Low Risk Auditee?	No

VILLAGE OF RUSSIA
SHELBY COUNTY

OMB CIRCULAR A-133 SECTION .505
SCHEDULE OF FINDINGS – (Continued)
DECEMBER 31, 2009 & 2008

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

FINDING NUMBER 2009-VRSC-001
Material Weakness

Incorrect Accounting Transactions

During the audit of the Village's financial records for the years ended December 31, 2009 and 2008, we noted numerous transactions incorrectly recorded in the annual financial reports. The financial statements and Village's records have been adjusted to present the accounting information correctly.

The Village has agreed with the required reclassifications and adjustments. Below is a listing of various erroneous accounting transactions:

- Debt Service, for 2009 and 2008 was included in Capital Outlay;
- Debt Service, for 2009 and 2008 combined principal reduction with interest and fiscal charges;
- State grant disbursements on behalf of the Village were not recognized as cash receipts and cash disbursements.

We recommend that the Village closely follow the Village Officer's Handbook and the Ohio Revised Code when recording transactions. We also recommend that the Fiscal Officer contact the Auditor of State for additional guidance as needed.

The Fiscal Officer will follow the Village Officer's Handbook to correctly record all transactions.

FINDING NUMBER 2009-VRSC-002
Noncompliance Citation

Ohio Revised Code § 5705.36(A)(2) allows all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources. **Ohio Revised Code § 5705.36(A)(4)** requires obtaining a reduced amended certificate if the amount of the deficiency will reduce available resources below the current level of appropriation.

The following funds had actual revenues which were less than budgeted revenues for the year ended December 31, 2008 in the following amounts:

**VILLAGE OF RUSSIA
SHELBY COUNTY**

**OMB CIRCULAR A-133 SECTION .505
SCHEDULE OF FINDINGS – (Continued)
DECEMBER 31, 2009 & 2008**

**FINDING NUMBER 2009-VRSC-002
(Continued)**

Fund	Variance
Special Revenue Funds:	
Street Construction Maintenance & Repair Fund	\$ (2,080)
Street Lights Fund	(789)
Enterprise Funds:	
Sewer Fund	(513,570)
Utilities Install Fund	(1,334,938)

The shortage of actual compared to estimated receipts to Street Construction Maintenance & Repair Fund, Street Lights Fund, Sewer Fund, and Utilities Install Fund reduced the total estimated resources to an amount lower than the appropriations.

Council will monitor estimated receipts against actual receipts so that the Village can avoid appropriating in excess of its total estimated resources.

**FINDING NUMBER 2009-VRSC-003
Noncompliance Citation**

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

The following fund had total appropriations exceeding total estimated resources for the year ended December 31, 2008 in the following amount:

Fund	Estimated Resources	Appropriations	Variance
Special Revenue Fund:			
Street Lights Fund	\$ 13,312	\$ 20,000	\$ (6,688)

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

**VILLAGE OF RUSSIA
SHELBY COUNTY**

**OMB CIRCULAR A-133 SECTION .505
SCHEDULE OF FINDINGS – (Continued)
DECEMBER 31, 2009 & 2008**

**FINDING NUMBER 2009-VRSC-004
Noncompliance Citation**

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

We noted the following funds had expenditures plus encumbrances that exceeded appropriations at December 31, 2009:

Fund	Approved Appropriations	Budgetary Expenditures	Variance
General Fund	\$ 356,710	\$ 735,735	\$ (379,025)
Special Revenue Fund:			
Street Lights Fund	95,300	97,410	(2,110)
Capital Project Fund:			
North Street Special Assessment Fund	99,400	179,692	(80,292)
Enterprise Funds:			
Water Fund	98,000	122,309	(24,309)
Utilities Install Fund	1,356,497	1,866,469	(509,972)

We noted the following fund had expenditures plus encumbrances that exceeded appropriations at December 31, 2008:

Fund	Approved Appropriations	Budgetary Expenditures	Variance
Capital Project Fund:			
North Street Special Assessment Fund	\$ 104,781	\$ 464,266	\$ (359,485)

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

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

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

**VILLAGE OF RUSSIA
SHELBY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2009 AND 2008**

FINDING NUMBER	FUNDING SUMMARY	FULLY CORRECTED?	Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2007-VRSC-001	Contrary to Ohio Rev. Code §5705.41(D) ; the Village did not certify any expenditures	Yes	
2007-VRSC-002	Village made several incorrect accounting transactions	No	Finding re-issued as finding number 2009-VRSC-001.
2007-VRSC-003	The Village did not follow Ohio Rev. Code §5705.39 ; the Village had total appropriations greater than total estimated resources	No	Finding re-issued as finding number 2009-VRSC-003.
2007-VRSC-004	The Village did not follow Ohio Rev. Code §5705.41(B) ; the Village had expenditures plus encumbrances greater than appropriations	No	Finding re-issued as finding number 2009-VRSC-004.
2007-VRSC-005	Income tax receipts and refunds allocated incorrectly	Yes	



Mary Taylor, CPA
Auditor of State

VILLAGE OF RUSSIA

SHELBY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
OCTOBER 12, 2010**