



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

VILLAGE OF RUTLAND
MEIGS COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

Village of Rutland
Meigs County
P.O. Box 420
Main Street
Rutland, Ohio 45775

To the Village Council:

We have audited the accompanying financial statements of the Village of Rutland, Meigs County, Ohio (the Village), as of and for the years ended December 31, 2001 and 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.

The accompanying financial statements for the year ended December 31, 2000 present receipts and disbursements by the combined fund type totals only. Ohio Administrative Code Section 117-2-02 (A) requires governments to classify receipt and disbursement transactions.

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, except for the omission of receipt and disbursement classifications for the year ended December 31, 2000, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Rutland, Meigs County, as of December 31, 2001 and its combined cash receipts and disbursements for the year then ended; and the fund cash balance of the Village of Rutland, Meigs County, as of December 31, 2000, and its unclassified cash receipts and unclassified cash disbursements for the year then ended; on the basis of accounting described in Note 1.

As discussed in Note 8, the Village had accumulated cash deficits in the Street, Water and Sewer Funds at December 31, 2001.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 11, 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 management, the 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

June 11, 2002

**VILLAGE OF RUTLAND
MEIGS 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>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$13,006	\$	\$13,006
State Shared Taxes and Permits	33,773		33,773
Intergovernmental Receipts		21,821	21,821
Charges for Services	436		436
Fines, Licenses, and Permits	22,019		22,019
Miscellaneous	9,859		9,859
	<u>79,093</u>	<u>21,821</u>	<u>100,914</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
Security of Persons and Property	35,657	2,293	37,950
Leisure Time Activities	1,862		1,862
Transportation		23,978	23,978
General Government	61,667		61,667
	<u>99,186</u>	<u>26,271</u>	<u>125,457</u>
Total Cash Disbursements			
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(20,093)</u>	<u>(4,450)</u>	<u>(24,543)</u>
Other Financing Receipts/(Disbursements):			
Proceeds of Notes	14,259		14,259
Sale of Fixed Assets	940		940
	<u>15,199</u>	<u>0</u>	<u>15,199</u>
Total Other Financing Receipts/(Disbursements)			
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>(4,894)</u>	<u>(4,450)</u>	<u>(9,344)</u>
Fund Cash Balances, January 1	<u>20,871</u>	<u>(1,069)</u>	<u>19,802</u>
Fund Cash Balances, December 31	<u><u>\$15,977</u></u>	<u><u>(\$5,519)</u></u>	<u><u>\$10,458</u></u>

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

**VILLAGE OF RUTLAND
MEIGS COUNTY**

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

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts:			
Charges for Services	\$162,418	\$	\$162,418
Miscellaneous	4,227		4,227
Total Operating Cash Receipts	166,645	0	166,645
Operating Cash Disbursements:			
Personal Services	54,619		54,619
Travel Transportation	5,374		5,374
Contractual Services	33,848		33,848
Supplies and Materials	53,133		53,133
Total Operating Cash Disbursements	146,974	0	146,974
Operating Income/(Loss)	19,671	0	19,671
Non-Operating Cash Receipts:			
Intergovernmental Receipts	29,287		29,287
Other Non-Operating Receipts		20,014	20,014
Total Non-Operating Cash Receipts	29,287	20,014	49,301
Non-Operating Cash Disbursements:			
Debt Service	25,927		25,927
Other Non-Operating Cash Disbursements	2,910	18,328	21,238
Total Non-Operating Cash Disbursements	28,837	18,328	47,165
Net Receipts Over/(Under) Disbursements	20,121	1,686	21,807
Fund Cash Balances, January 1	84,063	(143)	83,920
Fund Cash Balances, December 31	\$104,184	\$1,543	\$105,727

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

**VILLAGE OF RUTLAND
MEIGS COUNTY**

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

	Balance January 1	Receipts	Disbursements	Balance December 31
Funds:				
General Fund	\$13,482	\$121,575	\$114,186	\$20,871
Special Revenue Funds:				
Street Construction, Maintenance and Repair	2,345	17,337	24,512	(4,830)
State Highway Improvement	1,868	1,406	0	3,274
Law Enforcement	487	0	0	487
FEMA	4,674	0	4,674	0
Total Special Revenue Funds	9,374	18,743	29,186	(1,069)
Enterprise Funds:				
Water	3,303	61,238	71,137	(6,596)
Sewer	8,921	48,115	64,559	(7,523)
Sewer Debt	52,643	49,560	51,853	50,350
Utility Deposit	17,163	6,998	546	23,615
Sewer Replacement	24,056	161	0	24,217
Total Enterprise Funds	106,086	166,072	188,095	84,063
Agency Funds:				
Mayor's Court	1,535	14,923	16,601	(143)
Total Agency Funds	1,535	14,923	16,601	(143)
Total All Funds	\$130,477	\$321,313	\$348,068	\$103,722

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

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**VILLAGE OF RUTLAND
MEIGS 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 Rutland, Meigs 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 water and sewer utilities, maintenance of Village roads and police and fire protections.

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).

The Village did not classify its receipts or disbursements in the accompanying financial statements for the year ended December 31, 2000. This is a material departure from the requirements of Ohio Administrative Code Section 117-02-02(A) (effective July 1, 2000) and Ohio Administrative Code Section 117-5-11 (effective through June 30, 2000). These Ohio Administrative Code Sections require classifying receipts and disbursements.

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

C. Cash and Investments

Certificates of deposit are 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 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:

**VILLAGE OF RUTLAND
MEIGS 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)

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

State Highway Improvement Fund- This fund received gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village streets.

FEMA Fund - This fund received federal monies for repairs of flood damage. This fund was closed out in 2000.

3. 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 Funds:

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

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

Sewer Debt Service Fund – This fund received a portion of the charges for services from residents to cover the debt payments of the water and sewer plants.

4. Fiduciary Fund (Agency Fund)

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

Mayor's Court Fund – This fund received fine money from fines and forfeitures of individuals who are cited to appear in court for violating Village laws and regulations. This fund was classified as an Agency Fund.

**VILLAGE OF RUTLAND
MEIGS 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 level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. 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.

2. EQUITY IN POOLED CASH

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

	2001	2000
Demand deposits	\$36,974	\$28,016
Certificates of deposit	79,211	75,706
Total deposits	\$116,185	\$103,722

Deposits: Deposits are either (1) insured by the Federal Deposit Insurance Corporation, or (2) collateralized by the financial institution's public entity deposit pool.

**VILLAGE OF RUTLAND
MEIGS 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	\$58,276	\$94,292	\$36,016
Special Revenue	18,800	21,821	3,021
Enterprise	166,002	195,932	29,930
Total	<u>\$243,078</u>	<u>\$312,045</u>	<u>\$68,967</u>

2001 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Actual Disbursements	Variance
General	\$74,000	\$99,186	(\$25,186)
Special Revenue	23,500	26,271	(2,771)
Enterprise	167,900	175,811	(7,911)
Total	<u>\$265,400</u>	<u>\$301,268</u>	<u>(\$35,868)</u>

2000 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$51,089	\$121,575	\$70,486
Special Revenue	24,900	18,743	(6,157)
Enterprise	181,650	166,072	(15,578)
Total	<u>\$257,639</u>	<u>\$306,390</u>	<u>\$48,751</u>

2000 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Actual Disbursements	Variance
General	\$63,500	\$114,186	(\$50,686)
Special Revenue	30,904	29,186	1,718
Enterprise	199,000	188,095	10,905
Total	<u>\$293,404</u>	<u>\$331,467</u>	<u>(\$38,063)</u>

**VILLAGE OF RUTLAND
MEIGS COUNTY**

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

3. BUDGETARY ACTIVITY (Continued)

Contrary to Ohio Law, during 2000, expenditures exceeded appropriations in the General Fund by \$50,686; the Sewer Fund by \$559; the FEMA Fund by \$270 and the Sewer Debt Fund by \$3,853. During 2001, expenditures exceeded appropriations in the General Fund by \$25,186; the Street Fund by \$1,978; the Law Enforcement Fund by \$470; the Sewer Fund by \$30,076 and the Utility Deposit Fund by \$510.

Contrary to Ohio Law, during 2000, actual receipts exceeded estimated receipts by \$70,486 in the General Fund. During 2001, actual receipts exceeded estimated receipts by \$36,016 in the General Fund, \$30,658 in the Sewer Fund, and \$1,501 in the Utility Deposit Fund. The excess receipts were not appropriated but were expended. Also, during 2000, appropriations exceeded actual receipts plus the beginning balance in the Street Fund by \$4,818, the Water Fund by \$8,459, and the Sewer Fund by \$6,964. During 2001, appropriations exceeded actual receipts plus the beginning balance in the Street Fund by \$6,389 and the Water Fund by \$11,428.

Contrary to Ohio Law, the following funds had negative ending balances at December 31, 2000: the Street Fund (\$4,830), the Water Fund (\$6,596), and the Sewer Fund (\$7,523). At December 31, 2001, the following funds had negative ending balances: the Street Fund (\$8,367), the Water Fund (\$9,325), and the Sewer Fund (\$9,441).

Contrary to Ohio Law, appropriations exceeded estimated revenue in 2001 in the Street Fund by \$8,829, the Water Fund by \$11,097, and the Sewer Fund by \$10,023.

5. 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 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.

**VILLAGE OF RUTLAND
MEIGS COUNTY**

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

5. DEBT

Debt outstanding at December 31, 2001 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan #0996	\$429,342	7.50%
Ohio Water Development Authority Loan #996-C	2,417	7.00%
Ohio Water Development Authority Loan #5032	40,869	6.02%
Insurance Loan	7,177	7.00%
Total	<u>\$479,805</u>	

The Ohio Water Development Authority (OWDA) loans relate to a water plant improvement. The OWDA approved a \$523,533 loan, a \$2,881 loan and a \$52,928 loan for this project. These loans will be repaid in semiannual installments of \$23,483, \$132 and \$2,311.

The insurance loan was obtained to pay for insurance coverage. The Village approved a \$7,759 loan. This loan will be repaid in semiannual installments.

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

	<u>OWDA Loan #0996</u>	<u>OWDA Loan #996-C</u>	<u>OWDA Loan #5032</u>	<u>Insurance Loan</u>
Year ending December 31:				
2002	\$46,967	\$264	\$4,622	\$7,327
2003	46,967	264	4,622	
2004	46,967	264	4,622	
2005	46,967	264	4,622	
2006	46,967	264	4,622	
2007-2011	234,833	1,322	23,110	
2012-2016	234,833	1,322	13,867	
2017-2021	46,967	264		
Total	<u>\$751,468</u>	<u>\$4,228</u>	<u>\$60,087</u>	<u>\$7,327</u>

6. RETIREMENT SYSTEMS

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

**VILLAGE OF RUTLAND
MEIGS COUNTY**

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

7. RISK MANAGEMENT

Risk Pool Membership

The Village belongs to the Public Entities Pool of Ohio ("PEP"), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty insurance for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Insurance

PEP retains casualty risks up to \$250,000 per claim. Claims exceeding \$250,000 are reinsured with APEEP up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000, from the General Reinsurance Corporation.

If losses exhaust PEP's retained earnings, APEEP covers PEP losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Insurance

PEP retains property risks, including automobile physical damage up to \$100,000 on any specific loss. The Travelers Indemnity Company reinsures specific losses exceeding \$100,000. The Travelers Indemnity Company also provides aggregate excess coverage for property including automobile physical damage subject to an annual stop loss. When the stop loss is reached in any year, The Travelers Indemnity Company provides coverage in excess of \$10,000.

The aforementioned casualty and property reinsurance agreements do not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

PEPs financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities, and retained earnings at December 31, 2000 and 1999 (the latest information available):

<u>Casualty Coverage</u>	<u>2000</u>	<u>1999</u>
Assets	\$ 17,112,129	\$ 15,295,389
Liabilities	<u>7,715,035</u>	<u>6,636,543</u>
Retained earnings	\$ <u>9,397,094</u>	\$ <u>8,658,846</u>

<u>Property Coverage</u>	<u>2000</u>	<u>1999</u>
Assets	\$ 1,575,614	\$ 1,118,222
Liabilities	<u>281,561</u>	<u>279,871</u>
Retained earnings	\$ <u>1,294,053</u>	\$ <u>838,351</u>

**VILLAGE OF RUTLAND
MEIGS COUNTY**

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

8. DEFICIT FUND BALANCES

At December 31, 2001 the Street Fund, Water Fund and Sewer Fund had negative fund balances of \$8,367, \$9,325, and \$9,441 respectively. As of June 11, 2002, the Village was unable to determine exact fund balances due to problems with their accounting system. However, the Village has estimated a General Fund balance of \$2,169 with little to no change in the negative fund balances stated above.

As of April 30, 2002, the Village had not established a plan to improve the Village's financial condition.



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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 Rutland
Meigs County
P.O. Box 420
Main Street
Rutland, Ohio 45775

To the Village Council:

We have audited the accompanying financial statements of the Village of Rutland, Meigs County, Ohio (the Village), as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated June 11, 2002, which was qualified since the Village did not classify receipts and disbursements in its financial statements for the year ended December 31, 2000. As discussed in Note 8, the Village had accumulated cash deficits in the Street, Water and Sewer Funds as of December 31, 2001. 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2001-30753-001 through 2001-30753-009. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated June 11, 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 certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. 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. Reportable conditions are described in the accompanying Schedule of Findings as items 2001-30753-001 through 2001-30753-006 and 2001-30753-008.

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. We believe reportable conditions 2001-30753-001 through 2001-30753-006 and 2001-30753-008 described above are material weaknesses. Also, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the management of the Village in a separate letter dated June 11, 2002.

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



Jim Petro
Auditor of State

June 11, 2002

VILLAGE OF RUTLAND
MEIGS 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 2001-30753-001

Noncompliance Citation/Material Weakness

Ohio Revised Code §5705.41(D) states that in part that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract 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 encumbrances.

The following exceptions to this basic requirement are provided by statute:

Then and Now Certificate: This exception provides that, if the fiscal officer can certify that both at the time that the contract or order was made and at the time that he is completing his certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

Amounts of less than \$1,000 may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

Of the items tested, 100% of obligations in 2000 and 2001 were incurred prior to the certificate date and no "Then and Now" certificate was obtained.

We recommend the Village Clerk certify the availability of funds prior to an obligation being made.

FINDING NUMBER 2001-30753-002

Noncompliance Citation/Material Weakness

Ohio Revised Code §5705.41(B) states that no subdivision or taxing unit is to expend money unless it has been appropriated.

During 2000, expenditures exceeded appropriations in the General Fund by \$50,686 (79%); the Sewer Fund by \$559 (.8%); the FEMA Fund by \$270 (6%), and the Sewer Debt Fund by \$3,853 (8%). During 2001, expenditures exceeded appropriations in the General Fund by \$25,186 (34%); the Street Fund by \$1,978 (8.9%); the Law Enforcement Fund by \$470 (100%); the Sewer Fund by \$30,076 (43%) and the Utility Deposit Fund by \$510 (21%). This could result in the Village spending money that is not available.

These deficits caused the Street Fund and Sewer Fund to have negative cash balances.

We recommend appropriations be amended in order to expend additional funds received and that the Village Council not approve expenditure of Village funds that are not supported by appropriations.

**VILLAGE OF RUTLAND
MEIGS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2001-30753-003

Noncompliance Citation/Material Weakness

Ohio Revised Code §5705.36 states that an increased amended certificate must be obtained from the budget commission if the legislative authority intends to appropriate and expend the excess revenue. A reduced amended certificate must be obtained if the amount of the deficiency will reduce available resources below the current level of appropriation.

During 2000, actual receipts exceeded estimated receipts by \$70,486 (140%) in the General Fund. During 2001, actual receipts exceeded estimated receipts by \$36,016 (61%) in the General Fund, \$30,658 (65%) in the Sewer Fund, and \$1,501 (75%) in the Utility Deposit Fund. The excess receipts were not appropriated, however, these additional receipts were expended. This could result in errors and/or irregularities occurring and remaining undetected for an extended period of time.

Also, during 2000, appropriations exceeded actual receipts plus the beginning balance in the Street Fund by \$4,818 (46%), the Water Fund by \$8,459 (13%), and the Sewer Fund by \$6,964 (12%). During 2001, appropriations exceeded actual receipts plus the beginning fund balance in the Street Fund by \$6,389 (41%), and the Water Fund by \$11,428 (20%). This result in monies being spent that are not available.

We recommend the Village monitor actual receipts/expenditures and compare them to budgeted amounts to determine if an increased or decreased amended certificates would be warranted and obtained.

FINDING NUMBER 2001-30753-004

Noncompliance Citation/Material Weakness

Ohio Revised Code §5705.10 states that money that is paid into a fund must be used only for the purpose for which such fund has been established. A negative fund balance indicates that money from one fund was used to cover the expenses of another fund.

During 2000, the following funds had negative ending balances: Street Fund (\$4,830), Water Fund (\$6,596), and Sewer Fund (\$7,523). During 2001, the following funds had negative ending balances: the Street Fund (\$8,367), the Water Fund (\$9,325), and the Sewer Fund (\$9,441).

We recommend the Clerk review fund balances carefully to ensure that expenses are only covered by monies from that particular fund.

FINDING NUMBER 2001-30753-005

Noncompliance Citation/Material Weakness

Ohio Revised Code §5705.39 states that the total appropriation from each fund should not exceed the total estimated revenue.

During 2001, appropriations exceeded estimated revenue in the Street Fund by \$8,829 (67%), the Water Fund by \$11,097 (19%), and the Sewer Fund by \$10,023 (25%). This could allow expenditures to be made for which money is not available.

We recommend the Village only appropriate an amount equal to or less than total estimated revenue.

**VILLAGE OF RUTLAND
MEIGS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2001-30753-006

Noncompliance Citation/Material Weakness

Ohio Rev. Code Section 733.28 requires the Village Clerk to maintain the books of the Village and exhibit accurate statements of all monies received and expended.

Ohio Admin. Code Section 117-2-02(A) * requires governments to maintain an accounting system and accounting records sufficient to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements. Per Ohio Admin. Code Section 117-2-02(C), accounting records that can help achieve these objectives include:

1. Cash journal, which typically includes the amount, date, receipt number, check number, account code, purchase order number, and any other information necessary to properly classify the transaction.
2. Receipts ledger, which typically assembles and classifies receipts into separate accounts for each type of receipt of each fund.
3. Appropriation ledger, which assembles and classifies disbursements into separate accounts, for at a minimum, each account listed in the appropriation resolution.

Ohio Admin. Code Section 117-9-01* provides suggested account classifications. These accounts classify receipts by source (taxes or charges for services, for example) and classify disbursements by program (security of persons and property, for example) or object (personal services, for example). Using these classifications and the aforementioned accounting records will provide the Village with information required to monitor compliance with the budget, and prepare annual reports in the format required by the Auditor of State.

The Village had five Clerks from January 1, 2000 to December 31, 2001 with the majority of the change occurring during 2000. These Clerks did not maintain a receipt ledger, appropriation ledger or cash journal. Although the Village did utilize Quick Books Pro to track the financial activity of the Village, the software was not set up for fund accounting and did not provide the Village with sufficient information to identify, assemble, analyze, etc., the financial condition of the Village.

Although the Village did not classify receipt and disbursement transactions during 2001 or 2000, they were able to manually prepare and present classified receipts and disbursements for the year ended December 31, 2001. The Village was unable to classify receipts by source or disbursements by purpose in its December 31, 2000 annual report, as per Ohio Rev. Code Section 117.38.

We recommend the Village maintain a receipt ledger, appropriations ledger and cash journal. Also, we recommend the Village utilize the Uniform Accounting Network, (UAN), system that is available at the Village to maintain such records.

*Prior to July 1, 2000, these requirements were included in Ohio Administrative Code Section 117-5.

**VILLAGE OF RUTLAND
MEIGS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2001-30753-007

Noncompliance Citation

Ohio Revised Code §117.38 states that cash-basis entities must file annual reports with the Auditor of State within 60 days of the fiscal year end. These reports must be filed on forms prescribed by the Auditor of State. Any public office which does not file the report by the required date shall pay a penalty of twenty-five dollars for each day the report remains unfilled, not to exceed seven hundred fifty dollars. The report shall contain the amount of: 1) receipts, and amounts due from each source; 2) expenditures for each purpose; 3) income of any public service industry that the entity owns or operates, as well as the costs of ownership or operation; and 4) public debt of each taxing district, the purpose of the debt, and how the debt will be repaid. Also, the public office must publish notice in a local newspaper stating the financial report is available for public inspection at the office of the chief fiscal officer.

The Village did not prepare or file an annual report for 2000. The Village's 2001 annual report was not filed by the required date and a notice of availability was not published. Also, there was no supporting schedules included in the report, such as budgetary schedules or debt schedules.

We recommend the Village prepare and file an annual report with the Auditor of State within 60 days of the fiscal year end. We also recommend the Village publish notice in the local newspaper stating the financial reports are available for public inspection. Further, we recommend the Village's annual report include all of the information required by Ohio Law.

FINDING NUMBER 2001-30753-008

Noncompliance Citation/Material Weakness

Ohio Rev. Code Section 149.43 states that "Record" for purposes of the public records law, means any document, device, or item, regardless of physical form or characteristic, created, received by, or coming under the jurisdiction of any public office which serves to document the organization, functions, policies, decisions, procedures, operations, or other activities of the public office. "Public record" means any record that is kept by any governmental unit, including, but not limited to, state, county, city, village, township, and school district units, except medical records, records pertaining to adoption, probation, and parole proceedings, trial preparation records, confidential law enforcement investigatory records, records pertaining to actions under Section 2151.85 Ohio Revised Code, records listed in Section 3107.42(A), Ohio Revised Code, and records the release of which is prohibited by state or federal law.

All public records shall be promptly prepared and made available to any member of the general public at all reasonable times during regular business hours for inspection. Upon request, a person responsible for public records shall make copies available at cost, within a reasonable period of time. In order to facilitate broader access to public records, governmental units shall maintain public records in such a manner that they can be made available for inspection.

The Village was unable to provide employee time sheets for the period January 1 through April 28, 2000. Also, the village was unable to provide supporting invoices for 47% of the expenditures tested for 2000 and 6.4% of the expenditures tested for 2001.

We recommend the Village establish procedures that will assure the safe guard of all public records.

**VILLAGE OF RUTLAND
MEIGS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000
(Continued)**

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

FINDING NUMBER 2001-30753-009

Finding Repaid Under Audit

Monies collected for ticket citations were to be deposited by the Village Clerk or the Mayor, into the Mayor's Court account. The Mayor's Court Account, was a bank account designed to function as a clearing account. The only money that should be paid into the account is money which is then paid out each month to the Treasurer of State and the Village of Rutland.

The Clerk and Mayor maintained duplicate receipt books which reflected all of the monies received and the date and the person receiving the monies. This account should never have a negative balance nor should it ever incur bank overdraft fees.

During 2000, duplicate receipts showed total collections of \$15,363, however, only \$14,923 was deposited into the Mayor's Court Account. Of this \$440 variance, \$211 was incorrectly deposited in the Village of Rutland regular checking account. There were \$229 of duplicate receipts written for which no deposit into either bank account could be found. Also, during January 2001, the Mayor's Court Account reflected negative balances.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies collected but not accounted for is hereby issued against Jay Dewhurst and the Ohio Farmers Insurance Company, his bonding company, jointly and severally, in the amount of \$229, in favor of the Village of Rutland Mayor's Court Account.

On April 12, 2002, Jay Dewhurst repaid the \$229 to the Village.

**VILLAGE OF RUTLAND
MEIGS COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
1999-30753-001	A noncompliance citation was issued under Ohio Rev. Code Section 5705.41(D) for expenditures not being properly encumbered.	No	Not Corrected: Refer to Finding Number 2001-30753-001 above.
1999-30753-002	A noncompliance citation/reportable condition was issued under Ohio Admin. Code Section 117-5-01 for not maintaining a receipt ledger or appropriation ledger.	No	Not Corrected: Refer to Finding Number 2001-30753-006 above.
1999-30753-003	A noncompliance citation was issued under Ohio Rev. Code Section 5705.41 (B) for expenditures exceeding appropriations.	No	Not Corrected: Refer to Finding Number 2001-30753-002 above.
1999-30753-004	A noncompliance citation was issued under Ohio Admin. Code Section 117-5-18 for not preparing/filing an annual financial report for 1999 and 1998 as specified.	No	Partially Corrected: Village prepared an annual report for 2001. Refer to Finding Number 2001-30753-007 above.
1999-30753-005	A Finding for Federal Awards noncompliance citation was issued under OMB Circular A-133 for not obtaining a single audit for the year ended December 31, 1998.	Yes	Finding no longer valid: The Village did not qualify for a single audit during 2000 nor 2001.

**VILLAGE OF RUTLAND
MEIGS COUNTY**

**CORRECTIVE ACTION PLAN
DECEMBER 31, 2001 AND 2000**

Finding Number	Planned Corrective Action	Anticipated Compliance Date	Responsible Contact Person
2001-30753-001	Village will be utilizing the UAN system beginning in May 2002. UAN system should prevent this situation from continuing.	June 30, 2002	Amanda Ramage, Acting Clerk/Treasurer Richard Fetty, Mayor
2001-30753-002	Village will be utilizing the UAN system beginning in May 2002. UAN system should prevent this situation from continuing.	June 30, 2002	Amanda Ramage, Acting Clerk/Treasurer Richard Fetty, Mayor
2001-30753-003	Village will be utilizing the UAN system beginning in May 2002. UAN system should prevent this situation from continuing.	June 30, 2002	Amanda Ramage, Acting Clerk/Treasurer Richard Fetty, Mayor
2001-30753-004	Village will be utilizing the UAN system beginning in May 2002. UAN system should prevent this situation from continuing.	June 30, 2002	Amanda Ramage, Acting Clerk/Treasurer Richard Fetty, Mayor
2001-30753-005	Village will be utilizing the UAN system beginning in May 2002. UAN system should prevent this situation from continuing.	June 30, 2002	Amanda Ramage, Acting Clerk/Treasurer Richard Fetty, Mayor
2001-30753-006	Village will be utilizing the UAN system beginning in May 2002. UAN system should prevent this situation from continuing.	June 30, 2002	Amanda Ramage, Acting Clerk/Treasurer Richard Fetty, Mayor
2001-30753-007	Village will be utilizing the UAN system beginning in May 2002. UAN system should prevent this situation from continuing.	June 30, 2002	Amanda Ramage, Acting Clerk/Treasurer Richard Fetty, Mayor
2001-30753-008	Village will be utilizing the UAN system beginning in May 2002. UAN system should prevent this situation from continuing.	June 30, 2002	Amanda Ramage, Acting Clerk/Treasurer Richard Fetty, Mayor



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OFFICE OF THE AUDITOR

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VILLAGE OF RUTLAND

MEIGS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 30, 2002**