



OHIO AUDITOR OF STATE
KEITH FABER



VILLAGE OF SOUTH RUSSELL
GEAUGA COUNTY

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

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

To the Village Council and Mayor:

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, 2018 and 2017.

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 such 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 2 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, 2018 and 2017, and the respective changes in financial position 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 cash balances, receipts and disbursements by fund type, and related notes of the Village of South Russell, Geauga County, as of December 31, 2018 and 2017, and 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 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2021, 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.



Keith Faber
Auditor of State
Columbus, Ohio

April 30, 2021

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Village of South Russell
Geauga County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2018

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$485,649	\$948,375	\$0	\$1,434,024
Municipal Income Tax	1,701,039			1,701,039
Intergovernmental	45,111	166,169	48,750	260,030
Charges for Services	64,442	1,170		65,612
Fines, Licenses and Permits	85,699	3,268		88,967
Earnings on Investments	18,920	11,112		30,032
Miscellaneous	33,313	29,613	14,815	77,741
<i>Total Cash Receipts</i>	<u>2,434,173</u>	<u>1,159,707</u>	<u>63,565</u>	<u>3,657,445</u>
Cash Disbursements				
Current:				
Security of Persons and Property	378,288	1,313,714	0	1,692,002
Public Health Services		2,755		2,755
Community Environment	169,738			169,738
Transportation		568,807		568,807
General Government	545,184	424,482		969,666
Capital Outlay			221,599	221,599
Debt Service:				
Principal Retirement			9,127	9,127
<i>Total Cash Disbursements</i>	<u>1,093,210</u>	<u>2,309,758</u>	<u>230,726</u>	<u>3,633,694</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>1,340,963</u>	<u>(1,150,051)</u>	<u>(167,161)</u>	<u>23,751</u>
Other Financing Receipts (Disbursements)				
Transfers In		1,248,800	150,000	1,398,800
Transfers Out	(1,398,800)			(1,398,800)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(1,398,800)</u>	<u>1,248,800</u>	<u>150,000</u>	<u>0</u>
<i>Net Change in Fund Cash Balances</i>	(57,837)	98,749	(17,161)	23,751
<i>Fund Cash Balances, January 1</i>	<u>1,372,082</u>	<u>1,048,579</u>	<u>125,080</u>	<u>2,545,741</u>
Fund Cash Balances, December 31				
Restricted		1,147,328	107,919	1,255,247
Unassigned	1,314,245			1,314,245
<i>Fund Cash Balances, December 31</i>	<u>\$1,314,245</u>	<u>\$1,147,328</u>	<u>\$107,919</u>	<u>\$2,569,492</u>

Village of South Russell
Geauga County
Statement of Receipts, Disbursements
and Changes in Fund Balance (Regulatory Cash Basis)
Fiduciary Fund Type
For the Year Ended December 31, 2018

	Fiduciary Fund Type
	Agency
Cash Receipts	
Other Non-Operating Cash Receipts	\$88,060
Cash Disbursements	
Other Non-Operating Cash Disbursements	60,283
<i>Net Change in Fund Cash Balances</i>	27,777
<i>Fund Cash Balances, January 1</i>	81,061
<i>Fund Cash Balances, December 31</i>	\$108,838

Village of South Russell, Ohio
Geauga County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 1 - Reporting Entity

The Village of South Russell (the Village), Geauga County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides general government services including road maintenance, recreation and police protection. The Village contracts with the Chagrin Falls Suburban Fire Department to receive fire protection services.

Public Entity Risk Pools and Jointly Governed Organizations

The Village participates in public entity risk pools and jointly governed organizations. Notes 6 & 11 to the financial statements provides additional information for these entities.

Ohio Municipal League Group Rating Plan (GRP) for Workers' Compensation: The Village participates in the Ohio Municipal League Group Rating Plan (GRP) for workers' compensation.

Public Entities Pool of Ohio: The Village is a member of the Public Entities Pool of Ohio is a joint self-insurance pool to provide for joint and cooperative pooling of financials and administrative resources, provide risk management services and risk sharing facilities to the Members.

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

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

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.

Chagrin Valley Dispatch Council: The Village is a member of the Chagrin Valley Dispatch Council (CVD), a jointly governed organization. CVD is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. CVDC was formed to promote cooperative arrangements and coordination action in matters relating to the dispatch of public safety services and the operation of a communications center.

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

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a statement of receipts, disbursements and changes in fund balance (regulatory cash basis) the fiduciary fund type which are organized on a fund type basis.

Village of South Russell, Ohio
Geauga County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported 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.

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 Funds:

Street Maintenance - The street maintenance fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

Safety Fund – The safety fund accounts for and reports revenue from the safety levies restricted 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 the employer's police pension and OPERS contributions.

Road and Bridge Fund – The Road and Bridge fund accounts for and reports revenue from the road and bridge levy restricted for the purpose of construction, maintenance and repair of streets and bridges within the Village.

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 funds:

Special Road Fund – This fund is used to account for major road construction activities

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

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.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency fund is:

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

Basis of Accounting

These financial statements follow 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). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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).

Village of South Russell, Ohio
Geauga County
Notes to the Financial Statements
For the Year Ended December 31, 2018

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

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

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund - personal services level, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

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 approve estimated resources.

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 2018 budgetary activity appears in Note 3.

Deposits and Investments

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

Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

Capital Assets

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

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:

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

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.

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.

Village of South Russell, Ohio
Geauga County
Notes to the Financial Statements
For the Year Ended December 31, 2018

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.

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.

Note 3 - Budgetary Activity

Budgetary activity for the year ending December 31, 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$2,767,307	\$2,434,173	(\$333,134)
Special Revenue	2,397,801	2,408,507	10,706
Capital Projects	213,565	213,565	0
Total	\$5,378,673	\$5,056,245	(\$322,428)

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$3,026,549	\$2,494,702	\$531,847
Special Revenue	2,418,205	2,320,835	97,370
Capital Projects	244,250	230,726	13,524
Total	\$5,689,004	\$5,046,263	\$642,741

Note 4 – 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:

Village of South Russell, Ohio
Geauga County
Notes to the Financial Statements
For the Year Ended December 31, 2018

	2018
Demand deposits	<u>\$1,127,172</u>
STAR Ohio	<u>1,551,158</u>
Total Deposits and investments	<u><u>\$2,678,330</u></u>

Deposits

Deposits are collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

At December 31, 2018, all deposits were collateralized.

Note 5 – Taxes

Property Taxes

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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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.

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

Income Taxes

The Village levies a municipal income tax of 1.25% on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of 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.

Note 6 - Risk Management

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

The Village insures against injuries to employees through the Ohio Bureau of Workers' Compensation.

The Village participates in the Ohio Municipal League Group Rating Plan (GRP) for Workers' Compensation. The pool's business and affairs are conducted by a twenty-six member Board of Trustees consisting of fifteen mayors, two council members, three administrators, three finance directors, and three law directors which are voted on by the members for staggered two-year terms. The executive director of the Ohio Municipal League serves as the coordinator of the Program. Each year the participants pay an enrollment fee to the program to cover the costs of administering the program.

Village of South Russell, Ohio
Geauga County
Notes to the Financial Statements
For the Year Ended December 31, 2018

The Village is a member of the Public Entities Pool of Ohio (The Pool). The Pool assumes the risk of loss up to the limits of the Village's policy. The Pool covers the following risks:

- General liability and casualty
- Public official's liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

	<u>2018</u>
Cash and investments	\$ 35,381,789
Actuarial liabilities	\$12,965,015

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. 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, 2018.

Ohio Police and Fire Retirement System

Nine Village full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages.

Social Security

Three Village employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2018.

Village of South Russell, Ohio
Geauga County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 8 - 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. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2018. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2018. OP&F contributes 0.5 percent to fund these benefits.

Beginning January 1, 2019, OP&F is changing its retiree health care model and the current self-insured health care plan will no longer be offered. In its place is a stipend-based health care model. A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses.

Note 9 – Debt

Debt outstanding at December 31, 2018 was as follows:

	Principal	Interest Rate
Ohio Public Works Commission Loan	\$173,415	0%
Total	\$173,415	

The Ohio Public Works Commission (OPWC) loan relates to the Bell Road resurfacing project. The OPWC approved \$182,542 in loans to the Village for this project. The Village will repay the loans in semiannual installments of \$4,564, with no interest, over 20 years beginning in 2018.

Amortization

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

Year Ending December 31:	OPWC
2019	\$9,127
2020	9,127
2021	9,127
2022	9,127
2023	9,127
2024-2028	45,635
2029-2033	45,635
2034-2037	36,510
Total	\$173,415

Note 10 – Construction and Contractual Commitments

The Village's North Central Drainage Study was not complete by year end as was budgeted and \$2,521 was encumbered to 2019 for these costs.

The Clemans Nelson human resource consulting was not complete by year end as was budgeted and \$2,692 was encumbered to 2019 for these costs.

Village of South Russell, Ohio
Geauga County
Notes to the Financial Statements
For the Year Ended December 31, 2018

The 2018 Road Program invoices were not received by year end as was budgeted and \$8,066 was encumbered to 2019 for these costs.

CT Consultants invoices for the park landscape architect were not submitted by year end as budgeted and \$489 was encumbered to 2019 for these costs.

Note 11 – 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 2018. Financial information may be obtained by contacting Chuck Keiper, Executive Director, 31360 Solon Road, Suite 33, 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 2018 the Village paid \$8,000 VERCOG. Financial information may be obtained by contacting Joe Brodzinski, Fiscal Officer, 28000 Shaker Boulevard, Pepper Pike, Ohio 44124.

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 2018 the Village paid \$3,500 to the Chagrin/Southeast Council of Governments. Financial information may be obtained by contacting John Veres, Fiscal Officer, 29555 Pettibone Road, Glenwillow, Ohio 44139.

Village of South Russell, Ohio
Geauga County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Chagrin Valley Dispatch Council

The Village is a member of the Chagrin Valley Dispatch Council (CVD), a jointly governed organization. CVD is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. CVDC was formed to promote cooperative arrangements and coordination action in matters relating to the dispatch of public safety services and the operation of a communications center. During 2018, the Village contributed \$54,711 to CVD. Payments were for dispatch services and other emergency related fees. Financial information for CVD can be obtained by contacting Nick DiCicco, Director, 88 Center Street, Suite B 100, Bedford, Ohio 44146.

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Village of South Russell
Geauga County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2017

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$442,931	\$675,100	\$0	\$1,118,031
Municipal Income Tax	1,781,626			1,781,626
Intergovernmental	73,792	226,232	347,158	647,182
Charges for Services	69,446			69,446
Fines, Licenses and Permits	87,282	3,586		90,868
Earnings on Investments	4,945			4,945
Miscellaneous	31,186	43,913		75,099
<i>Total Cash Receipts</i>	<u>2,491,208</u>	<u>948,831</u>	<u>347,158</u>	<u>3,787,197</u>
Cash Disbursements				
Current:				
Security of Persons and Property	370,819	1,273,745	0	1,644,564
Public Health Services		2,247		2,247
Community Environment	151,126	0		151,126
Transportation		435,828		435,828
General Government	516,123	409,210		925,333
Capital Outlay			476,050	476,050
<i>Total Cash Disbursements</i>	<u>1,038,068</u>	<u>2,121,030</u>	<u>476,050</u>	<u>3,635,148</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>1,453,140</u>	<u>(1,172,199)</u>	<u>(128,892)</u>	<u>152,049</u>
Other Financing Receipts (Disbursements)				
Transfers In		1,225,000		1,225,000
Transfers Out	(1,225,000)			(1,225,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(1,225,000)</u>	<u>1,225,000</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Cash Balances</i>	228,140	52,801	(128,892)	152,049
<i>Fund Cash Balances, January 1</i>	<u>1,143,942</u>	<u>995,778</u>	<u>253,972</u>	<u>2,393,692</u>
Fund Cash Balances, December 31				
Restricted		1,048,579	125,080	1,173,659
Unassigned	1,372,082			1,372,082
<i>Fund Cash Balances, December 31</i>	<u>\$1,372,082</u>	<u>\$1,048,579</u>	<u>\$125,080</u>	<u>\$2,545,741</u>

Village of South Russell
Geauga County
Statement of Receipts, Disbursements
and Changes in Fund Balance (Regulatory Cash Basis)
Fiduciary Fund Type
For the Year Ended December 31, 2017

	Fiduciary Fund Type
	Agency
Cash Receipts	
Other Non-Operating Receipts	\$110,349
Cash Disbursements	
Other Non-Operating Cash Disbursements	91,965
<i>Net Change in Fund Cash Balances</i>	18,384
<i>Fund Cash Balances, January 1</i>	62,677
<i>Fund Cash Balances, December 31</i>	\$81,061

Village of South Russell
Geauga County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 1 - Reporting Entity

The Village of South Russell (the Village), Geauga County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides general government services including road maintenance, recreation and police protection. The Village contracts with the Chagrin Falls Suburban Fire Department to receive fire protection services.

Public Entity Risk Pools and Jointly Governed Organizations

The Village participates in a public entity risk pool and jointly governed organizations. Notes 7 & 12 to the financial statements provides additional information for these entities.

Ohio Municipal League Group Rating Plan (GRP) for Workers' Compensation: The Village participates in the Ohio Municipal League Group Rating Plan (GRP) for workers' compensation.

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

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

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.

Chagrin Valley Dispatch Council: The Village is a member of the Chagrin Valley Dispatch Council (CVD), a jointly governed organization. CVD is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. CVDC was formed to promote cooperative arrangements and coordination action in matters relating to the dispatch of public safety services and the operation of a communications center.

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

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a statement of receipts, disbursements and changes in fund balance (regulatory cash basis) for the fiduciary fund type which are organized on a fund type basis.

Village of South Russell
Geauga County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported 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.

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 Funds:

Street Maintenance - The street maintenance fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

Safety Fund – The safety fund accounts for and reports revenue from the safety levies restricted 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 the employer's police pension and OPERS contributions.

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 funds:

Special Road Fund – This fund is used to account for major road construction activities

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

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.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency fund is:

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

Basis of Accounting

These financial statements follow 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). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Village of South Russell
Geauga County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Budgetary Process

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

Appropriations - Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund - personal services level of, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

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 approve estimated resources.

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 2017 budgetary activity appears in Note 3.

Deposits and Investments

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

Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

Capital Assets

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

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:

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

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.

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.

Village of South Russell
Geauga County
Notes to the Financial Statements
For the Year Ended December 31, 2017

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.

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.

Note 3 – Compliance

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Capital Projects fund by \$497,498 for the year ended December 31, 2018.

Note 4 - Budgetary Activity

Budgetary activity for the year ending December 31, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$2,442,349	\$2,491,208	\$48,859
Special Revenue	2,132,205	2,173,831	41,626
Capital Projects	0	347,158	347,158
Total	\$4,574,554	\$5,012,197	\$437,643

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,488,720	\$2,263,068	\$225,652
Special Revenue	2,329,682	2,189,080	140,602
Capital Projects	2,500	499,998	(497,498)
Total	\$4,820,902	\$4,952,146	(\$131,244)

Note 5 - 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:

Village of South Russell
Geauga County
Notes to the Financial Statements
For the Year Ended December 31, 2017

	<u>2017</u>
Demand deposits	<u>\$1,105,675</u>
STAR Ohio	<u>1,521,127</u>
Total deposits and investments	<u><u>\$2,626,802</u></u>

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Village.

Note 6 – Taxes

Property Taxes

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 second Wednesday in February and the second half payment is due the second Wednesday in July.

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

Income Taxes

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.

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.

Note 7 – Risk Management

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

The Village insures against injuries to employees through the Ohio Bureau of Workers' Compensation.

The Village participates in the Ohio Municipal League Group Rating Plan (GRP) for Workers' Compensation. The pool's business and affairs are conducted by a twenty-six member Board of Trustees consisting of fifteen mayors, two council members, three administrators, three finance directors, and three law directors which are voted on by the members for staggered two-year terms. The executive director of the Ohio Municipal League serves as the coordinator of the Program. Each year the participants pay an enrollment fee to the program to cover the costs of administering the program.

Village of South Russell
Geauga County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

The Village is uninsured for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

Note 8 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. 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, 2017.

Ohio Police and Fire Retirement System

Nine Village full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. The Village has paid all contributions required through December 31, 2017.

Social Security

Three Village employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2017.

Note 9 - 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. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017. OP&F contributes 0.5 percent to fund these benefits.

Village of South Russell
Geauga County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 10 - Debt

Debt outstanding at December 31, 2017 was as follows:

	Principal	Interest Rate
Ohio Public Works Commission Loan	182,542	0%
Total	\$182,542	

The Ohio Public Works Commission loan relates to the Bell Road resurfacing project. The OPWC approved \$182,542 in loans to the Village for this project. The Village will repay the loans in semiannual installments of \$4,564, with no interest, over 20 years beginning in 2018.

Note 11 - Construction and Contractual Commitments

The Village had not received the final 2017 Road Program invoice by year end. Therefore \$27,813 was encumbered to 2018 for these costs.

The Village's North Central Drainage Study was not complete by year end as was budgeted and \$4,526 was encumbered to 2018 for these costs.

The Cascades Culvert replacement project that was budgeted for in 2017 was not yet complete at year end. Therefore, \$35,710 was encumbered to 2018.

Note 12 – 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 2018. Financial information may be obtained by contacting Chuck Keiper, Executive Director, 31360 Solon Road, Suite 33, Solon, Ohio 44139.

Village of South Russell
Geauga County
Notes to the Financial Statements
For the Year Ended December 31, 2017

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 2018 the Village paid \$8,000 VERCOG. Financial information may be obtained by contacting Joe Brodzinski, Fiscal Officer, 28000 Shaker Boulevard, Pepper Pike, Ohio 44124.

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 2018 the Village paid \$3,500 to the Chagrin/Southeast Council of Governments. Financial information may be obtained by contacting John Veres, Fiscal Officer, 29555 Pettibone Road, Glenwillow, Ohio 44139.

Chagrin Valley Dispatch Council

The Village is a member of the Chagrin Valley Dispatch Council (CVD), a jointly governed organization. CVD is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. CVDC was formed to promote cooperative arrangements and coordination action in matters relating to the dispatch of public safety services and the operation of a communications center. During 2018, the Village contributed \$54,711 to CVD. Payments were for dispatch services and other emergency related fees. Financial information for CVD can be obtained by contacting Nick DiCicco, Director, 88 Center Street, Suite B 100, Bedford, Ohio 44146.

OHIO AUDITOR OF STATE KEITH FABER



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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 and Mayor:

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 (the Village) as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements and have issued our report thereon dated April 30, 2021, 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) as a basis for designing 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. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2018-001 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 financial statements. 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 findings as item 2018-001.

Village's Response to Findings

The Village's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not subject the Village's response to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

April 30, 2021

VILLAGE OF SOUTH RUSSELL
GEAUGA COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2018 AND 2017

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

On-Behalf Grants

FINDING NUMBER 2018-001

NONCOMPLIANCE AND MATERIAL WEAKNESS

Ohio Rev. Code § 5705.42 requires in part, when the state or any department, division, agency authority or unit thereof makes a grant or loan of money to any political subdivision of this state to aid in paying the cost of any program, activity, or function of such subdivision, the amount is deemed appropriated and shall be recorded by the subdivision.

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in AU-C Section 210 paragraphs .A14 & .A16.

For the year ended December 31, 2017, Capital Projects Funds' intergovernmental receipts and capital outlay disbursements were each understated \$347,158, due to the failure to record an on-behalf Ohio Public Works Commission (OPWC) grant in the financial statements. This item was adjusted to the financial statements as agreed to by management.

The Village should ensure on-behalf grants are recorded in the financial statements as required.

Officials' Response: Given the Village is new to utilizing grant funding for projects, we are learning the correct process to document these funds. We are aware this was an issue and are working to fix it for future periods.

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OHIO AUDITOR OF STATE KEITH FABER



VILLAGE OF SOUTH RUSSELL

GEAUGA COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 5/13/2021

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov