



Dave Yost • Auditor of State



VILLAGE OF SOUTH RUSSELL  
GEAUGA COUNTY

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# Dave Yost • Auditor of State

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

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS 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. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in black ink that reads "Dave Yost".

**Dave Yost**  
Auditor of State

July 20, 2012

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# Dave Yost • 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 Village of South Russell, Geauga County, Ohio, (the Village) as of and for the years ended December 31, 2011 and 2010. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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 GAAP presentation requirements. The Auditor of State permits, but does not require villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. 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, 2011 and 2010 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, 2011 and 2010, or its changes in financial position 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 as of December 31, 2011 and 2010 and the reserves for encumbrances as of December 31, 2010 of the Village of South Russell, Geauga County, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 1, during 2011 the Village of South Russell adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. As described in Note 2, during 2010, the Village reclassified the balance in the Income Tax Fund to be incorporated into the General Fund. Also, during 2010, the Village changed its financial statement presentation from *another comprehensive accounting basis* to a basis prescribed or permitted by the Auditor of State.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 20, 2012, 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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "Y" and "O".

**Dave Yost**  
Auditor of State

July 20, 2012



**VILLAGE OF SOUTH RUSSELL  
GEAUGA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Property Tax and Other Local Taxes	\$405,224	\$603,166	\$0	\$1,008,390
Municipal Income Tax	1,244,343	0	0	1,244,343
Intergovernmental Receipts	327,061	274,939	50,000	652,000
Charges for Services	70,861	0	0	70,861
Fines, Licenses, and Permits	67,923	8,272	0	76,195
Earnings on Investments	703	0	0	703
Miscellaneous	14,413	35,739	0	50,152
<b>Total Cash Receipts</b>	<u>2,130,528</u>	<u>922,116</u>	<u>50,000</u>	<u>3,102,644</u>
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	343,653	1,102,442	0	1,446,095
Public Health Services	0	417	0	417
Community Environment	178,150	0	0	178,150
Transportation	0	153,703	0	153,703
General Government	478,831	360,371	0	839,202
Capital Outlay	0	0	124,258	124,258
<b>Total Cash Disbursements</b>	<u>1,000,634</u>	<u>1,616,933</u>	<u>124,258</u>	<u>2,741,825</u>
<b>Total Receipts Over/(Under) Disbursements</b>	<u>1,129,894</u>	<u>(694,817)</u>	<u>(74,258)</u>	<u>360,819</u>
<b>Other Financing Receipts and (Disbursements):</b>				
Transfers-In	0	950,300	23,554	973,854
Transfers-Out	(973,854)	0	0	(973,854)
<b>Total Other Financing Receipts/(Disbursements)</b>	<u>(973,854)</u>	<u>950,300</u>	<u>23,554</u>	<u>0</u>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	<u>156,040</u>	<u>255,483</u>	<u>(50,704)</u>	<u>360,819</u>
<b>Fund Cash Balances, January 1, 2011</b>	<u>715,368</u>	<u>501,433</u>	<u>315,467</u>	<u>1,532,268</u>
<b>Fund Cash Balances, December 31, 2011</b>				
Restricted	0	756,916	264,763	1,021,679
Unassigned	871,408	0	0	871,408
<b>Fund Cash Balances, December 31, 2011</b>	<u><b>\$871,408</b></u>	<u><b>\$756,916</b></u>	<u><b>\$264,763</b></u>	<u><b>\$1,893,087</b></u>

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

**VILLAGE OF SOUTH RUSSELL  
GEAUGA COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - FIDUCIARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<b>Fiduciary Fund Type</b>
	<b>Agency</b>
<b>Non-Operating Cash Receipts:</b>	
Other Non-Operating Receipts	\$65,948
Total Non-Operating Cash Receipts	65,948
<b>Non-Operating Cash Disbursements:</b>	
Other Non-Operating Cash Disbursements	62,525
Total Non-Operating Cash Disbursements	62,525
Net Receipts Over/(Under) Disbursements	3,423
Fund Cash Balances, January 1, 2011	50,986
<b>Fund Cash Balances, December 31, 2011</b>	<b>\$54,409</b>

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

**VILLAGE OF SOUTH RUSSELL  
GEAUGA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Property Tax and Other Local Taxes	\$406,612	\$609,474	\$0	\$1,016,086
Municipal Income Tax	1,117,103	0	0	1,117,103
Intergovernmental Receipts	557,114	280,904	0	838,018
Charges for Services	109,320	0	0	109,320
Fines, Licenses, and Permits	64,388	6,801	0	71,189
Earnings on Investments	933	0	0	933
Miscellaneous	15,698	13,210	0	28,908
	<u>2,271,168</u>	<u>910,389</u>	<u>\$0</u>	<u>3,181,557</u>
<b>Total Cash Receipts</b>				
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	332,835	1,079,455	0	1,412,290
Public Health Services	0	1,297	0	1,297
Community Environment	173,539	0	0	173,539
Transportation	0	491,937	0	491,937
General Government	626,650	395,070	13,365	1,035,085
	<u>1,133,024</u>	<u>1,967,759</u>	<u>13,365</u>	<u>3,114,148</u>
<b>Total Cash Disbursements</b>				
	<u>1,133,024</u>	<u>1,967,759</u>	<u>13,365</u>	<u>3,114,148</u>
<b>Total Receipts Over/(Under) Disbursements</b>	<u>1,138,144</u>	<u>(1,057,370)</u>	<u>(13,365)</u>	<u>67,409</u>
<b>Other Financing Receipts and (Disbursements):</b>				
Transfers-In	0	1,056,796	0	1,056,796
Transfers-Out	(1,056,796)	0	0	(1,056,796)
	<u>(1,056,796)</u>	<u>1,056,796</u>	<u>0</u>	<u>0</u>
<b>Total Other Financing Receipts/(Disbursements)</b>				
	<u>(1,056,796)</u>	<u>1,056,796</u>	<u>0</u>	<u>0</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	81,348	(574)	(13,365)	67,409
Fund Cash Balances, January 1, 2010	634,020	502,007	328,832	1,464,859
<b>Fund Cash Balances, December 31, 2010</b>	<u><b>\$715,368</b></u>	<u><b>\$501,433</b></u>	<u><b>\$315,467</b></u>	<u><b>\$1,532,268</b></u>
Reserves for Encumbrances, December 31, 2010	<u>\$0</u>	<u>\$869</u>	<u>\$0</u>	<u>\$869</u>

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

**VILLAGE OF SOUTH RUSSELL  
GEAUGA COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - FIDUCIARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<b>Fiduciary Fund Type</b>
	<b>Agency</b>
<b>Non-Operating Cash Receipts:</b>	
Other Non-Operating Receipts	\$64,129
Total Non-Operating Cash Receipts	64,129
<b>Non-Operating Cash Disbursements:</b>	
Other Non-Operating Cash Disbursements	71,995
Total Non-Operating Cash Disbursements	71,995
Net Receipts Over/(Under) Disbursements	(7,866)
Fund Cash Balances, January 1, 2010	58,852
<b>Fund Cash Balances, December 31, 2010</b>	<b>\$50,986</b>

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

**VILLAGE OF SOUTH RUSSELL  
GEAUGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010**

**1. Summary of Significant Accounting Policies**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of South Russell, Geauga County, (the Village) as a body corporate and politic. A publicly-elected six-member Council and Mayor direct the Village. The Village provides general government services including road maintenance, recreation and police protection. The Village contracts with the Chagrin Falls Village for fire protection services.

The Village participates in two jointly governed organizations. Note 9 to the financial statements provide additional information for these entities. These organizations are:

Northeast Ohio Public Energy Council: Northeast Ohio Public Energy Council (NOPEC) is a regional council of governments formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of electricity and natural gas.

Valley Enforcement Regional Council of Governments: The Village is a member of Valley Enforcement Regional Council of Governments (VERCOG), a jointly governed organization. VERCOG is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. VERCOG was formed to continue to foster cooperation among political subdivisions through sharing of facilities for their common benefit.

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

**B. Accounting Basis**

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

**C. Deposits and Investments**

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

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

**VILLAGE OF SOUTH RUSSELL  
GEAUGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**D. Fund Accounting**

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

**1. General Fund**

The General Fund reports all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Funds**

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

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

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

**3. Capital Project Funds**

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project funds:

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

**4. Fiduciary Funds**

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

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

**E. Budgetary Process**

The Ohio Revised Code requires that each fund be budgeted annually.

**VILLAGE OF SOUTH RUSSELL  
GEAUGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**1. Appropriations**

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

**2. Estimated Resources**

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

**3. Encumbrances**

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

A summary of 2011 and 2010 budgetary activity appears in Note 3.

**F. Fund Balance**

For December 31, 2011, fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

**1. Nonspendable**

The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

**2. Restricted**

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

**3. Committed**

Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

**4. Assigned**

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund

**VILLAGE OF SOUTH RUSSELL  
GEAUGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

**5. Unassigned**

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**G. Property, Plant, and Equipment**

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

**H. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

**2. Restatement of Financial Statements Balances**

During 2010, it was determined that Income Tax Fund needed to be reclassified and incorporated into the General Fund having the effect of increasing the General Fund balance from \$172,957 to \$634,020 and reducing the Income Tax Fund balance from \$461,063 to \$0.

**3. Equity in Pooled Deposits and Investments**

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

	2011	2010
Demand deposits	\$1,246,310	\$882,708
Total deposits	1,246,310	882,708
STAR Ohio	100,000	100,000
Repurchase agreement - Sweep Account	601,186	600,546
Total investments	701,186	700,546
Total deposits and investments	\$1,947,496	\$1,583,254

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation or collateralized by securities specifically pledged by the financial institution's public entity deposit pool.



**VILLAGE OF SOUTH RUSSELL  
GEAUGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

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

**4. Budgetary Activity**

Budgetary activity for the years ending December 31, 2011 and December 31, 2010 follows:

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$2,531,504	\$2,130,528	(\$400,976)
Special Revenue	2,396,554	1,672,416	(724,138)
Capital Projects	273,554	73,554	(200,000)
Agency	70,000	65,948	(4,052)
Total	\$5,271,612	\$3,942,446	(\$1,329,166)

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,227,210	\$1,974,488	\$252,722
Special Revenue	1,779,520	1,616,933	162,587
Capital Projects	149,949	124,258	25,691
Agency	70,000	62,525	7,475
Total	\$4,226,679	\$3,778,204	\$448,475

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$2,551,633	\$2,271,168	(\$280,465)
Special Revenue	2,806,815	1,967,185	(839,630)
Agency	70,000	64,129	(5,871)
Total	\$5,428,448	\$4,302,482	(\$1,125,966)

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,383,170	\$2,189,820	\$193,350
Special Revenue	2,060,923	1,967,759	93,164
Capital Projects	15,000	13,365	1,635
Agency	70,000	71,995	(1,995)
Total	\$4,529,093	\$4,242,939	\$286,154

**VILLAGE OF SOUTH RUSSELL  
GEAUGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**5. Property Tax**

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

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

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

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

**6. Local Income Tax**

The Village levies a municipal income tax of 1% percent on gross salaries, wages and other personal service compensation earned by residents of the Village and on earnings of nonresidents working within the Village. The tax also applies to the net income of businesses operating within the Village. Income tax money is deposited into a special revenue fund and transferred out, by resolution or ordinance to the various Village funds.

**7. Retirement Systems**

The Village's full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). Part-time Police Officers and Other employees belong to the Ohio Public Employees Retirement System (OPERS) of Ohio. OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2011 and 2010, OP&F participants contributed 10% of their wages. For 2011 and 2010, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2011 and 2010, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2011.

**8. Risk Management**

**Commercial Insurance**

The Village has obtained commercial insurance for the following risks:

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

**VILLAGE OF SOUTH RUSSELL  
GEAUGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**9. Jointly Governed Organizations**

**Northeast Ohio Public Energy Council**

The Village is a member of the Northeast Ohio Public Energy Council ("NOPEC"). NOPEC is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. NOPEC was formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of electricity and gas. NOPEC is currently comprised of over 100 communities who have been authorized by ballot to purchase electricity on behalf of their citizens. The intent of NOPEC is to provide electricity and gas at the lowest possible rates while at the same time insuring stability in prices by entering into long-term contracts with suppliers to provide electricity and gas to the citizens of its member communities.

NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives from each county then elect one person to serve on the eight member NOPEC Board of Directors. The board oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. The Village did not contribute to NOPEC during 2011. Financial information may be obtained by contacting NOPEC, 31320 Solon Road, Suite 20, Solon, Ohio 44139.

**Valley Enforcement Regional Council of Governments**

The Village is a member of the Valley Enforcement Regional Council of Governments (VERCOG), a jointly governed organization. VERCOG is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. VERCOG was formed to continue to foster cooperation among political subdivisions through sharing of facilities for their common benefit. It includes the supervision and control of the Valley Enforcement Group (VEG), which has been a mutual aid organization providing the mutual interchange and sharing of police personnel and police equipment. VERCOG is currently comprised of fifteen communities located within the Chagrin Valley which exercise law enforcement village under Ohio law and whose law enforcement agency consists of four or more full-time, sworn law enforcement officers. VERCOG is authorized to acquire and own police equipment and other property, to be used by all participating members, and may do any other thing permitted by law to accomplish its general purposes. During 2011 and 2010 the Village paid \$14,000 to VERCOG.

**10. Subsequent Event**

There was a one quarter percent increase in the municipal tax rate (from 1 percent) effective January 1, 2012 to provide approximately \$215,000 in additional municipal tax revenue.

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# Dave Yost • 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 Village of South Russell, Geauga County, Ohio (the Village) as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated July 20, 2012, wherein we noted during 2011 the Village adopted the provisions of Governmental Accounting Standard Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions and during 2010, the Village reclassified the balance in the Income Tax Fund to be incorporated into the General Fund. Also, during 2010, the Village changed its financial statement presentation from *another comprehensive accounting basis* to a basis prescribed or permitted by the Auditor of State. 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 the purpose of expressing our opinion 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.

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 internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and timely corrected.

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

### **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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

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

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

**Dave Yost**  
Auditor of State

July 20, 2012

**VILLAGE OF SOUTH RUSSELL  
GEAUGA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2011 AND 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2009-001	Appropriations in excess of Estimated Resources – ORC 5705.39 – The Village had one instance where appropriations exceeded estimated resources.	Yes	

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VILLAGE OF SOUTH RUSSELL

GEAUGA COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
AUGUST 2, 2012