



**RUSSELL TOWNSHIP
GEAUGA COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2001 & 2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

RUSSELL TOWNSHIP
GEAUGA COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

Russell Township
Geauga County
8501 Kinsman Road
P.O. Box 522
Novelty, Ohio 44072

To the Board of Trustees:

We have audited the accompanying financial statements of Russell Township, Geauga County, Ohio, (the Township) as of and for the years ended December 31, 2001 and December 31, 2000. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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 Township 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 Russell Township, Geauga County, Ohio, as of December 31, 2001 and December 31, 2000, 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 February 14, 2002 on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

This report is intended solely for the information and use of the audit committee, management, the Board of Trustees 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

February 14, 2002

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**RUSSELL TOWNSHIP
GEAUGA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
Cash Receipts:				
Local Taxes	\$159,984	\$1,863,615	\$0	\$2,023,599
Intergovernmental	557,835	300,503	0	858,338
Licenses, Permits, and Fees	26,000	11,100	0	37,100
Fines, Forfeitures, and Penalties	11,014	750	0	11,764
Earnings on Investments	163,214	2,841	0	166,055
Other Revenue	<u>28,762</u>	<u>30,968</u>	<u>0</u>	<u>59,730</u>
 Total Cash Receipts	 <u>946,809</u>	 <u>2,209,777</u>	 <u>0</u>	 <u>3,156,586</u>
Cash Disbursements:				
Current:				
General Government	434,206	6,815	0	441,021
Public Safety	1,646	1,136,368	0	1,138,014
Public Works	5,238	760,101	0	765,339
Health	5,969	8,496	0	14,465
Debt Service:				
Redemption of Principal	0	0	227,902	227,902
Interest and Fiscal Charges	0	0	1,764	1,764
Capital Outlay	<u>27,494</u>	<u>269,117</u>	<u>0</u>	<u>296,611</u>
 Total Cash Disbursements	 <u>474,553</u>	 <u>2,180,897</u>	 <u>229,666</u>	 <u>2,885,116</u>
 Total Receipts Over/(Under) Disbursements	 <u>472,256</u>	 <u>28,880</u>	 <u>(229,666)</u>	 <u>271,470</u>
Other Financing Receipts/(Disbursements):				
Sale of Fixed Assets	0	14,750	0	14,750
Other Sources	<u>3,452</u>	<u>18,078</u>	<u>0</u>	<u>21,530</u>
 Total Other Financing Receipts/(Disbursements)	 <u>3,452</u>	 <u>32,828</u>	 <u>0</u>	 <u>36,280</u>
 Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	 <u>475,708</u>	 <u>61,708</u>	 <u>(229,666)</u>	 <u>307,750</u>
 Fund Cash Balances, January 1, 2001	 <u>1,585,882</u>	 <u>1,669,478</u>	 <u>470,896</u>	 <u>3,726,256</u>
 Fund Cash Balances, December 31, 2001	 <u>\$2,061,590</u>	 <u>\$1,731,186</u>	 <u>\$241,230</u>	 <u>\$4,034,006</u>
 Reserve for Encumbrances, December 31, 2001	 <u>\$12,125</u>	 <u>\$98,557</u>	 <u>\$0</u>	 <u>\$110,682</u>

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

**RUSSELL TOWNSHIP
GEAUGA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash Receipts:					
Local Taxes	\$136,528	\$1,830,205	\$0	\$0	\$1,966,733
Intergovernmental	517,337	297,472	0	75,000	889,809
Licenses, Permits, and Fees	24,469	12,250	0	0	36,719
Fines, Forfeitures, and Penalties	13,352	375	0	0	13,727
Earnings on Investments	234,284	4,565	0	0	238,849
Other Revenue	55,923	35,520	0	0	91,443
Total Cash Receipts	981,893	2,180,387	0	75,000	3,237,280
Cash Disbursements:					
Current:					
General Government	364,654	7,229	0	0	371,883
Public Safety	887	1,078,576	0	0	1,079,463
Public Works	5,452	848,083	0	0	853,535
Health	44,549	8,655	0	0	53,204
Debt Service:					
Redemption of Principal	0	0	130,817	0	130,817
Interest and Fiscal Charges	0	0	2,287	0	2,287
Capital Outlay	47,120	174,090	0	75,000	296,210
Total Cash Disbursements	462,662	2,116,633	133,104	75,000	2,787,399
Total Receipts Over/(Under) Disbursements	519,231	63,754	(133,104)	0	449,881
Other Financing Receipts/(Disbursements):					
Other Sources	78	0	0	0	78
Total Other Financing Receipts/(Disbursements)	78	0	0	0	78
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	519,309	63,754	(133,104)	0	449,959
Fund Cash Balances, January 1, 2000	1,066,573	1,605,724	604,000	0	3,276,297
Fund Cash Balances, December 31, 2000	\$1,585,882	\$1,669,478	\$470,896	\$0	\$3,726,256
Reserve for Encumbrances, December 31, 2000	\$55,165	\$92,868	\$0	\$0	\$148,033

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

**RUSSELL TOWNSHIP
GEAUGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Russell Township, Geauga County, (the Township) 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 Township is directed by a publicly-elected three-member Board of Trustees. The Township provides road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services.

The Township's management believes these financial statements present all activities for which the Township 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

Investments are included in fund cash balances. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

The Certificates of Deposit and Repurchase Agreements are valued at cost. The investment in STAR Ohio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer.

D. Fund Accounting

The Township uses fund accounting to segregate cash and investments that are restricted as to use. The Township 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 Township had the following significant Special Revenue Funds:

Road and Bridge Fund - This fund receives property tax money for constructing, maintaining and repairing Township roads and bridges.

**RUSSELL TOWNSHIP
GEAUGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

Police District Fund - This fund receives property tax money to provide police protection to the Township residents.

Fire District Fund - This fund receives property tax money to provide fire protection to the Township residents.

Road District Fund - This fund receives property tax money voted on by the citizens for constructing, maintaining and repairing Township roads.

3. Debt Service Funds

The debt service fund is used to accumulate resources for the payment of bonds and note indebtedness. This fund receives transfers and property tax money for the retirement of debt.

4. Capital Projects Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects. The Township had the following significant Capital Projects Fund:

Issue II Fund - The Township received a grant from the State of Ohio to resurface Pekin Road.

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, function or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees 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.

**RUSSELL TOWNSHIP
GEAUGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

3. Encumbrances

The Ohio Revised Code requires the Township 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 2001 and 2000 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. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Township's basis of accounting.

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Township maintains a cash and investment 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:

	2001	2000
Demand deposits	(\$26,492)	(\$6,294)
Total deposits	(26,492)	(6,294)
STAR Ohio	3,916,930	3,500,310
Repurchase agreement	143,568	232,240
Total investments	4,060,498	3,732,550
Total deposits and investments	\$4,034,006	\$3,726,256

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

Investments: The Township's agent holds securities collateralizing repurchase agreements. The securities are not in the Township's name. Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

**RUSSELL TOWNSHIP
GEAUGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2000 and December 31, 2001 follows:

2001 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$457,146	\$950,261	\$493,115
Special Revenue	2,141,600	2,242,605	101,005
Total	<u>\$2,598,746</u>	<u>\$3,192,866</u>	<u>\$594,120</u>

2001 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,987,862	\$474,553	\$1,513,309
Special Revenue	3,712,638	2,180,897	1,531,741
Debt Service	470,896	229,666	241,230
Total	<u>\$6,171,396</u>	<u>\$2,885,116</u>	<u>\$3,286,280</u>

2000 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$425,468	\$981,971	\$556,503
Special Revenue	2,102,400	2,180,387	77,987
Capital Projects	75,000	75,000	0
Total	<u>\$2,602,868</u>	<u>\$3,237,358</u>	<u>\$634,490</u>

2000 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,446,189	\$462,662	\$983,527
Special Revenue	3,652,738	2,116,633	1,536,105
Debt Service	604,000	133,104	470,896
Capital Projects	75,000	75,000	0
Total	<u>\$5,777,927</u>	<u>\$2,787,399</u>	<u>\$2,990,528</u>

**RUSSELL TOWNSHIP
GEAUGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the Board of Trustees. 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 Township.

Tangible personal property tax is assessed by the property owners, who must file a list of such property with 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 Township.

5. DEBT

In 1999 the Township purchased three parcels of land through private sales.

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

<u>Year ending December 31:</u>	<u>Arslanian Land Purchase</u>	<u>Hester Land Purchase</u>	<u>Russell School Land Purchase</u>
2002	\$11,000	\$26,667	\$192,000
2003	<u>11,000</u>	<u>0</u>	<u>0</u>
Total	<u><u>\$22,000</u></u>	<u><u>\$26,667</u></u>	<u><u>\$192,000</u></u>

6. RETIREMENT SYSTEMS

The Public Employees Retirement System (PERS) of Ohio is a cost-sharing, multiple-employer plan. This plan provides 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 2001 and 2000, members of PERS contributed 8.5% of their gross salaries for regular employees and 10.1% in 2001 and 9% in 2000 for law enforcement employees. The Township contributed an amount equal to 13.55% of regular participants' gross salaries and 16.7% of the law enforcement participants' gross salaries. PERS temporarily reduced the employer contribution rate to 8.13%, effective July 1, 2000. The Township has paid all contributions required through December 31, 2001.

**RUSSELL TOWNSHIP
GEAUGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

7. RISK MANAGEMENT

Commercial Insurance

The Township has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Commercial automobile insurance
- Public officials liability
- Law Enforcement liability

8. SUBSEQUENT EVENTS

The Township issued \$2.5 million in tax anticipation notes in January 2002 for the purpose of building a new fire department.



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OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

Russell Township
Geauga County
8501 Kinsman Road
PO Box 522
Novelty, Ohio 44072

To the Board of Trustees:

We have audited the accompanying financial statements of Russell Township, Geauga County, Ohio, (the Township) as of and for the years ended December 31, 2001 and December 31, 2000, and have issued our report thereon dated February 14, 2002. We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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 Township'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 the 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 Township'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.

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

Jim Petro
Auditor of State

February 14, 2002



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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RUSSELL TOWNSHIP

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 5, 2002**