



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

VILLAGE OF RUSSIA
SHELBY COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

Village of Russia
Shelby County
232 West Main Street
Russia, Ohio 45363

To the Village Council:

We have audited the accompanying financial statements of the Village of Russia (the Village) as of and for the years ended December 31, 2001 and December 31, 2000. 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 audit.

We conducted our audit 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 audit 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 audit provides 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 accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village 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 August 27, 2002 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. 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 audit.

This report is intended solely for the information and use of the audit committee, management, Village 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.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a long horizontal stroke extending to the right.

Jim Petro
Auditor of State

August 27, 2002

VILLAGE OF RUSSIA
SHELBY COUNTY

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

	Governmental Fund Types				Fiduciary Fund	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Cash Receipts:						
Property Tax and Other Local Taxes	\$82,320			\$205,155	\$66,538	\$354,013
Special Assessments		13,224	16,167			29,391
Intergovernmental Receipts	39,221	18,439		505,000		562,660
Fines, Licenses, and Permits	665					665
Earnings on Investments	2,545	3,003				5,548
Miscellaneous	3,180			5,975		9,155
Total Cash Receipts	<u>127,931</u>	<u>34,666</u>	<u>16,167</u>	<u>716,130</u>	<u>66,538</u>	<u>961,432</u>
Cash Disbursements:						
Current:						
Security of Persons and Property	24,883	6,407				31,290
Public Health Services	2,964					2,964
Leisure Time Activities	32,633					32,633
Transportation		66,424				66,424
Community Environment	1,586					1,586
Basic Utility Services	3,818					3,818
General Government	76,495				23,223	99,718
Debt Service:						
Debt Payments			18,439	105,140	40,575	164,154
Capital Outlay				571,206		571,206
Total Cash Disbursements	<u>142,379</u>	<u>72,831</u>	<u>18,439</u>	<u>676,346</u>	<u>63,798</u>	<u>973,793</u>
Total Receipts Over/(Under) Disbursements	(14,448)	(38,165)	(2,272)	39,784	2,740	(12,361)
Other Financing Receipts and (Disbursements):						
Other Uses			(770)			(770)
Excess of Cash Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(14,448)	(38,165)	(3,042)	39,784	2,740	(13,131)
Fund Cash Balances, January 1	<u>48,586</u>	<u>47,592</u>	<u>8,399</u>	<u>147,588</u>	<u>(10,327)</u>	<u>241,838</u>
Fund Cash Balances, December 31	<u>\$34,138</u>	<u>\$9,427</u>	<u>\$5,357</u>	<u>\$187,372</u>	<u>(\$7,587)</u>	<u>\$228,707</u>

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

**VILLAGE OF RUSSIA
SHELBY COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE AND SIMILAR FIDUCIARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2001**

	Proprietary Fund Type	Fiduciary Fund	Totals (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts:			
Charges for Services	\$112,007		\$112,007
Miscellaneous	608		608
	<u>112,615</u>		<u>112,615</u>
Total Operating Cash Receipts	<u>112,615</u>		<u>112,615</u>
Operating Cash Disbursements:			
Personal Services	26,584		26,584
Contractual Services	7,460		7,460
Supplies and Materials	18,821		18,821
Capital Outlay	8,136		8,136
	<u>61,001</u>		<u>61,001</u>
Total Operating Cash Disbursements	<u>61,001</u>		<u>61,001</u>
Operating Income	<u>51,614</u>		<u>51,614</u>
Non-Operating Cash Receipts:			
Other Non-Operating Receipts		525	525
Non-Operating Cash Disbursements:			
Debt Service			0
Other Non-Operating Cash Disbursements		705	705
		<u>705</u>	<u>705</u>
Total Non-Operating Cash Disbursements		<u>705</u>	<u>705</u>
Net Receipts Over/(Under) Disbursements	51,614	(180)	51,434
Fund Cash Balances, January 1	<u>90,933</u>	180	<u>91,113</u>
Fund Cash Balances, December 31	<u><u>\$142,547</u></u>	<u><u>\$0</u></u>	<u><u>\$142,547</u></u>

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

VILLAGE OF RUSSIA
SHELBY COUNTY

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

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Cash Receipts:						
Property Tax and Other Local Taxes	\$99,749			\$275,790	\$61,284	\$436,823
Special Assessments		41,552	16,222			57,774
Intergovernmental Receipts	70,660	25,147		700,002		795,809
Fines, Licenses, and Permits	2,836					2,836
Earnings on Investments	9,356	5,745				15,101
Miscellaneous	8,148			2,484		10,632
Total Cash Receipts	190,749	72,444	16,222	978,276	61,284	1,318,975
Cash Disbursements:						
Current:						
Security of Persons and Property	39,219	6,406				45,625
Public Health Services	2,515					2,515
Leisure Time Activities	31,356					31,356
Community Environment	6,349					6,349
Basic Utility Services	3,510					3,510
General Government	160,376				12,221	172,597
Transportation		33,873				33,873
Debt Service:						
Debt Payments		4,931	14,231		81,150	100,312
Capital Outlay				1,157,174		1,157,174
Total Cash Disbursements	243,325	45,210	14,231	1,157,174	93,371	1,553,311
Total Receipts Over/(Under) Disbursements	(52,576)	27,234	1,991	(178,898)	(32,087)	(234,336)
Other Financing Receipts and (Disbursements):						
Proceeds from Loan				100,000		100,000
Other Uses			(771)			(771)
Advances-In				128,519	11,000	139,519
Advances-Out				(128,519)	(11,000)	(139,519)
Total Other Financing Receipts/(Disbursements)			(771)	100,000		99,229
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(52,576)	27,234	1,220	(78,898)	(32,087)	(135,107)
Fund Cash Balances, January 1	101,162	20,358	7,179	226,486	21,760	376,945
Fund Cash Balances, December 31	\$48,586	\$47,592	\$8,399	\$147,588	(\$10,327)	\$241,838

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

**VILLAGE OF RUSSIA
SHELBY COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES -
PROPRIETARY FUND TYPE AND SIMILAR FIDUCIARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$110,754		\$110,754
Miscellaneous	674		674
	<u>111,428</u>		<u>111,428</u>
Operating Cash Disbursements:			
Personal Services	19,141		19,141
Contractual Services	35,872		35,872
Capital Outlay	224,323		224,323
Travel Transportation	2,372		2,372
	<u>281,708</u>		<u>281,708</u>
Operating (Loss)	<u>(170,280)</u>		<u>(170,280)</u>
Non-Operating Cash Receipts:			
Other Non-Operating Receipts		1,575	1,575
Non-Operating Cash Disbursements:			
Other Non-Operating Cash Disbursements		1,395	1,395
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	(170,280)	180	(170,100)
Advances-In	117,519		117,519
Advances-Out	<u>(117,519)</u>		<u>(117,519)</u>
Net Receipts Over/(Under) Disbursements	(170,280)	180	(170,100)
Fund Cash Balances, January 1	<u>261,213</u>		<u>261,213</u>
Fund Cash Balances, December 31	<u><u>\$90,933</u></u>	<u><u>\$180</u></u>	<u><u>\$91,113</u></u>

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

**VILLAGE OF RUSSIA
SHELBY COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Russia, Shelby 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. The Village provides general governmental services including sewer utilities, park operations, and police 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 Village maintains an interest bearing checking account, which is valued at cost.

D. Fund Accounting

The Village uses fund accounting to segregate cash that is 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 Fund

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 Fund:

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

**VILLAGE OF RUSSIA
SHELBY COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Debt Service Fund

These funds are used to accumulate resources for the payment of bonds and note indebtedness. The Village had the following significant Debt Service Funds:

West Main Street Special Assessment Fund - This fund receives special assessment monies to be used to pay West Main Street debt.

East Main Street Special Assessment Fund - This fund receives special assessment monies to be used to pay East Main Street debt.

North Street Special Assessment Fund - This fund receives special assessment monies to be used to pay North Street debt.

4. Capital Project Funds

These funds 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:

Capital Improvement Fund - This fund receives income tax revenues for Village capital improvements.

5. Enterprise Funds

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

Sewer Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

6. Fiduciary Funds (Trust and Agency Funds)

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. Other trust funds are classified as expendable. Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant fiduciary funds:

Income Tax Fund – This expendable trust fund receives the proceeds of the Village income tax levied against village residents.

Mayor's Court Fund (Agency Fund) – This fund records the activity of the Village Mayor's Court transactions.

VILLAGE OF RUSSIA
SHELBY COUNTY

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, program 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. Appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must also approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. The Village did not use the encumbrance method of accounting.

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 Village's basis of accounting.

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:

	2001	2000
Demand deposits	<u>\$371,254</u>	<u>\$332,951</u>

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

**VILLAGE OF RUSSIA
SHELBY COUNTY**

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

3. BUDGETARY ACTIVITY

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

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$182,410	\$127,931	(\$54,479)
Special Revenue	35,286	34,666	(620)
Debt Service	17,023	16,167	(856)
Capital Projects	748,550	716,130	(32,420)
Enterprise	111,443	112,615	1,172
Fiduciary	85,000	66,538	(18,462)
Total	\$1,179,712	\$1,074,047	(\$105,665)

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$230,384	\$142,379	\$88,005
Special Revenue	77,497	72,831	4,666
Debt Service	25,064	19,209	5,855
Capital Projects	767,231	676,346	90,885
Enterprise	314,175	61,001	253,174
Fiduciary	85,025	63,798	21,227
Total	\$1,499,376	\$1,035,564	\$463,812

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$198,733	\$190,749	(\$7,984)
Special Revenue	72,580	72,444	(136)
Debt Service	18,042	16,222	(1,820)
Capital Projects	1,047,995	1,078,276	30,281
Enterprise	111,265	111,428	163
Fiduciary	93,998	61,284	(32,714)
Total	\$1,542,613	\$1,530,403	(\$12,210)

**VILLAGE OF RUSSIA
SHELBY COUNTY**

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

3. BUDGETARY ACTIVITY (Continued)

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$260,781	\$243,325	\$17,456
Special Revenue	80,028	45,210	34,818
Debt Service	23,984	15,002	8,982
Capital Projects	1,453,777	1,157,174	296,603
Enterprise	311,213	281,708	29,505
Fiduciary	101,062	93,371	7,691
Total	\$2,230,845	\$1,835,790	\$395,055

The Village did not obtain the required certification prior to the expenditure of funds in violation of Ohio Rev. Code Section 5705.41 (D).

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by 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 payments, 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. LOCAL INCOME TAX

The Village levies a municipal income tax of 1% percent 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's third party administrator quarterly, as required.

**VILLAGE OF RUSSIA
SHELBY COUNTY**

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

6. DEBT

Debt outstanding at December 31, 2001 was as follows:

	Principal	Interest Rate
North Street Bonds	\$25,117	8.75%
West Main Street Bonds	4,297	7.75%
East Main Street Bonds	21,828	6.75%
Ohio Public Works Commission	12,621	0%
Ohio Water Development Authority	759,281	7.21%
Total	\$823,144	

The North Street, West Main Street and East Main Street Bonds were issued to pay for road improvements and the loan principal is repaid in annual installments of \$2,791, \$4,297 and \$7,276 respectively with interest being paid bi-annually. Ohio Public Works Commission and Ohio Water Development Authority were issued to pay for sewer improvement within the Village and the loan principal is repaid in bi-annual installments of \$485 and \$40,090 respectively.

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

	OPWC	OWDA	North Street Bonds	West Main Street Bonds	East Main Street Bonds
Year ending December 31:					
2002	\$970	\$80,180	\$4,989	\$4,630	\$8,749
2003	970	80,180	4,744		8,258
2004	970	80,180	4,500		7,767
2005	970	80,180	4,256		
2006	970	80,180	4,012		
2007-2011	4,850	400,900	13,605		
2012-2016	2,921	400,900			
2017-2021	0	120,270			
Total	\$12,621	\$1,322,970	\$36,106	\$4,630	\$24,774

7. RETIREMENT SYSTEMS

The Village's officials and employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. The 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, PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2001 and from January 1, 2000 through June 30, 2000. PERS temporarily reduced the employer contribution rate to 8.13%, effective July 1, 2000 through December 31, 2000. The Village has paid all contributions required through December 31, 2001.

**VILLAGE OF RUSSIA
SHELBY COUNTY**

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

8. RISK MANAGEMENT

The Village has obtained commercial insurance from a private carrier for the following risks:

- Commercial Property Coverage
- Commercial General Liability Coverage
- Law Enforcement Liability
- Public Officials Liability
- Commercial Umbrella Liability
- Commercial Auto Coverages.

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**STATE OF OHIO
OFFICE OF THE AUDITOR**

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

Village of Russia
Shelby County
232 West Main Street
Russia, Ohio 45363

To the Village Council:

We have audited the accompanying financial statements of the Village of Russia (the Village) as of and for the years ended December 31, 2001 and December 31, 2000, and have issued our report thereon dated August 27, 2002. We conducted our audit 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 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 the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2001-30375-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated August 27, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, 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. However, we noted a matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 2001-30375-002.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses.

**Internal Control Over Financial Reporting
(Continued)**

However, we do not believe the reportable condition described above is a material weakness. We also 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 August 27, 2002.

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

A handwritten signature in black ink, appearing to read "Jim Petro", with a stylized flourish at the end.

Jim Petro
Auditor of State

August 27, 2002

**VILLAGE OF RUSSIA
SHELBY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000**

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

FINDING NUMBER 2001-30375-001

Ohio Rev. Code Section 5705.41(D) states that no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

This Section also provides an exception to this requirement:

If no certificate is issued at the time the contract or order is entered into, the fiscal officer may later certify that there were funds properly appropriated and in the treasury or in the process of collection and such funds are free from previous encumbrance both at the time the contract or order was entered into and at the time of payment. After certifying this, the fiscal officer may proceed to pay for such order or contract. If the amount involved is over \$1,000, the taxing authority must approve of such payment within thirty days of the date of the fiscal officer's certification.

The Village did not obtain the required certification prior to the expenditure of Village funds and did not fulfill the requirements of the exception for 100% of expenditures for 2001 and 2000.

The Village should implement policies and procedures to comply with the certification requirement.

We also reported this matter in our audit of the 1998 and 1999 financial statements.

FINDING NUMBER 2001-30375-002

The Village has delegated income tax receipting and processing, which is a significant accounting function, to a third-party administrator. The Village has not established procedures to determine whether the service organization has sufficient controls in place and operating effectively to reduce the risk that income tax receipts have been completely and accurately processed in accordance with the contract.

We recommend the Village implement procedures to assure the completeness and accuracy of income tax receipts processed by its third-party administrator. Statement on Auditing Standards SAS No. 70 as amended, prescribes standards for reporting on the processing (i.e. control design and operation) of transactions by service organizations. An unqualified Tier II "Report on Policies and Procedures Placed in Operation and Tests of Operating Effectiveness" in accordance with SAS No. 70, should provide the Village with an appropriate level of assurance that income tax receipts are being processed in conformance with the contract.

We recommend the Village specify in their contract with the third-party administrator that an annual Tier II SAS 70 audit report be performed. The Village should be provided a copy of the SAS 70 report timely and should review the report's content. A SAS 70 audit report should be conducted in accordance with American Institute of Certified Public Accountants' (AICPA) standards by a firm registered and considered in "good standing" with the Accountancy Board of the respective State. If the third-party administrator refuses to provide you with a Tier II SAS 70 report, we recommend you only contract with a third-party administrator that will provide such a report.

**VILLAGE OF RUSSIA
SHELBY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2001 AND DECEMBER 31, 2000**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
1999-30375-001	Revised Code Section 5705.41(D), failure to certify funds	NO	Reissued in current report.
1999-30375-002	Revised Code Section 733.28 clerk shall exhibit accurate statements of all moneys received and expended.	YES	



STATE OF OHIO
OFFICE OF THE AUDITOR

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VILLAGE OF RUSSIA

SHELBY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 24, 2002**