



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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OFFICE OF THE AUDITOR**

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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Village Council:

We have audited the accompanying financial statements of the Village of South Russell, Geauga County, Ohio, (the Village) as of and for the years ended December 31, 1999 and December 31, 1998. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of South Russell, Geauga County, Ohio as of December 31, 1999 and December 31, 1998, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 8, 2000 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 grants.

This report is intended solely for the information and use of the audit committee, management, the Council, and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

March 8, 2000

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**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES
THE GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Local Taxes	\$282,882	\$1,360,169	\$0	\$1,643,051
Intergovernmental	275,439	212,715	0	488,154
Charges for Services	1,195	0	0	1,195
Licenses, Permits, and Fees	75,054	0	0	75,054
Miscellaneous	76,535	1,500	0	78,035
	<hr/>			
Total Cash Receipts	711,105	1,574,384	0	2,285,489
Cash Disbursements:				
Current:				
Security of Persons and Property	169,217	646,548	0	815,765
Public Health Services	24,320	660	0	24,980
Community Environment	201,248	0	0	201,248
Transportation	0	510,843	0	510,843
General Government	287,983	71,331	0	359,314
Capital Outlay	0	0	156,778	156,778
	<hr/>			
Total Disbursements	682,768	1,229,382	156,778	2,068,928
Total Receipts Over/(Under) Program Disbursements	28,337	345,002	(156,778)	216,561
Other Financing Receipts/(Disbursements):				
Transfers-In	120,000	150,000	200,000	470,000
Transfers-Out	(150,000)	(320,000)	0	(470,000)
	<hr/>			
Total Other Financing Receipts/(Disbursements)	(30,000)	(170,000)	200,000	0
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(1,663)	175,002	43,222	216,561
Fund Cash Balances, January 1, 1999	379,542	151,137	316,613	847,292
	<hr/>			
Fund Cash Balances, December 31, 1999	<u>\$377,879</u>	<u>\$326,139</u>	<u>\$359,835</u>	<u>\$1,063,853</u>
	<hr/>			
Reserve for Encumbrances, December 31, 1999	\$300	\$2,860	\$0	\$3,160
	<hr/>			

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

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCE-AGENCY FUND-
FOR THE YEAR ENDED DECEMBER 31,1999**

	<u>Agency</u>
Non-Operating Cash Receipts:	
Other Non-Operating Revenues	\$79,706
Total Non-Operating Cash Receipts	79,706
Non-Operating Cash Disbursements:	
Other Non-Operating Cash Disbursements	109,514
Total Non-Operating Cash Disbursements	109,514
Net Receipts Over/(Under) Disbursements	(29,808)
Fund Cash Balances, January 1,1999	196,133
Fund cash balances, December 31, 1999	\$166,325
Reserve for Encumbrances, December 31,1999	\$0

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

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES
THE GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1998**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Local Taxes	\$279,300	\$1,236,274	\$0	\$1,515,574
Intergovernmental	167,528	407,958	0	575,486
Charges for Services	70,771	0	0	70,771
Licenses, Permits, and Fees	72,086	0	0	72,086
Miscellaneous	76,427	2,147	0	78,574
	<hr/>			
Total Cash Receipts	666,112	1,646,379	0	2,312,491
Cash Disbursements:				
Current:				
Security of Persons and Property	118,728	664,182	0	782,910
Public Health Services	23,017	811	0	23,828
Community Environment	172,708	0	0	172,708
Transportation	0	715,912	0	715,912
General Government	254,587	39,340	0	293,927
Capital Outlay	0	0	195,152	195,152
	<hr/>			
Total Disbursements	569,040	1,420,245	195,152	2,184,437
Total Receipts Over/(Under) Program Disbursements	97,072	226,134	(195,152)	128,054
Other Financing Receipts/(Disbursements):				
Transfers-In	68,250	0	200,000	268,250
Transfers-Out	0	(268,250)	0	(268,250)
	<hr/>			
Total Other Financing Receipts/(Disbursements)	68,250	(268,250)	200,000	0
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	165,322	(42,116)	4,848	128,054
Fund Cash Balances, January 1, 1998	214,220	193,253	311,765	719,238
	<hr/>			
Fund Cash Balances, December 31, 1998	<u>\$379,542</u>	<u>\$151,137</u>	<u>\$316,613</u>	<u>\$847,292</u>
Reserve for Encumbrances, December 31, 1998	<u>\$300</u>	<u>\$8,789</u>	<u>\$0</u>	<u>\$9,089</u>

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

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCE-AGENCY FUND-
FOR THE YEAR ENDED DECEMBER 31, 1998**

	<u>Agency</u>
Non-Operating Cash Receipts:	
Other Non-Operating Revenues	<u>\$136,943</u>
Total Non-Operating Cash Receipts	<u>136,943</u>
Non-Operating Cash Disbursements:	
Other Non-Operating Cash Disbursements	<u>184,698</u>
Total Non-Operating Cash Disbursements	<u>184,698</u>
Net Receipts Over/(Under) Disbursements	(47,755)
Fund Cash Balances, January 1, 1998	<u>243,888</u>
Fund cash balances, December 31, 1998	<u>\$196,133</u>
Reserve for Encumbrances, December 31, 1998	<u><u>\$0</u></u>

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of South Russell, Geauga County, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six member Council and a mayor. The Village provides general governmental services, including road maintenance, recreation, and police protection. The Village contracts with South Russell Township for fire protection services.

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

B. Basis of Accounting

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

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

C. Cash and Investments

The investment in STAR Ohio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer. The Federal National Mortgage Association (FNMA) securities are valued at cost.

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 is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

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

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

Safety Fund- This fund is used for the purpose of providing and maintaining motor vehicles, communications and other equipment used directly in the operations of the Police Department and the payment of salaries of police personnel, including the payment of the employer's police pension and PERS contributions.

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

Operating Fund- This fund is used for maintaining roads and 50% of the operation of the street department including the payment of salaries and the payment of the employer's PERS contribution.

3. Capital Project Funds

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

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

4. Fiduciary Funds(Agency Funds)

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

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

Plan Review Fund- This fund is used to account for refundable deposits for the review of site plans and improvements to land, by the Village, and the engineering company under contract with the Village.

E. Budgetary Process

The Ohio Revised Code requires that each fund, except Agency Funds, be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The 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.

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

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 1999 and 1998 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

G. Unpaid Sick Leave

Employees are entitled to cash payments for unused sick leave in certain circumstances, such as upon leaving employment. Unpaid sick leave is not reflected as a liability under the basis of accounting used by the Village.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>1999</u>	<u>1998</u>
Demand deposits	<u>\$700,050</u>	<u>\$613,425</u>
Total deposits	<u>700,050</u>	<u>613,425</u>
FNMA-Securities	100,128	0
STAROhio	<u>430,000</u>	<u>430,000</u>
Total investments	<u>530,128</u>	<u>430,000</u>
Total deposits and investments	<u><u>\$1,230,178</u></u>	<u><u>\$1,043,425</u></u>

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

Investments: The Federal National Mortgage Association Securities are held in book-entry form by the Federal Reserve, in the name of the Village's financial institution. The financial institution maintains records that identify the Village as owner of these securities. Investments in STAROhio are not evidenced by securities that exist in physical or book-entry form.

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 1999 and December 31, 1998 follows:

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$793,913	\$831,105	\$37,192
Special Revenue	2,128,627	1,724,384	(404,243)
Capital Projects	200,000	200,000	0
Agency	150,000	79,706	(70,294)
Total	<u>\$3,272,540</u>	<u>\$2,835,195</u>	<u>(\$437,345)</u>

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$891,732	\$833,068	\$58,664
Special Revenue	2,177,202	1,552,242	624,960
Capital Projects	161,000	156,778	4,222
Agency	150,000	109,514	40,486
Total	<u>\$3,379,934</u>	<u>\$2,651,602</u>	<u>\$728,332</u>

1998 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$715,763	\$734,362	\$18,599
Special Revenue	2,124,435	1,646,379	(478,056)
Capital Projects	200,000	200,000	0
Agency	150,000	136,943	(13,057)
Total	<u>\$3,190,198</u>	<u>\$2,717,684</u>	<u>(\$472,514)</u>

1998 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$688,550	\$569,340	\$119,210
Special Revenue	2,234,100	1,697,284	536,816
Capital Projects	200,000	195,152	4,848
Agency	194,000	184,698	9,302
Total	<u>\$3,316,650</u>	<u>\$2,646,474</u>	<u>\$670,176</u>

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998**

4. PROPERTY TAX

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

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

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

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

5. RETIREMENT SYSTEMS

The Village's full-time law enforcement officers belong to the Police & Fireman's Disability & Pension Funds (PFDPF). Part-time law enforcement officers belong to the Public Employees Retirement System of Ohio (PERS). Other full-time employees also belong to PERS. PFDPF and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 1999 and 1998, members of PFDPF contributed 10% of their wages to the PFDPF. The Village contributed an amount equal to 19.5% of their wages. PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 1999.

6. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles
- Errors and omissions
- Law Enforcement liability

The also provides health insurance and dental and vision coverage to full-time employees through a private carrier.

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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

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

To the Village Council:

We have audited the financial statements of Village of South Russell, Geauga County, Ohio, (the Village) as of and for the years ended December 31, 1999 and December 31, 1998, and have issued our report thereon dated March 8, 2000. We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated March 8, 2000.

Village of South Russell
Geauga County
Report on Compliance and on Internal
Control Required by *Government Auditing Standards*
Page 2

This report is intended for the information and use of the audit committee, management, and the Council, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

March 8, 2000



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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VILLAGE OF SOUTH RUSSELL

GEAUGA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 28, 2000**