



Dave Yost • Auditor of State



VILLAGE OF SOUTH RUSSELL  
GEAUGA COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of South Russell, Geauga County, Ohio, (the Village) as of and for the years ended December 31, 2016 and 2015.

### ***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 opinions.

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

As described in Note 1 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 (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

***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, 2016 and 2015, or changes in financial position 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 South Russell, Geauga County, Ohio, as of December 31, 2016 and 2015, 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 1.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 9, 2017, 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.

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

**Dave Yost**  
Auditor of State  
Columbus, Ohio

June 9, 2017

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**VILLAGE OF SOUTH RUSSELL  
GEAUGA COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND  
CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<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	\$400,083	\$612,217		\$1,012,300
Municipal Income Tax	1,717,566			1,717,566
Intergovernmental Receipts	106,692	273,182		379,874
Charges for Services	58,508			58,508
Fines, Licenses, and Permits	76,522	5,100		81,622
Earnings on Investments	5,703			5,703
Miscellaneous	27,403	34,411		61,814
	<u>2,392,477</u>	<u>924,910</u>		<u>3,317,387</u>
<b>Total Cash Receipts</b>				
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	370,529	1,177,846		1,548,375
Public Health Services		11,175		11,175
Community Environment	138,133			138,133
Transportation		469,110		469,110
General Government	560,929	401,015		961,944
Capital Outlay			\$14,878	14,878
	<u>1,069,591</u>	<u>2,059,146</u>	<u>14,878</u>	<u>3,143,615</u>
<b>Total Cash Disbursements</b>				
<b>Total Receipts Over/(Under) Disbursements</b>	<u>1,322,886</u>	<u>(1,134,236)</u>	<u>(14,878)</u>	<u>173,772</u>
<b>Other Financing Receipts and (Disbursements):</b>				
Transfers-In		1,139,560	22,900	1,162,460
Transfers-Out	(1,162,460)			(1,162,460)
	<u>(1,162,460)</u>	<u>1,139,560</u>	<u>22,900</u>	
<b>Total Other Financing Receipts/(Disbursements)</b>				
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	160,426	5,324	8,022	173,772
<b>Fund Cash Balances, January 1, 2016</b>	<u>983,516</u>	<u>990,454</u>	<u>245,950</u>	<u>2,219,920</u>
Restricted		995,778	253,972	1,249,750
Assigned	265,967			265,967
Unassigned	877,975			877,975
	<u>877,975</u>			<u>877,975</u>
<b>Fund Cash Balances, December 31, 2016</b>	<u><b>\$1,143,942</b></u>	<u><b>\$995,778</b></u>	<u><b>\$253,972</b></u>	<u><b>\$2,393,692</b></u>

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

VILLAGE OF SOUTH RUSSELL  
GEAUGA COUNTY

STATEMENT OF RECEIPTS, DISBURSEMENTS AND  
CHANGES IN FUND BALANCE (CASH BASIS)  
FIDUCIARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>FIDUCIARY FUND TYPE</u>
	<u>Agency</u>
<b>Cash Receipts:</b>	
Other Non-Operating Receipts	\$69,025
<b>Cash Disbursements:</b>	
Other Non-Operating Cash Disbursements	<u>143,888</u>
Net Receipts Under Disbursements	(74,863)
Fund Cash Balances, January 1, 2016	<u>137,540</u>
<b>Fund Cash Balances, December 31, 2016</b>	<b><u><u>\$62,677</u></u></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, 2016**

**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, Ohio, (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 Fire Department for fire protection services.

The Village participates in three 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 (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.
- Chagrin/Southeast Council of Governments (COG) is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. COG 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**

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.

**VILLAGE OF SOUTH RUSSELL  
GEAUGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016  
(Continued)**

**1. Summary of Significant Accounting Policies – (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. The General Fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

**2. Special Revenue Funds**

These funds account for and report proceeds of specific revenue sources that are restricted or committed 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 and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities or other capital assets. 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.

Special Land and Building Fund – This fund is used to account for capital projects in the Village.

**4. Fiduciary Funds**

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations or other governments which are not available to support the Village's own programs. The Village had 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.

**VILLAGE OF SOUTH RUSSELL  
GEAUGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016  
(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 fund – personal services 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 2016 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 SOUTH RUSSELL  
GEAUGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016  
(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.

**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.

**VILLAGE OF SOUTH RUSSELL  
GEAUGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016  
(Continued)**

**2. 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:

Demand Deposits	\$946,441
STAR Ohio Plus	<u>1,509,928</u>
Total Deposits	<u>\$2,456,369</u>

**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.

**3. Budgetary Activity**

Budgetary activity for the year ended December 31, 2016 follows:

**2016 Budgeted vs. Actual Receipts**

<u>Fund Type:</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$3,517,268	\$2,392,477	\$1,124,791
Special Revenue	3,158,051	2,064,470	1,093,581
Capital Projects	<u>57,900</u>	<u>22,900</u>	<u>35,000</u>
Total	<u>\$6,733,219</u>	<u>\$4,479,847</u>	<u>\$2,253,372</u>

**2016 Budgeted vs. Actual Budgetary Basis Expenditures**

<u>Fund Type:</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$3,002,546	\$2,236,560	\$765,986
Special Revenue	2,259,277	2,059,146	200,131
Capital Projects	<u>22,900</u>	<u>14,878</u>	<u>8,022</u>
Total	<u>\$5,284,723</u>	<u>\$4,310,584</u>	<u>\$974,139</u>

**VILLAGE OF SOUTH RUSSELL  
GEAUGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016  
(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 the second Wednesday in February. If the property owner elects to pay semiannually, the first half is due the second Wednesday in February and the second half payment is due the second Wednesday in July.

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. Local Income Tax**

The Village levies a municipal income tax of 1.25% 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.

**6. 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 2016, OP&F participants contributed 12.25%. For 2016, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2016, 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, 2016.

Several Village employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants. Employees contributed 6.2% of their gross salaries. The Village contributed an amount equal to 6.2% of the participants' gross salaries. This Village has paid all contributions required through December 31, 2016.

**7. Postemployment Benefits**

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2% of the employer contribution to fund these benefits, and OP&F contributes 0.5% to fund these benefits.



**VILLAGE OF SOUTH RUSSELL  
GEAUGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016  
(Continued)**

**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

**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. 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 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 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 2016. 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 2016 the Village paid \$7,000 to VERCOG.

**VILLAGE OF SOUTH RUSSELL  
GEAUGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016  
(Continued)**

**9. Jointly Governed Organizations – (Continued)**

**Chagrin/Southeast Council of Governments**

The Village is a member of the Chagrin/Southeast Council of Governments (COG), a jointly governed organization. COG is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. COG was formed to continue to foster cooperation among political subdivisions through sharing of facilities for their common benefit. The purpose of this Council is to promote cooperative arrangements and coordinate action among its members in matters relating to hazardous materials and terrorism response and the operation of the Chagrin/Southeast Hazardous Material Response Team. During 2016 the Village paid \$3,500 to the Chagrin/Southeast Council of Governments.

**VILLAGE OF SOUTH RUSSELL  
GEAUGA COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND  
CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Property Tax and Other Local Taxes	\$405,663	\$609,840		\$1,015,503
Municipal Income Tax	1,697,204			1,697,204
Intergovernmental Receipts	280,710	279,779		560,489
Charges for Services	72,938			72,938
Fines, Licenses, and Permits	86,651	3,882		90,533
Earnings on Investments	1,090	1,938		3,028
Miscellaneous	25,209	49,070		74,279
	<u>2,569,465</u>	<u>944,509</u>		<u>3,513,974</u>
<b>Total Cash Receipts</b>				
	<u>2,569,465</u>	<u>944,509</u>		<u>3,513,974</u>
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	360,803	1,190,473		1,551,276
Public Health Services		4,753		4,753
Community Environment	145,189	0		145,189
Transportation		558,154		558,154
General Government	560,412	471,575		1,031,987
Capital Outlay			\$397,549	397,549
	<u>1,066,404</u>	<u>2,224,955</u>	<u>397,549</u>	<u>3,688,908</u>
<b>Total Cash Disbursements</b>				
	<u>1,066,404</u>	<u>2,224,955</u>	<u>397,549</u>	<u>3,688,908</u>
<b>Total Receipts Over/(Under) Disbursements</b>	<u>1,503,061</u>	<u>(1,280,446)</u>	<u>(397,549)</u>	<u>(174,934)</u>
<b>Other Financing Receipts and (Disbursements):</b>				
Transfers-In		1,510,232	419,913	1,930,145
Transfers-Out	(1,930,145)			(1,930,145)
	<u>(1,930,145)</u>	<u>1,510,232</u>	<u>419,913</u>	
<b>Total Other Financing Receipts/(Disbursements)</b>				
	<u>(1,930,145)</u>	<u>1,510,232</u>	<u>419,913</u>	
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	(427,084)	229,786	22,364	(174,934)
<b>Fund Cash Balances, January 1, 2015</b>	<u>1,410,600</u>	<u>760,668</u>	<u>223,586</u>	<u>2,394,854</u>
Restricted		990,454	245,950	1,236,404
Unassigned	983,516			983,516
	<u>983,516</u>	<u>990,454</u>	<u>245,950</u>	<u>2,219,920</u>
<b>Fund Cash Balances, December 31, 2015</b>	<u><u>\$983,516</u></u>	<u><u>\$990,454</u></u>	<u><u>\$245,950</u></u>	<u><u>\$2,219,920</u></u>

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

VILLAGE OF SOUTH RUSSELL  
GEAUGA COUNTY

STATEMENT OF RECEIPTS, DISBURSEMENTS AND  
CHANGES IN FUND BALANCE (CASH BASIS)  
FIDUCIARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>FIDUCIARY FUND TYPE</u>
	<u>Agency</u>
<b>Cash Receipts:</b>	
Other Non-Operating Receipts	\$68,489
<b>Cash Disbursements:</b>	
Other Non-Operating Cash Disbursements	<u>108,057</u>
Net Receipts Under Disbursements	(39,568)
Fund Cash Balances, January 1, 2015	<u>177,108</u>
<b>Fund Cash Balances, December 31, 2015</b>	<b><u><u>\$137,540</u></u></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, 2015**

**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, Ohio, (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 Fire Department for fire protection services.

The Village participates in three 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 (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.
- Chagrin/Southeast Council of Governments (COG) is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. COG 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**

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.

**VILLAGE OF SOUTH RUSSELL  
GEAUGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015  
(Continued)**

**1. Summary of Significant Accounting Policies – (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. The General Fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

**2. Special Revenue Funds**

These funds account for and report proceeds of specific revenue sources that are restricted or committed 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 and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities or other capital assets. 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.

Special Land and Building Fund – This fund is used to account for capital projects in the Village.

**4. Fiduciary Funds**

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations or other governments which are not available to support the Village's own programs. The Village had 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.

**VILLAGE OF SOUTH RUSSELL  
GEAUGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015  
(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 fund – personal services 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 2015 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 SOUTH RUSSELL  
GEAUGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015  
(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.

**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.



**VILLAGE OF SOUTH RUSSELL  
GEAUGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015  
(Continued)**

**2. 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:

Demand Deposits	\$853,231
STAR Ohio Plus	<u>1,504,229</u>
Total Deposits	<u>\$2,357,460</u>

**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.

**3. Budgetary Activity**

Budgetary activity for the year ended December 31, 2015 follows:

**2015 Budgeted vs. Actual Receipts**

<u>Fund Type:</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$2,131,474	\$2,569,465	\$437,991
Special Revenue	3,980,389	2,454,741	(1,525,648)
Capital Projects	<u>677,198</u>	<u>419,913</u>	<u>(257,285)</u>
Total	<u>\$6,789,061</u>	<u>\$5,444,119</u>	<u>\$1,344,942</u>

**2015 Budgeted vs. Actual Budgetary Basis Expenditures**

<u>Fund Type:</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$3,087,307	\$2,996,549	\$90,758
Special Revenue	2,471,103	2,224,955	246,148
Capital Projects	<u>445,500</u>	<u>397,549</u>	<u>47,951</u>
Total	<u>\$6,003,910</u>	<u>\$5,619,053</u>	<u>\$384,857</u>

**VILLAGE OF SOUTH RUSSELL  
GEAUGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015  
(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 the second Wednesday in February. If the property owner elects to pay semiannually, the first half is due the second Wednesday in February and the second half payment is due the second Wednesday in July.

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. Local Income Tax**

The Village levies a municipal income tax of 1.25% 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.

**6. 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 2015, OP&F participants contributed 11.50%. For 2015, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2015, 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, 2015.

Several Village employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants. Employees contributed 6.2% of their gross salaries. The Village contributed an amount equal to 6.2% of the participants' gross salaries. This Village has paid all contributions required through December 31, 2015.

**7. Postemployment Benefits**

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2% of the employer contribution to fund these benefits, and OP&F contributes 0.5% to fund these benefits.

**VILLAGE OF SOUTH RUSSELL  
GEAUGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015  
(Continued)**

**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

**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. 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 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 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 2015. 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 2015 the Village paid \$7,000 to VERCOG.

**VILLAGE OF SOUTH RUSSELL  
GEAUGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015  
(Continued)**

**9. Jointly Governed Organizations – (Continued)**

**Chagrin/Southeast Council of Governments**

The Village is a member of the Chagrin/Southeast Council of Governments (COG), a jointly governed organization. COG is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. COG was formed to continue to foster cooperation among political subdivisions through sharing of facilities for their common benefit. The purpose of this Council is to promote cooperative arrangements and coordinate action among its members in matters relating to hazardous materials and terrorism response and the operation of the Chagrin/Southeast Hazardous Material Response Team. During 2015 the Village paid \$3,500 to the Chagrin/Southeast Council of Governments.



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S 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 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 cash balances, receipts, and disbursements by fund type of the Village of South Russell, Geauga County, Ohio, (the Village) as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements and have issued our report thereon dated June 9, 2017 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 opinions 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.

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 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

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

***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.

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

**Dave Yost**  
Auditor of State  
Columbus, Ohio

June 9, 2017



# Dave Yost • Auditor of State

VILLAGE OF SOUTH RUSSELL

GEAUGA COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
JULY 11, 2017