

**VILLAGE OF RUSSIA
SHELBY COUNTY
Regular Audit
For the Years Ended December 31, 2013 and 2012**

Perry & Associates
Certified Public Accountants, A.C.



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Village of Russia, Shelby County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2012 through December 31, 2013. 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.

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 black ink that reads "Dave Yost".

Dave Yost
Auditor of State

August 4, 2014

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VILLAGE OF RUSSIA
SHELBY COUNTY

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Perry & Associates

Certified Public Accountants, A.C.

www.perrycpas.com

MARIETTA
428 Second Street
Marietta, OH 45750
(740) 373-0056
(740) 373-2402 Fax

PARKERSBURG
1035 Murdoch Avenue
Parkersburg, WV 26101
(304) 422-2203
(304) 428-5587 Fax

ST. CLAIRSVILLE
121 E. Main Street
St. Clairsville, OH 43950
(740) 695-1569
(740) 695-5775 Fax

INDEPENDENT AUDITOR'S REPORT

June 25, 2014

Village of Russia
Shelby County
P.O. Box 305
Russia, Ohio 45363

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the **Village of Russia**, Shelby County, (the Village) as of and for the years ended December 31, 2013 and 2012.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1B of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy these requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1B and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2013 and 2012, or changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Russia, Shelby County, as of December 31, 2013 and 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1B.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2014, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

**VILLAGE OF RUSSIA
SHELBY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts					
Property and Other Local Taxes	\$ 16,507	\$ -	\$ -	\$ -	\$ 16,507
Municipal Income Tax	126,130	-	-	53,977	180,107
Intergovernmental	25,437	113,728	-	-	139,165
Special Assessments	-	41,048	-	-	41,048
Charges for Services	32,939	-	-	-	32,939
Fines, Licenses and Permits	9,560	-	-	-	9,560
Miscellaneous	37,038	-	-	600	37,638
<i>Total Cash Receipts</i>	<u>247,611</u>	<u>154,776</u>	<u>-</u>	<u>54,577</u>	<u>456,964</u>
Cash Disbursements					
Current:					
Security of Persons and Property	26,731	15,230	-	-	41,961
Public Health Services	3,461	-	-	-	3,461
Leisure Time Activities	57,913	-	-	-	57,913
Community Environment	342	-	-	-	342
Basic Utility Services	19,247	-	-	-	19,247
Transportation	-	146,344	-	72,933	219,277
General Government	153,691	-	-	2,538	156,229
Capital Outlay	3,109	-	-	-	3,109
<i>Total Cash Disbursements</i>	<u>264,494</u>	<u>161,574</u>	<u>-</u>	<u>75,471</u>	<u>501,539</u>
<i>Excess of Receipts (Under) Disbursements</i>	<u>(16,883)</u>	<u>(6,798)</u>	<u>-</u>	<u>(20,894)</u>	<u>(44,575)</u>
Other Financing Receipts (Disbursements)					
Transfers In	-	9,571	-	-	9,571
Transfers Out	-	-	(9,571)	-	(9,571)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>-</u>	<u>9,571</u>	<u>(9,571)</u>	<u>-</u>	<u>-</u>
<i>Net Change in Fund Cash Balances</i>	<u>(16,883)</u>	<u>2,773</u>	<u>(9,571)</u>	<u>(20,894)</u>	<u>(44,575)</u>
<i>Fund Cash Balances, January 1</i>	<u>319,474</u>	<u>9,085</u>	<u>9,571</u>	<u>166,292</u>	<u>504,422</u>
Fund Cash Balances, December 31					
Restricted	-	11,858	-	145,398	157,256
Assigned	16,713	-	-	-	16,713
Unassigned	285,878	-	-	-	285,878
<i>Fund Cash Balances, December 31</i>	<u>\$ 302,591</u>	<u>\$ 11,858</u>	<u>\$ -</u>	<u>\$ 145,398</u>	<u>\$ 459,847</u>

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

**VILLAGE OF RUSSIA
SHELBY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
Operating Cash Receipts	
Charges for Services	\$ 307,949
<i>Total Operating Cash Receipts</i>	<u>307,949</u>
Operating Cash Disbursements	
Personal Services	35,822
Employee Fringe Benefits	8,241
Contractual Services	37,654
Supplies and Materials	44,491
Other	947
<i>Total Operating Cash Disbursements</i>	<u>127,155</u>
<i>Operating Income</i>	<u>180,794</u>
Non-Operating Receipts (Disbursements)	
Municipal Income Tax	89,955
Capital Outlay	(605)
Principal Retirement	(141,996)
Interest and Other Fiscal Charges	(63,298)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(115,944)</u>
<i>Net Change in Fund Cash Balances</i>	64,850
<i>Fund Cash Balances, January 1</i>	<u>580,861</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$ 645,711</u></u>

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

**VILLAGE OF RUSSIA
SHELBY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts					
Property and Other Local Taxes	\$ 16,879	\$ -	\$ -	\$ -	\$ 16,879
Municipal Income Tax	121,979	-	-	52,239	174,218
Intergovernmental	29,207	88,923	-	-	118,130
Special Assessments	-	35,654	391	-	36,045
Charges for Services	17,157	-	-	-	17,157
Fines, Licenses and Permits	2,902	-	-	-	2,902
Earnings on Investments	433	-	-	-	433
Miscellaneous	12,367	-	-	-	12,367
<i>Total Cash Receipts</i>	<u>200,924</u>	<u>124,577</u>	<u>391</u>	<u>52,239</u>	<u>378,131</u>
Cash Disbursements					
Current:					
Security of Persons and Property	26,073	18,295	-	-	44,368
Public Health Services	6,896	-	-	-	6,896
Leisure Time Activities	10,388	-	-	-	10,388
Community Environment	56	-	-	-	56
Basic Utility Services	15,796	-	-	-	15,796
Transportation	-	112,927	-	730	113,657
General Government	142,949	-	19	14,848	157,816
Capital Outlay	235	-	-	78,366	78,601
<i>Total Cash Disbursements</i>	<u>202,393</u>	<u>131,222</u>	<u>19</u>	<u>93,944</u>	<u>427,578</u>
Excess of Receipts Over (Under) Disbursements	<u>(1,469)</u>	<u>(6,645)</u>	<u>372</u>	<u>(41,705)</u>	<u>(49,447)</u>
Other Financing Receipts					
Sale of Capital Assets	-	-	-	21,570	21,570
Other Financing Sources	60	-	-	-	60
Total Other Financing Receipts	<u>60</u>	<u>-</u>	<u>-</u>	<u>21,570</u>	<u>21,630</u>
<i>Net Change in Fund Cash Balances</i>	<u>(1,409)</u>	<u>(6,645)</u>	<u>372</u>	<u>(20,135)</u>	<u>(27,817)</u>
<i>Fund Cash Balances, January 1</i>	<u>320,883</u>	<u>15,730</u>	<u>9,199</u>	<u>186,427</u>	<u>532,239</u>
Fund Cash Balances, December 31					
Restricted	-	9,085	9,571	166,292	184,948
Unassigned	319,474	-	-	-	319,474
<i>Fund Cash Balances, December 31</i>	<u>\$ 319,474</u>	<u>\$ 9,085</u>	<u>\$ 9,571</u>	<u>\$ 166,292</u>	<u>\$ 504,422</u>

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

**VILLAGE OF RUSSIA
SHELBY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
Operating Cash Receipts	
Charges for Services	\$ 311,829
Fines, Licenses and Permits	25
<i>Total Operating Cash Receipts</i>	<u>311,854</u>
Operating Cash Disbursements	
Personal Services	38,781
Contractual Services	1,194
Supplies and Materials	55,430
<i>Total Operating Cash Disbursements</i>	<u>95,405</u>
<i>Operating Income</i>	<u>216,449</u>
Non-Operating Receipts (Disbursements)	
Municipal Income Tax	86,979
Capital Outlay	(5,030)
Principal Retirement	(136,941)
Interest and Other Fiscal Charges	(68,242)
Other Financing Sources	323
Other Financing Uses	(4,090)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(127,001)</u>
<i>Income before Transfers</i>	89,448
Transfers In	100,000
Transfers Out	<u>(100,000)</u>
<i>Net Change in Fund Cash Balances</i>	89,448
<i>Fund Cash Balances, January 1</i>	<u>491,413</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$ 580,861</u></u>

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

**VILLAGE OF RUSSIA
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

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 Russia, Shelby County (the Village), as a body corporate and politic. A publicly elected six-member Council directs the Village. The Village provides water, sewer, and trash utilities, park operations, and fire protection services. The Village contracts with the Shelby County Sheriff's Office to provide security of persons and property. The Village contracts with the Village of Versailles to receive emergency medical services.

The Village participates in a public entity risk pool. Note 7 to the financial statements provides additional information for this entity. This organization is:

Public Entity Risk Pool:

The Township belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Risk Management Plan, (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members").

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 basis of accounting 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

The Village invests all available funds in a checking account.

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 accounts for and reports all financial resources not accounted for and reported in another fund.

**VILLAGE OF RUSSIA
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Fund:

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

3. Debt Service Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. 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.

4. Capital Project Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant Capital Project Fund:

Capital Improvement Fund - This fund receives a portion of the municipal income tax for permanent improvement and repayment of debt relating to capital expenditures.

5. Enterprise Funds

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

Water Fund - This fund receives charges for services from residents to cover water service costs.

Sewer Fund - This fund receives charges for services from residents to cover sewer service costs.

Utility Improvement Fund - This fund receives a portion of the municipal income tax to be used for the construction, maintenance, and repair of the water plant.

**VILLAGE OF RUSSIA
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the object 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. The Village did not encumber all commitments required by Ohio law.

A summary of 2013 and 2012 budgetary activity appears in Note 3.

F. Fund Balance

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.

**VILLAGE OF RUSSIA
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Fund Balance (Continued)

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 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.

2. EQUITY IN POOLED DEPOSITS

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

	<u>2013</u>	<u>2012</u>
Demand Deposits	\$ 1,105,558	\$ 1,085,283
Total Deposits	<u>\$ 1,105,558</u>	<u>\$ 1,085,283</u>

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

**VILLAGE OF RUSSIA
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2013 and 2012 follows:

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 198,220	\$ 247,611	\$ 49,391
Special Revenue	162,460	164,347	1,887
Debt Service	-	-	-
Capital Projects	53,000	54,577	1,577
Enterprise	391,545	397,904	6,359
Total	<u>\$ 805,225</u>	<u>\$ 864,439</u>	<u>\$ 59,214</u>

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 281,797	\$ 281,207	\$ 590
Special Revenue	167,000	165,238	1,762
Debt Service	9,571	9,571	-
Capital Projects	91,000	75,471	15,529
Enterprise	392,850	340,837	52,013
Total	<u>\$ 942,218</u>	<u>\$ 872,324</u>	<u>\$ 69,894</u>

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 175,633	\$ 200,984	\$ 25,351
Special Revenue	122,400	124,577	2,177
Debt Service	383	391	8
Capital Projects	46,000	73,809	27,809
Enterprise	482,667	499,156	16,489
Total	<u>\$ 827,083</u>	<u>\$ 898,917</u>	<u>\$ 71,834</u>

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 202,400	\$ 202,393	\$ 7
Special Revenue	133,000	131,222	1,778
Debt Service	20	19	1
Capital Projects	109,000	93,944	15,056
Enterprise	487,080	409,708	77,372
Total	<u>\$ 931,500</u>	<u>\$ 837,286</u>	<u>\$ 94,214</u>

**VILLAGE OF RUSSIA
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(Continued)**

4. 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.

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

5. DEBT

Debt outstanding at December 31, 2013 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan - 5202	\$ 2,631,095	1.50%
Ohio Water Development Authority Loan - 1856	270,308	7.21%
Ohio Public Works Commission Loan - CM10L	6,994	0.00%
	<u>\$ 2,908,397</u>	

The Ohio Water Department Authority (OWDA) and the Ohio Public Works Commission (OPWC) loans were issued to pay for improvements to 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 is being repaid in semi-annual installments of \$140. The OWDA and OPWC loans are collateralized by the Village's taxing authority. The balance of the OWDA loan #5202 includes \$10,463 of OWDA fees. The balance of the OWDA loan #1856 includes \$9,037 of capitalized interest. OPWC loan CM407 was paid off in 2013.

For all of the loans associated with the water and sewer projects the water and sewer receipts collateralize the loans. The Village has agreed to set utility rates sufficient to cover debt service requirements.

Amortization of the above debt for which all principal has been disbursed at December 31, 2013, including interest, is scheduled as follows:

**VILLAGE OF RUSSIA
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(Continued)**

5. DEBT (Continued)

Year ending December 31:	OWDA Loan # 5202	OWDA Loan # 1856	OPWC CM10L
2014	62,275	40,090	140
2015	124,550	80,180	280
2016	124,550	80,180	280
2017	124,550	80,180	280
2018	124,550	40,090	280
2019-2023	622,751	-	1,399
2024-2028	622,751	-	1,399
2029-2033	622,751	-	1,399
2034-2038	622,751	-	1,397
2039-2043	124,550	-	140
Total	<u>\$ 3,176,029</u>	<u>\$ 320,720</u>	<u>\$ 6,994</u>

6. RETIREMENT SYSTEMS

The Village's elected officials and employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multi-employer plan. The Ohio Revised Code prescribes this plan's benefits, which includes postretirement healthcare, and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2013 and 2012, 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, 2013.

7. RISK MANAGEMENT

Risk Pool Membership

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Government Risk Management Plan, (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

**VILLAGE OF RUSSIA
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(Continued)**

7. RISK MANAGEMENT (Continued)

Risk Pool Membership (Continued)

OPRM coverage programs are developed specific to each member’s risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member’s exposure to loss, except OPRM retains 41.5% (effective November 1, 2011) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2012 the plan increased its retention to 50% of the first \$250,000 casualty treaty. The Plan’s property retention remained unchanged from prior years. This change was made to balance the reinsurance market conditions. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 767 and 765 members as of December 31, 2012 and 2011 respectively.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member’s covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool’s audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2012 and 2011 (the latest information available).

	2012	2011
Assets	\$13,100,381	\$12,501,280
Liabilities	(6,687,193)	(5,328,761)
Members’ Equity	\$6,413,188	\$7,172,519

You can read the complete audited financial statements for OPRM at the Plan’s website, www.ohioplan.org.

8. INCOME TAX

The Village levies a municipal income tax of 1.5 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income from residents earned outside the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

Perry & Associates
Certified Public Accountants, A.C.

www.perrycpas.com

MARIETTA

428 Second Street
Marietta, OH 45750
(740) 373-0056
(740) 373-2402 Fax

PARKERSBURG

1035 Murdoch Avenue
Parkersburg, WV 26101
(304) 422-2203
(304) 428-5587 Fax

ST. CLAIRSVILLE

121 E. Main Street
St. Clairsville, OH 43950
(740) 695-1569
(740) 695-5775 Fax

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

June 25, 2014

Village of Russia
Shelby County
P. O. Box 305
Russia, Ohio 45363

To the Village Council:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the **Village of Russia**, Shelby County, (the Village) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements and have issued our report thereon dated June 25, 2014, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of audit findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

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 a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2013-001 described in the accompanying schedule of audit 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 grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining 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 audit findings as item 2013-002.

We also noted certain matters not requiring inclusion in this report that we communicated to management in a separate letter dated June 25, 2014.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

**VILLAGE OF RUSSIA
SHELBY COUNTY**

**SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2013-001

Material Weakness

Posting Disbursements and Fund Balance Classification

Disbursements should be posted to the fund and line item accounts as established by Ohio Administrative Code. Fund Balances should be properly classified based on Governmental Accounting Standards Board Statement No. 54.

Disbursements and Fund Balances were not always posted or classified correctly. The following errors were noted:

- Transportation disbursements were recorded as Capital Outlay disbursements in the Street Construction, Maintenance and Repair Fund in 2012.
- Capital Outlay disbursements were recorded as General Government disbursements in the Capital Improvement Fund in 2012.
- In 2013, encumbrances outstanding at year end for the General Fund were misclassified as Unassigned rather than Assigned fund balance.

Not posting disbursements or classifying Fund Balances accurately resulted in the financial statements requiring reclassifications. The financial statements reflect all reclassifications.

To help ensure accuracy and reliability in the financial reporting process, we recommend that management perform a detailed review of its draft financial statements. Such review should include procedures to ensure that all disbursements and Fund Balances are properly identified and classified on the financial statements.

We also recommend the Fiscal Officer refer to Ohio Administrative Code Section 117-7-01 and/or the Ohio Village Handbook for guidance to determine proper establishment of disbursement accounts and posting of disbursements. We also recommend the Fiscal Officer refer to Auditor of State Bulletin 2011-004 to determine proper classification of Fund Balances.

Management's Response – We did not receive a response from officials to this finding.

FINDING NUMBER 2013-002

Noncompliance

Ohio Revised Code Section 5705.41(D) requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required meeting any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Only the subdivision's fiscal officer need sign the certificate. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

**VILLAGE OF RUSSIA
SHELBY COUNTY**

**SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2013-002 (Continued)

Noncompliance (Continued)

Ohio Revised Code Section 5705.41(D) (Continued)

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

1. "Then and Now" certificate - If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

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

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

The Village did not properly certify the availability of funds prior to purchase commitment for 71% (10 of 14) of the expenditures tested for 2012.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval.

To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend that the Fiscal Officer certify that the funds are or will be available prior to an obligation being incurred by the Village. When prior certification is not possible, "then and now" certification should be used.

Management's Response – We did not receive a response from officials to this finding.

**VILLAGE OF RUSSIA
SHELBY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2011-001	Ohio Revised Code Section 5705.41(D) – Not Properly Encumbering Disbursements	No	Repeated as 2013-002
2011-002	Ohio Revised Code Section 117.38 – Annual Financial Report did not Reflect Financial Status	Yes	
2011-003	Posting Receipts and Disbursements	No	Repeated as 2013-001



Dave Yost • 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
AUGUST 14, 2014**