



**Auditor of State  
Betty Montgomery**



VILLAGE OF RUTLAND  
MEIGS COUNTY

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

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

To the Village Council:

We were engaged to audit the accompanying financial statements of the Village of Rutland, Meigs County, Ohio (the Village), as of and for the years ended December 31, 2003 and 2002. These financial statements are the responsibility of the Village's management.

The Village did not maintain sufficient supporting documentation for certain disbursements amounting to \$290,361 in 2003 (58% of 2003 total disbursements) and \$290,512, in 2002 (94% of 2002 total disbursements), as reflected in the accompanying financial statements, to support they were proper Village obligations and were properly classified.

The Village did not maintain sufficient records, documents or evidential matter to support the completeness of certain 2003 and 2002 General Fund, Enterprise Fund, and Agency Fund receipts, which were recorded as \$233,114 (48% of total receipts) and \$208,998 (69% of total receipts), respectively, as reflected in the accompanying financial statements.

The Village's financial statements for the years ended December 31, 2003 and 2002 were compiled by Auditor of State. *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of the Village because the Village was unable to apply the safeguards recommended by *Government Auditing Standards* to assume the ultimate responsibility for the financial statement presentation.

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.

Because of the matters described in paragraphs two through four above, we are unable to express and we do not express, an opinion on the Village's financial statements for the years ended December 31, 2003 and 2002.

As discussed in Note 9 to the financial statements, the Village has reported a December 31, 2003 General Fund cash deficit of \$8,049. Management's actions are also described in Note 9.

The Auditor of State has billed the Village for audit services provided for the year ended December 31, 2001. As of the date of this report, the Village has been billed a total of \$19,248 and has yet to pay \$17,201.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 9, 2005 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of our testing. 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 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.



**Betty Montgomery**  
Auditor of State

June 9, 2005

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, 2003**

	<u>Governmental Fund Types</u>				<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>					
Property Tax and Other Local Taxes	\$ 9,196		\$ 2,858		\$ 12,054
Intergovernmental Receipts	15,504	17,707		210,796	244,007
Fines, Licenses, and Permits	24,450				24,450
Earnings on Investments	30	60			90
Miscellaneous	15,334			239	15,573
<b>Total Cash Receipts</b>	<u>64,514</u>	<u>17,767</u>	<u>2,858</u>	<u>211,035</u>	<u>296,174</u>
<b>Cash Disbursements:</b>					
Current:					
Security of Persons and Property	30,369				30,369
Leisure Time Activities	947				947
Transportation		15,860			15,860
General Government	51,257				51,257
Debt Service:					
Debt Payments			2,633		2,633
Capital Outlay				203,328	203,328
<b>Total Cash Disbursements</b>	<u>82,573</u>	<u>15,860</u>	<u>2,633</u>	<u>203,328</u>	<u>304,394</u>
Total Cash Receipts Over/(Under) Cash Disbursements	(18,059)	1,907	225	7,707	(8,220)
Fund Cash Balances, January 1	10,010	(3,998)		6,666	12,678
<b>Fund Cash Balances, December 31</b>	<u>\$ (8,049)</u>	<u>\$ (2,091)</u>	<u>\$ 225</u>	<u>\$ 14,373</u>	<u>\$ 4,458</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, 2003**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$ 158,659	\$	\$ 158,659
Miscellaneous	1,353		1,353
Total Operating Cash Receipts	<u>160,012</u>	<u>0</u>	<u>160,012</u>
<b>Operating Cash Disbursements:</b>			
Personal Services	44,583		44,583
Fringe Benefits	11,059		11,059
Contractual Services	32,414		32,414
Supplies and Materials	18,050		18,050
Fees	1,392		1,392
Miscellaneous	656		656
Capital Outlay	1,599		1,599
Total Operating Cash Disbursements	<u>109,753</u>	<u>0</u>	<u>109,753</u>
Operating Income/(Loss)	<u>50,259</u>	<u>0</u>	<u>50,259</u>
<b>Non-Operating Cash Receipts:</b>			
Other Non-Operating Receipts		33,079	33,079
Total Non-Operating Cash Receipts	<u>0</u>	<u>33,079</u>	<u>33,079</u>
<b>Non-Operating Cash Disbursements:</b>			
Debt Service	50,215		50,215
Other Non-Operating Cash Disbursements	7,890	30,384	38,274
Total Non-Operating Cash Disbursements	<u>58,105</u>	<u>30,384</u>	<u>88,489</u>
Net Cash Receipts Over/(Under) Cash Disbursements	(7,846)	2,695	(5,151)
Fund Cash Balances, January 1	<u>94,951</u>	<u>996</u>	<u>95,947</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$ 87,105</u></b>	<b><u>\$ 3,691</u></b>	<b><u>\$ 90,796</u></b>

*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 GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Property Tax and Other Local Taxes	\$ 11,508	\$	\$	\$ 11,508
Intergovernmental Receipts	21,869	19,448		41,317
Fines, Licenses, and Permits	16,774			16,774
Earnings on Investments	172	344		516
Miscellaneous	5,677			5,677
	<u>56,000</u>	<u>19,792</u>	<u>0</u>	<u>75,792</u>
Total Cash Receipts				
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	23,646			23,646
Transportation		18,271		18,271
General Government	34,927			34,927
Debt Service:				
Debt Payments	13,871			13,871
Capital Outlay			23,334	23,334
	<u>72,444</u>	<u>18,271</u>	<u>23,334</u>	<u>114,049</u>
Total Cash Disbursements				
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(16,444)</u>	<u>1,521</u>	<u>(23,334)</u>	<u>(38,257)</u>
<b>Other Financing Receipts/(Disbursements):</b>				
Proceeds of Notes	10,477		30,000	40,477
	<u>10,477</u>	<u>0</u>	<u>30,000</u>	<u>40,477</u>
Total Other Financing Receipts/(Disbursements)				
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and and Other Financing Disbursements	(5,967)	1,521	6,666	2,220
Fund Cash Balances, January 1	<u>15,977</u>	<u>(5,519)</u>		<u>10,458</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$ 10,010</u></b>	<b><u>\$ (3,998)</u></b>	<b><u>\$ 6,666</u></b>	<b><u>\$ 12,678</u></b>

*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, 2002**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$ 159,178	\$	\$ 159,178
Miscellaneous	715		715
Total Operating Cash Receipts	<u>159,893</u>	<u>0</u>	<u>159,893</u>
<b>Operating Cash Disbursements:</b>			
Personal Services	44,371		44,371
Fringe Benefits	10,825		10,825
Contractual Services	50,413		50,413
Supplies and Materials	13,818		13,818
Fees	1,330		1,330
Miscellaneous	154		154
Total Operating Cash Disbursements	<u>120,911</u>	<u>0</u>	<u>120,911</u>
Operating Income/(Loss)	<u>38,982</u>	<u>0</u>	<u>38,982</u>
<b>Non-Operating Cash Receipts:</b>			
Other Non-Operating Receipts	4,293	22,361	26,654
Total Non-Operating Cash Receipts	<u>4,293</u>	<u>22,361</u>	<u>26,654</u>
<b>Non-Operating Cash Disbursements:</b>			
Debt Service	52,086		52,086
Other Non-Operating Cash Disbursements	422	22,908	23,330
Total Non-Operating Cash Disbursements	<u>52,508</u>	<u>22,908</u>	<u>75,416</u>
Net Cash Receipts Over/(Under) Cash Disbursements	(9,233)	(547)	(9,780)
Fund Cash Balances, January 1	<u>104,184</u>	<u>1,543</u>	<u>105,727</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$ 94,951</u></b>	<b><u>\$ 996</u></b>	<b><u>\$ 95,947</u></b>

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

**VILLAGE OF RUTLAND  
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Rutland, Meigs County (the Village), as a body corporate and politic. A publicly-elected six-member Council governs the Village. The Village provides water and sewer utilities and police and fire 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 accounting basis the Auditor of State prescribes or permits. The basis is similar to the cash receipts and disbursements accounting basis. This basis recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements adequately disclose material matters the Auditor of State prescribes.

**C. Cash**

The Village values certificates of deposit 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 reports all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Funds**

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

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

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

**VILLAGE OF RUTLAND  
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Fund Accounting (Continued)**

**3. Debt Service Fund**

This fund accounts for resources the Village accumulates to pay bond and note debt. The Village had the following significant Debt Service Fund:

Cabin Debt Service – This fund receives tax monies for the repayment of the cabin loan.

**4. Capital Project Fund**

This fund accounts for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant Capital Projects Fund:

Capital Improvement Fund – This fund received proceeds of notes to purchase the cabin.

**5. Enterprise Funds**

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

Water Fund – This fund receives charges for services from residents to cover water service costs.

Sewer Fund – This fund receives charges for services from residents to cover sewer service costs.

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

**6. Fiduciary Fund (Trust and Agency Funds)**

Trust funds account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the Village classifies the fund 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 Fund:

Mayor's Court Fund – This fund accounts for the activity of the Village's Mayor's Court. This fund was classified as an Agency Fund.

**E. Budgetary Process**

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

**VILLAGE OF RUTLAND  
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Budgetary Process (Continued)**

**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 2003 and 2002 budgetary activity appears in Note 3.

**F. Property, Plant and Equipment**

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

**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:

	<u>2003</u>	<u>2002</u>
Demand deposits	\$ 35,000	\$ 33,625
Certificates of deposit	60,254	75,000
Total deposits	<u>\$ 95,254</u>	<u>\$ 108,625</u>

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

**VILLAGE OF RUTLAND  
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2003 and 2002 follows:

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 56,210	\$ 64,514	\$ 8,304
Special Revenue	18,800	17,767	(1,033)
Debt Service	0	2,858	2,858
Capital Projects	23,118	211,035	187,917
Enterprise	166,600	160,012	(6,588)
Total	\$ 264,728	\$ 456,186	\$ 191,458

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Actual Disbursements	Variance
General	\$ 59,367	\$ 82,573	\$ (23,206)
Special Revenue	19,200	15,860	3,340
Debt Service	0	2,633	(2,633)
Capital Projects	0	203,328	(203,328)
Enterprise	162,300	167,858	(5,558)
Total	\$ 240,867	\$ 472,252	\$ (231,385)

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 56,219	\$ 66,477	\$ 10,258
Special Revenue	18,800	19,792	992
Capital Projects	0	30,000	30,000
Enterprise	166,600	164,186	(2,414)
Total	\$ 241,619	\$ 280,455	\$ 38,836

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Actual Disbursements	Variance
General	\$ 59,367	\$ 72,444	\$ (13,077)
Special Revenue	19,200	18,271	929
Capital Projects	0	23,334	(23,334)
Enterprise	162,300	173,419	(11,119)
Total	\$ 240,867	\$ 287,468	\$ (46,601)

**VILLAGE OF RUTLAND  
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

Contrary to Ohio law, the following funds had negative fund balances at December 31:

Fund	2002	2003
General		(\$8,049)
Street Construction, Maintenance and Repair	(\$6,499)	(\$4,340)
Water	(\$228)	
Sewer	(\$34,547)	(\$47,997)

Contrary to Ohio law, expenditures exceeded appropriations in the General Fund, State Highway Improvement Fund, Capital Improvement Fund, Sewer Debt Fund, Sewer Replacement Fund, Utility Deposit Fund and Cabin Debt Service Street Fund by \$23,205, \$412, \$203,328, \$3,149, \$5,239, \$5,890, \$2,632, respectively for the year ended December 31, 2003. Also, expenditures exceeded appropriations in the General Fund, State Highway Improvement Fund, Capital Improvement Fund, Water Fund, Sewer Fund, and Sewer Debt Fund by \$13,077, \$782, \$23,334, \$227, \$11,037, and \$1,433, respectively for the year ended December 31, 2002.

Contrary to Ohio law, total appropriations exceeded available resources in the Sewer Fund by \$16,741 for the year ended December 31, 2003 and \$13,042 for the year ended December 31, 2002.

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Village Council adopts tax rates.. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The State pays the Village amounts equaling these deductions. The Village includes these Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half payment 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.

Property owners assess tangible personal property tax. They must file a list of tangible 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 the Village's behalf.

**VILLAGE OF RUTLAND  
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**5. DEBT**

Debt outstanding at December 31, 2003 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan #0996	\$ 398,816	7.50%
Ohio Water Development Authority Loan #996-C	2,244	7.00%
Ohio Water Development Authority Loan #5032	36,429	6.02%
Cabin Loan	28,977	4.46%
Total	\$ 466,466	

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

The Cabin Loan was obtained to pay for the purchase of a cabin. The Village approved a \$30,000 loan for 20 years. This loan will be repaid in monthly installments. The full faith and credit of the Village has been pledged to repay this debt. This is a variable rate loan. The interest rate can change every five years based on the changes in an index which is the lenders prime rate; however, the change cannot exceed two percentage points each five years. Contrary to Ohio Revised Code, the Village entered into a twenty year note.

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

Year Ending December 31:	OWDA Loan #0996	OWDA Loan #996-C	OWDA Loan #5032	Cabin Loan
2004	\$ 46,967	\$ 264	\$ 4,622	\$ 2,282
2005	46,967	264	4,622	2,282
2006	46,967	264	4,622	2,282
2007	46,967	264	4,622	2,282
2008	46,967	264	4,622	2,282
2009-2013	234,833	1,322	23,110	11,410
2014-2017	187,868	1,056	4,622	11,410
2018-2022				11,220
Total	\$ 657,536	\$ 3,698	\$ 50,842	\$ 45,450

Amortization of the Cabin Loan was calculated based on the rate as of December 31, 2003.

**6. RETIREMENT SYSTEMS**

The Village's elected officials and employees belong to the Ohio Public Employees Retirement System (OPERS) of Ohio. OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes the plans' retirement benefits, including postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 8.5 percent of their wages. The Village contributed an amount equal to 13.55 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2003.



**VILLAGE OF RUTLAND  
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(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 coverage 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 Coverage

PEP retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, 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 Coverage

PEP retains property risks, including automobile physical damage, up to \$100,000 on any specific loss with an annual aggregate of \$1,250,000 for 2002. There is no aggregate for 2003 and future accident years. Beginning in 2003, PEP retains property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsures losses exceeding \$100,000. APEEP's Guarantee Fund pays losses and loss adjustment expenses exceeding operating contributions.

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 township.

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31:

<u>Casualty Coverage</u>	<u>2003</u>	<u>2002</u>
Assets	\$ 25,288,098	\$ 20,174,977
Liabilities	<u>(12,872,985)</u>	<u>(8,550,749)</u>
Retained Earnings	<u>\$ 12,415,113</u>	<u>\$ 11,624,228</u>
<u>Property Coverage</u>	<u>2003</u>	<u>2002</u>
Assets	\$ 3,158,813	\$ 2,565,408
Liabilities	<u>(792,061)</u>	<u>(655,318)</u>
Retained Earnings	<u>\$ 2,366,752</u>	<u>\$ 1,910,090</u>

**VILLAGE OF RUTLAND  
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**8. CONTINGENT LIABILITIES**

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the federal government. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.

**9. DEFICIT FUND BALANCES**

The Village had deficit fund balances of \$8,049 in the General Fund, \$4,340 in the Street Construction, Maintenance and Repair Fund and \$47,997 in the Sewer Fund. As of December 31, 2004, the Village had unaudited deficit fund balances of \$15,163 in the General Fund and \$68,381 in the Sewer Fund. As of May 31, 2005, the Village had unaudited deficit fund balances of \$21,099 in the General Fund and \$74,319 in the Sewer Fund. As of June 9, 2004, the Village had outstanding obligations to the Auditor of State that were past due by more than 90 days in the amount of \$18,326 which included obligations for prior audit fees and for overdue payments for UAN hardware and software that has never been used by the Village. The Village does not track outstanding obligations and was unable to determine the balance of any other outstanding obligations as of June 9, 2004. The Village has not taken any steps to reduce the negative fund balances.



**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

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

To the Village Council:

We were engaged to audit the accompanying financial statements of the Village of Rutland, Meigs County, Ohio (the Village), as of and for the years ended December 31, 2003 and 2002. We have issued our report thereon dated June 9, 2005, wherein we expressed no opinion on the 2003 and 2002 financial statements since the Village did not provide sufficient supporting documentation for certain disbursements and for certain General Fund, Enterprise Fund and Agency Fund receipts. In addition, the Village was unable to apply the safeguards recommended by *Government Auditing Standards* to assume the ultimate responsibility for the presentation of the 2003 and 2002 financial statements compiled by the Auditor of State. We also disclosed the Village is experiencing certain financial difficulties.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Village's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine 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 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 management's assertions in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings as items 2003-020 through 2003-025.

A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when 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 material weaknesses. We consider reportable conditions 2003-020 through 2003-023 listed above to be material weaknesses. In a separate letter to the Village's management dated June 9, 2005, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

743 E. State St. / Athens Mall Suite B / Athens, OH 45701  
Telephone: (740) 594-3300 (800) 441-1389 Fax: (740) 594-2110  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

### **Compliance and Other Matters**

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could directly and materially affect the 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 an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2003-001 through 2003-019. In a separate letter to the Village's management dated June 9, 2005, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of management and the Village Council. It is not intended for anyone other than these specified parties.



**Betty Montgomery**  
Auditor of State

June 9, 2005

**VILLAGE OF RUTLAND  
MEIGS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2003 AND 2002**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
--

**FINDING NUMBER 2003-001**

**Finding for Recovery**

Ohio Rev. Code Section 731.13 states that the legislative authority of a village shall fix the compensation and bonds of all officers, clerks, and employees of the village except as otherwise prohibited by law. The legislative authority shall, in the case of elective officers, fix their compensation for the ensuing term of office at a meeting held not later than five days prior to the last day fixed by law for filing as a candidate for such office. All bonds shall be made with sureties subject to the approval of the mayor. The compensation so fixed shall not be increased or diminished during the term for which any officer is elected or appointed.

On December 9, 1997, Village Council approved to raise the salary of the Village Mayor by \$150 per year, resulting in a total salary of \$300 per year with an additional \$20 paid for each Village Council meeting attended. Per review of the Village Council minute record, there has been no authorization by Village Council to increase the Village Mayor's salary since that time. Richard Fetty held the position of Village Mayor in 2003 and 2002. Per review of the Village Council's minute record, Richard Fetty attended thirteen Village Council meetings in 2003 and fifteen Village Council meetings in 2002. This resulted in earnings of \$560 for 2003 (\$20 x 13 meetings + \$300), and \$600 for 2002 (\$20 x 15 meetings + \$300), resulting in combined earnings of \$1,160 (560 + 600) for 2003 and 2002. Per review of canceled checks, Richard Fetty received \$2,180 in 2003 for his 2003 and 2002 pay, resulting in an overpayment of \$1,020 (\$2,180 - \$1,160).

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery is hereby issued for public monies illegally expended against Richard L. Fetty, Village Mayor, and Amanda J. Ramage, Village Clerk-Treasurer, jointly and severally, in the amount of \$1,020, in favor of the Village's General Fund.

**FINDING NUMBER 2003-002**

**Finding for Recovery**

Ohio Rev. Code Section 731.13 states that the legislative authority of a village shall fix the compensation and bonds of all officers, clerks, and employees of the village except as otherwise prohibited by law. The legislative authority shall, in the case of elective officers, fix their compensation for the ensuing term of office at a meeting held not later than five days prior to the last day fixed by law for filing as a candidate for such office. All bonds shall be made with sureties subject to the approval of the mayor. The compensation so fixed shall not be increased or diminished during the term for which any officer is elected or appointed.

Village Council approved a reduction of the Village Clerk-Treasurer's salary to \$250 per month on June 15, 1999. Per review of the Village Council minute record, there has been no authorization by Village Council to increase the Village Clerk-Treasurer's salary since that time. Amanda Ramage held the position of Village Clerk-Treasurer for eight months of 2003 and twelve months of 2002, which resulted in earnings of \$2,000 for 2003 (\$250 X 8 months) and \$3,000 for 2002 (\$250 X 12 months). Per review of canceled checks, Amanda Ramage received \$3,000 in 2003 and \$3,500 in 2002, resulting in an overpayment of \$1,000 in 2003 and \$500 in 2002. All checks in 2003 and 2002 were signed by Amanda Ramage, Village Clerk-Treasurer, and Richard Fetty, Village Mayor.

**VILLAGE OF RUTLAND  
MEIGS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2003-002 (Continued)**

**Finding for Recovery (Continued)**

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery is hereby issued for public monies illegally expended against Amanda J. Ramage, Village Clerk-Treasurer, Richard L. Fetty, Village Mayor, and the Ohio Farmers Insurance Company, his bonding company, jointly and severally, in the amount of \$1,500 in favor of the Village's General Fund.

**FINDING NUMBER 2003-003**

**Finding for Recovery**

Ohio Rev. Code Section 731.13 states that the legislative authority of a village shall fix the compensation and bonds of all officers, clerks, and employees of the village except as otherwise prohibited by law.

The Village minute record for March 13, 2001 reflected that Amanda Ramage had been hired as the Office Manager at \$8 per hour for 32 hours per week, effective August 17, 2000. We reviewed the Village minute record for the period from March 13, 2001 through December 31, 2003, for Council authorization of a change in the pay rate or number of hours. No changes were noted. For the period January 1, 2002 through July 28, 2002, Amanda was paid at \$8 per hour for 40 hours a week, or \$640 per biweekly pay. Per Council authorization, she should have received \$512 per biweekly pay. She was paid for fifteen biweekly pay periods during this period. This resulted in an overpayment of \$128 per biweekly pay for fifteen pay periods for a total of \$1,920. The checks issued during this period were signed by Amanda Ramage and Richard Fetty, Village Mayor.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery is hereby issued for public monies illegally expended against Amanda J. Ramage, Village Office Manager, Richard L. Fetty, Village Mayor, and the Ohio Farmers Insurance Company, their bonding company, jointly and severally, in the amount of \$1,920, in favor of the Village's General Fund.

**FINDING NUMBER 2003-004**

**Finding for Recovery**

Ohio Rev. Code Section 731.13 states that the legislative authority of a village shall fix the compensation and bonds of all officers, clerks, and employees of the village except as otherwise prohibited by law.

The Village Council minute record for October 29, 2002 reflected that Anna Farley had been hired as the Office Manager at \$8 per hour for 35 hours per week. Per review of the QuickBooks Payroll Check Detail Report and review of canceled checks, she was paid at \$8 per hour for 40 hours a week. She worked for five weeks in 2002 and nine weeks in 2003, resulting in an overpayment of \$200 in 2002 (5 hours/week X 5 weeks) and \$360 in 2003 (5 hours/week X 9 weeks). The checks issued during this period were signed by Amanda Ramage, Village Clerk-Treasurer and Richard Fetty, Village Mayor.

**VILLAGE OF RUTLAND  
MEIGS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2003-004 (Continued)**

**Finding for Recovery (Continued)**

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery is hereby issued for public monies illegally expended against Amanda J. Ramage, Village Clerk-Treasurer, Anna Farley, Village Office Manager, Richard L. Fetty, Village Mayor, and the Ohio Farmers Insurance Company, his bonding company, jointly and severally, in the amount of \$560, in favor of the Village's General Fund.

**FINDING NUMBER 2003-005**

**Finding for Recovery**

Village Council adopted a policy concerning employee medical insurance on December 7, 1999, stating all full time employees would be eligible for medical insurance coverage the first day following a full month of employment. The Village would pay up to \$300 per month for single and/or family coverage. If an employee has other medical coverage (by spouse or other means), the employee may provide evidence of the policy and be reimbursed up to \$300 per month to offset the coverage costs with approval from the Mayor. The policy required employees to show proof of medical coverage annually.

Full-time employee David Davis received \$300 per month to offset the medical coverage he received through his wife; however, proof of insurance was not provided prior to receiving the reimbursement. Per our request, the proof of medical coverage was provided; however, the premiums paid were at times less than the amount reimbursed. Proof of medical coverage indicated the following information:

<u>Policy Period</u>	<u>Premiums</u>	<u>Frequency</u>
01/01/02 though 12/31/02	\$ 255.30	Monthly
12/01/02 through 12/31/03	142.52	Bi-weekly

Based on the above information, the Village should have reimbursed Mr. Davis \$255.30 per month from January 2002 through November 2002 and \$300 for December 2002, for a total of \$3,108.30; however, he was reimbursed a total of \$3,600, resulting in an overpayment of \$491.70 in 2002. The Village should have reimbursed Mr. Davis \$300 per month during 2003 for a total of \$3,600; however, he was paid \$3,900, resulting in an overpayment of \$300. The overpayment resulted from two reimbursements of \$300 being made in December 2003 instead of one reimbursement. The checks issued were signed by Amanda Ramage, Village Clerk-Treasurer, and Richard Fetty, Village Mayor, from January 2002 through August 2003, and Suzanne Johnson, Village Clerk-Treasurer, and Richard Fetty, Village Mayor, from September through December 2003.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery is hereby issued for public monies illegally expended against David Davis, Village employee, Amanda J. Ramage, Village Clerk-Treasurer, Richard L. Fetty, Village Mayor, and the Ohio Farmers Insurance Company, his bonding company, jointly and severally, in the amount of \$491.70, in favor of the Village's General Fund.

**VILLAGE OF RUTLAND  
MEIGS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

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

**FINDING NUMBER 2003-005 (Continued)**

**Finding for Recovery (Continued)**

Additionally, in accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery is hereby issued for public monies illegally expended against Suzanne Johnson, Village Clerk-Treasurer, Richard L. Fetty, Village Mayor, and David Davis, Village employee, jointly and severally, in the amount of \$300, in favor of the Village's General Fund.

**FINDING NUMBER 2003-006**

**Finding for Recovery**

Anna Farley, former Village Office Manager, was responsible for collecting and depositing fines imposed as a result of tickets issued by the Village Police Department and for collecting, recording and depositing utility receipts. We noted the following receipts that were not deposited with the bank as follows:

<u>Receipt #</u>	<u>Receipt Date</u>	<u>Amount</u>	<u>Received in</u>	<u>Receipt signed by</u>	<u>Receipt Type</u>
12378	11/25/2002	\$102.10	Cash	Anna Farley	Utilities
12379	12/10/2002	100.00	Cash	Anna Farley	Utilities
12397	12/11/2002	83.30	Cash	Anna Farley	Utilities
12417	1/6/2003	74.50	Cash	Anna Farley	Utilities
12380	1/9/2003	56.05	Cash	Anna Farley	Utilities
12427	1/10/2003	53.80	Cash	Anna Farley	Utilities
12430	1/10/2003	183.70	Cash	Anna Farley	Utilities
12494	2/4/2003	55.15	Cash	Anna Farley	Utilities
		\$708.60			
4827	11/12/2002	70.00	Cash	Anna Farley	Mayor's Court
4835	12/3/2002	74.00	Cash	Anna Farley	Mayor's Court
4837	12/9/2002	52.00	Cash	Anna Farley	Mayor's Court
4838	12/10/2002	78.00	Cash	Anna Farley	Mayor's Court
4853	12/19/2002	20.00	Cash	Anna Farley	Mayor's Court
4849	1/3/2003	10.00	Cash	Anna Farley	Mayor's Court
4857	1/13/2003	10.00	Cash	Anna Farley	Mayor's Court
4866	1/15/2003	20.00	Cash	Anna Farley	Mayor's Court
4875	1/24/2003	81.00	Cash	Anna Farley	Mayor's Court
4876	1/27/2003	10.00	Cash	Anna Farley	Mayor's Court
		\$ 425.00			

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for public money collected but unaccounted for is hereby issued against Anna Farley, Village Office Manager, in the amount of \$425.00 in favor of the Village's Mayor's Court Account, \$325.96 in favor of the Village's Water Fund, \$134.63 in favor of the Village's Sewer Fund and \$248.01 in favor of the Village's Sewer Debt Fund.



**VILLAGE OF RUTLAND  
MEIGS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

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

**FINDING NUMBER 2003-007**

**Finding for Recovery**

The Village Council minute record dated July 11, 2000 states that Village Council established the use of a petty cash fund with the requirement that a log be maintained. In addition, a ceiling of \$100 per month was placed on the petty cash.

Per a cash count of the petty cash on hand on April 22, 2005, we noted a balance of \$5.03. There was a log book located in the petty cash drawer, along with various supporting invoices for withdrawals made from the petty cash; however, petty cash activity which occurred after January 24, 2002 was not recorded in the log book. Based on a schedule of receipts paid into petty cash and the invoices supporting withdrawals, the petty cash balance at the time of the cash count should have been \$287, resulting in a petty cash shortage of \$281.97. The following table illustrates the activity from January 1 to December 31 for 2002, 2003, and 2004 plus the activity from January 1 to April 22, 2005. Note that the January 1, 2002 beginning balance was taken from the Village's petty cash log book; the total receipts paid into the petty cash were based on checks written from the Village's checking account to petty cash; and the total invoices supporting withdrawals were taken from the actual invoices.

	2002	2003	2004	2005
Balance at January 1,	\$37.63	\$12.63	\$430.82	\$304.15
Total Receipts Paid Into Petty Cash	200.00	800.00	200.00	0.00
Total Withdrawals From Petty Cash	(225.00)	(381.81)	(326.67)	(17.15)
Recalculated Balance ****	12.63	430.82	304.15	287.00
Less: Balance as of April 22, 2005				(5.03)
Total Unaccounted for Receipts in Petty Cash				\$281.97

\*\*\*\* = Recalculated Balance as of: December 31, 2002, 2003, 2004, and April 22, 2005.

During the period from January 1, 2002 to April 22, 2005, the Village employed various Office Managers who maintained the petty cash. The following table reflects the activity for the period, based on the time frame each Office Manager was employed by the Village. The time when a new Office Manager took responsibility was determined to be the last day of employment of the prior Office Manager, unless there was a period when no Office Manager was employed. Therefore, during this period Office Managers were as follows: Amanda Ramage from January 1, 2002 to August 15, 2002; Maria Hampton from August 15, 2002 to October 29, 2002; Anna Farley from October 29, 2002 to February 15, 2003; Amber Blackwell from February 24, 2003 to December 28, 2003; and Deborah Whitlatch from December 28, 2003 through April 22, 2005. In order to determine the balance one Office Manager should have ended with and the balance the new Office Manager actually started with, we compared the dates on each check written by the Village Clerk to the petty cash account, the endorsement on the check, and the date of the invoices that supported withdrawals from petty cash.

**VILLAGE OF RUTLAND  
MEIGS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

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

**FINDING NUMBER 2003-007 (Continued)**

**Finding for Recovery (Continued)**

	Amanda Ramage 1/1/02 to 8/15/02	Maria Hampton 8/15/02 to 10/29/02	Anna Farley 10/29/02 to 2/15/03	Amber Blackwell 2/24/03 to 12/28/03	Deborah Whitlatch 12/28/03 to 4/22/05
Beginning Balance	\$37.63	\$117.05	\$27.11	\$0.00	\$48.85
Total Receipts Paid Into Petty Cash	200.00	0.00	100.00	600.00	300.00
Total Withdrawls From Petty Cash	(120.58)	(89.94)	(33.28)	(363.01)	(343.82)
Recalculated Ending Balance	\$117.05	\$27.11	\$93.83	\$236.99	\$5.03
Unaccounted for Petty Cash Receipts	-	-	(93.83)	(188.14)	-
Balance Carried Forward	\$117.05	\$27.11	\$0.00	\$48.85	\$5.03

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery is hereby issued for public monies collected but unaccounted for against Anna Farley, former Village Office Manager, in the amount of \$93.83 and against Amber Blackwell, former Village Office Manager, in the amount of \$188.14, in favor of the Village's General Fund.

**FINDING NUMBER 2003-008**

**Finding for Recovery**

The Village utilized Verizon Communication Services for "land line" phone service during 2003 and 2002. In reviewing the available 2002 monthly Verizon invoices, several charges were noted for long distance and calling card phone calls that do not appear to be for Village purposes. Several long distance calls appear to be to the mother and brother of prior Village Clerk-Treasurer, Amanda Ramage. In addition, Ms. Ramage used a calling card charged to the Village's telephone bill while she was out of town to call home and make various other personal calls, such as to the phone numbers of her mother and brother. There was no documentation of Village Council authorizing calling card usage, and the card appears to be in Ms. Ramage's name only. Based on the invoices available for audit which were paid in 2002 and on the corresponding cancelled checks, the Village paid for 154 minutes of calling card charges amounting to \$130.22 and 323.5 minutes of long distance charges amounting to \$29.15 for calls that could not be associated with the operation of the Village. The Village checks relating to these expenditures were signed by the prior Village Clerk-Treasurer, Amanda Ramage, and the Mayor, Richard Fetty. Telephone bills and other supporting documentation for Village expenditures made in 2003 were not made available for audit.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery is hereby issued for public monies illegally expended against Amanda J. Ramage, Village Clerk-Treasurer, Richard L. Fetty, Village Mayor, and the Ohio Farmers Insurance Company, his bonding company, jointly and severally, in the amount of \$159.37, in favor of the Village's General Fund.

**VILLAGE OF RUTLAND  
MEIGS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

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

**FINDING NUMBER 2003-009**

**Finding for Recovery**

Based on the Village Council minute records, there has been no authorization by Village Council to increase the Village Mayor's compensation since December 9, 1997. There was also no indication that Village Council authorized any taxable fringe benefits for the Mayor's position, and there was no indication that the Village Council authorized the use of or reimbursement for cellular phone service. However, Village records reflect that Richard Fetty, Village Mayor, was reimbursed for monthly cellular phone service in the amount of \$402.49 in 2003. We are aware that without special cellular phone equipment, a cellular phone signal cannot be obtained within the Village limits for this cellular phone service. Therefore, actual use of such cellular service would be limited to use outside of the Village limit and there was no indication that said service was used for Village business. As a result, such expenditures would not serve a proper public purpose.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery is hereby issued for public monies illegally expended against Richard L. Fetty, Village Mayor, and the Ohio Farmers Insurance Company, his bonding company, jointly and severally, in the amount of \$402.49, in favor of the Village's General Fund.

**FINDING NUMBER 2003-010**

**Finding for Recovery**

The Village paid for several monthly cellular phone service bills as well as for the purchase of various cellular phone accessories throughout 2003 and 2002. We are aware that without special cellular phone equipment, a cellular phone signal is not available within the Village limits for this cellular phone service, and the Village did not have the special equipment for the cellular phones during 2003 or 2002. The Village additionally paid for pager service which provided an alternative method of communication for Village employees and assumedly made cellular phones unnecessary for Village operations. We were unable to determine which employees were responsible for the cellular phone charges; however, all checks were signed by the Village Clerk-Treasurer and Village Mayor. In 2004, the Village Council minutes reflected the approval of the purchase of two cellular phones and the necessary special booster equipment for the Police Department; however, there was no indication of the approval for the cellular phones already in use by other employees of the Village. Cellular phone disbursements amounted to \$1,134.86 in 2003 and \$2,047.48 in 2002. The checks issued for these expenditures were signed by: Amanda Ramage, Village Clerk-Treasurer, and Richard Fetty, Village Mayor, from January 2002 through August 2003 (totaling \$3,073.88), and Suzanne Johnson, Village Clerk-Treasurer, and Richard Fetty, Village Mayor, from September through December 2003 (totaling \$108.46).

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery is hereby issued for public monies illegally expended against Suzanne Johnson, Village Clerk-Treasurer, and Richard L. Fetty, Village Mayor, jointly and severally, in the amount of \$108.46, in favor of the Village's General Fund.

**VILLAGE OF RUTLAND  
MEIGS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2003-010 (Continued)**

**Finding for Recovery (Continued)**

Additionally, in accordance with Ohio Rev. Code Section 117.28, a finding for recovery is hereby issued for public monies illegally expended against Amanda J. Ramage, Village Clerk-Treasurer, and Richard L. Fetty, Village Mayor, and the Ohio Farmers Insurance Company, his bonding company, jointly and severally, in the amount of \$3,073.88, in favor of the Village's General Fund.

**FINDING NUMBER 2003-011**

**Finding for Recovery**

The Village Mayor and Clerk-Treasurer authorized the issuance of check number 19686 on June 11, 2002, in the amount of \$314.40, to Sam's Club for an annual membership. There is no documentation of Council authorizing such membership for all employees. The membership cost included memberships for the following individuals:

- Amanda Ramage, Village Clerk-Treasurer
- Richard Fetty, Village Mayor
- Beverly Fetty, Mayor's wife
- David Davis, Village employee
- Raymond DeWitt, Village employee
- Steve Williams, Village police officer
- Jeff Miller, Village police officer
- Marie Birchfield, Village Council member
- Ralph Searles, Village Council member
- Marcia Elliott, Village Council member
- Kenny Searles, Village Council member

Per scan of all Village disbursements made after the payment of the membership, no other Village expenditures to Sam's Club were noted. However, per the Sam's Club Membership Department, the following individuals were considered active members (i.e., these individuals picked up membership cards and made purchases): Amanda Ramage, David Davis, Richard Fetty, Beverly Fetty and Steve Williams. With no additional expenditures to Sam's Club, these individuals' usage of said membership was assumedly not for Village use and does not appear to serve a proper public purpose.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery is hereby issued for public monies illegally expended against Amanda J. Ramage, Village Clerk-Treasurer, Beverly Fetty, Mayor Fetty's wife, David Davis, Village employee, Raymond DeWitt, Village employee, Steve Williams, Village police officer, Jeff Miller, Village police officer, Marie Birchfield, Village Council member, Ralph Searles, Village Council member, Marcia Elliott, Village Council member, Kenny Searles, Village Council member, Richard L. Fetty, Village Mayor, and the Ohio Farmers Insurance Company, his bonding company, jointly and severally, in the amount of \$314.40, in favor of the Village's General Fund.

**VILLAGE OF RUTLAND  
MEIGS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2003-012**

**Noncompliance Citation**

Ohio Rev. Code Section 149.351(A) establishes guidelines against the destruction or damage of records. All records are the property of the public office and shall not be removed, destroyed, mutilated, transferred or otherwise damaged or disposed of, in whole or in part, except as provided by law.

We noted the following public records issues during our audit:

1. 100% of 2003 and 2002 nonpayroll expenditure transactions did not have supporting documentation, such as vouchers and original invoices.
2. 91% of the hourly payroll disbursements made in 2003 and 71% made in 2002 did not have an employee timesheet to support the number of hours for which employees were paid. Also, Federal Forms 941 and State Forms IT-501 were not maintained to support federal and state payroll withholdings and remittances.
3. Utility billings for February 2002 and August through December of 2003, could not be located. In addition, meter readings could not be located for individuals' accounts for 29% of the utility transactions tested.
4. Mayor's Court duplicate receipt books could not be located for various parts of 2003 and 2002. In addition, the Mayor's Court cashbook could not be located.

Inadequate supporting documentation eliminates a significant control point, obscures the audit trail and provides opportunity for errors and irregularities to occur and not be detected by management in a timely manner. In addition, lack of adequate supporting documentation for disbursements could result in the Village making inappropriate disbursements for goods or services not actually received by the Village or making inappropriate disbursements to employees for time not actually received by the Village. Also, due to a lack of supporting documentation for Village utility and mayor's court receipts, completeness could not be determined. Further, failure to retain such documentation has resulted in a qualified audit opinion regarding the Village's expenditures.

In order to correct these deficiencies, we recommend that no payment be made from the Village treasury that is not supported by an approved voucher package that would include, at a minimum, an original invoice or receipt for expenditures. Also, we recommend that no payment be made to an hourly employee from the Village treasury that is not supported by a timesheet. In addition, the timesheet should be reviewed for accuracy and contain evidence of supervisory approval. Finally, all duplicate receipts and other accounting records should be maintained in a manner and location which would allow Village officials to be able to locate them.

**VILLAGE OF RUTLAND  
MEIGS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

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

**FINDING NUMBER 2003-013**

**Noncompliance Citation**

Ohio Rev. Code Sections 733.27 (A) states in part that the village clerk shall attend all meetings of the legislative authority of the village, and keep a record of its proceedings and of all rules, bylaws, resolutions, and ordinances passed or adopted, which shall be subjected to the inspection of all persons interested.

During review of the Village minutes, we noted several deficiencies. These included: the minute record did not contain sufficient detail of all official actions of the Village including, but not limited to, approval of employee pay rates and rate increases, approval of required budgetary documents, approval of expenditures, and documentation of financial information reviewed. Some executive sessions did not have a reason for such session noted. Most minutes were not signed by the Village Mayor and Clerk-Treasurer, attesting the validity thereof. This resulted in the lack of a permanent document of all official actions of the Village Council and could result in unauthorized changes taking place and going undetected for an extended period of time.

We recommend that all official actions of the Village be recorded in sufficient detail in the minutes, to include the information noted above.

**FINDING NUMBER 2003-014**

**Noncompliance Citation**

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 public offices 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(D), 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.

**VILLAGE OF RUTLAND  
MEIGS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2003-014 (Continued)**

**Noncompliance Citation – Ohio Rev. Code Section 733.28 (Continued)**

Ohio Admin. Code Section 117-9-01 provides suggested account classifications. The 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 Clerk did not maintain a receipt ledger, appropriation ledger or cash journal. Although, the Village utilized QuickBooks 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.

We recommend the Village maintain a receipt ledger, appropriations ledger and cash journal.

**FINDING NUMBER 2003-015**

**Noncompliance Citation**

Ohio Rev. Code Section 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.

As of December 31, 2002, the following funds had negative ending balances: Street Construction, Maintenance and Repair Fund (\$6,499), Water Fund (\$228), and Sewer Fund (\$34,547). As of December 31, 2003, the following funds had negative ending balances: General Fund (\$8,049), Street Construction, Maintenance and Repair Fund (\$4,340) and Sewer Fund (\$47,997).

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

**FINDING NUMBER 2003-016**

**Noncompliance Citation**

Ohio Rev. Code Section 5705.36 (A)(2) allows all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon the determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources. Ohio Rev. Code Section 5705.36 (A)(3) provides that an increased amended certificate must be obtained from the budget commission if the legislative authority intends to appropriate and expend the excess revenue. Ohio Rev. Code Section 5705.36 (A)(4) provides that a reduced amended certificate must be obtained if the amount of the deficiency will reduce available resources below the current level of appropriation.

**VILLAGE OF RUTLAND  
MEIGS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2003-016 (Continued)**

**Noncompliance Citation – Ohio Rev. Code Section 5705.36(A)(2) (Continued)**

The Village had total appropriations (current appropriations plus prior year outstanding encumbrances), that exceeded the available resources (actual receipts plus beginning unencumbered fund balance), at December 31, 2003, as follows:

Fund	Total Appropriations	Actual Revenue Plus Unencumbered Cash	Variance
Sewer	\$48,000	\$31,259	(\$16,741)

The Village had total appropriations (current appropriations plus prior year outstanding encumbrances), that exceeded the available resources (actual receipts plus beginning unencumbered fund balance), at December 31, 2002, as follows:

Fund	Total Appropriations	Actual Revenue Plus Unencumbered Cash	Variance
Sewer	\$48,000	\$34,958	(\$13,042)

This could result in deficit spending.

We recommend the Village monitor estimated and actual revenues for all funds on a regular basis. In the situation where budgeted revenue exceeds actual revenue and appropriations exceed actual revenue, a reduced amended certificate must be obtained and appropriations adjusted accordingly.



**VILLAGE OF RUTLAND  
MEIGS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2003-017**

**Noncompliance Citation**

Ohio Rev. Code Section 5705.41(B) prohibits a subdivision or taxing unit from making any expenditure unless it has been appropriated.

Actual disbursements exceeded appropriations at December 31, 2003, as follows:

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$59,367	\$82,572	(\$23,205)
State Highway	\$1,200	\$1,612	(\$412)
Capital Project	\$0	\$203,328	(\$203,328)
Sewer Debt	\$48,000	\$51,149	(\$3,149)
Sewer Replacement	\$0	\$5,239	(\$5,239)
Utility Deposit	\$2,000	\$7,890	(\$5,890)
Cabin Debt Service	\$0	\$2,632	(\$2,632)
Total	<u>\$110,567</u>	<u>\$354,422</u>	<u>(\$243,855)</u>

Actual disbursements exceeded appropriations at December 31, 2002, as follows:

Fund Type	Authority	Expenditures	Variance
General	\$59,367	\$72,444	(\$13,077)
State Highway	\$1,200	\$1,982	(\$782)
Capital Project	\$0	\$23,334	(\$23,334)
Water	\$64,300	\$64,527	(\$227)
Sewer	\$48,000	\$59,037	(\$11,037)
Sewer Debt	\$48,000	\$49,433	(\$1,433)
Total	<u>\$220,867</u>	<u>\$270,757</u>	<u>(\$49,890)</u>

This could result in the Village overspending available fund balances.

We recommend that the Village review budgetary information on a regular basis to ensure disbursements have not exceeded appropriations at the legal level of control. The Village may request Council to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

VILLAGE OF RUTLAND  
MEIGS COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2003 AND 2002  
(Continued)

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

FINDING NUMBER 2003-018

**Noncompliance Citation**

Ohio Rev. Code Section 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in Sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

**1. "Then and Now" certificate** – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that 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 Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 (\$1,000 prior to April 7, 2003) may be paid by the fiscal officer without a resolution or ordinance 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 Village.

**2. Blanket Certificate** – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. (Prior to September 26, 2003, blanket certificates were limited to \$5,000 and three months.) The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

**3. Super Blanket Certificate** – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The Village did not use the encumbrance method of accounting and therefore, the fiscal officer did not certify the availability of funds. Failure to certify the availability of funds resulted in overspending funds and negative cash fund balances.

**VILLAGE OF RUTLAND  
MEIGS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2003-018 (Continued)**

**Noncompliance Citation – Ohio Rev. Code Section 5705.41(D)(1) (Continued)**

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend that the Clerk-Treasurer certify that the funds are or will be available prior to obligation by the Village. When prior certification is not possible, "then and now" certification should be used.

We recommend the Village certify purchases to which Section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language Section 5705.41(D) requires to authorize disbursements. The fiscal officer should sign the certification at the time the Village incurs a commitment, and only when the requirements of Section 5705.41(D) are satisfied. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

**FINDING NUMBER 2003-019**

**Material Weakness**

Ohio Admin. Code Section 117-2-01(D)(4) states, in part, when designing the public office's system of internal control and the specific control activities, management should plan for adequate segregation of duties or compensating controls.

The size of the Village's staff did not allow for an adequate segregation of duties. The Village's Clerk-Treasurer was responsible for performing all accounting functions, including receipting, depositing, disbursing, and reconciling. It is therefore important that the Village Council monitor financial activity closely. The Council minutes reflected Council's approval of the Clerk-Treasurer's monthly financial report; however, this information was not maintained. In addition, monthly bank reconciliations were not prepared. This could result in errors and/or irregularities occurring and remaining undetected for an extended period of time.

We recommend, after the Village's Clerk-Treasurer has performed the monthly bank reconciliation, the Village's Mayor and/or Council review the validity of the computations and attest their agreement thereto. Also, the Village Council should carefully review and approve, as well as document such reviews and approvals of pertinent financial information on a monthly basis, and make appropriate inquiries to help determine the continued integrity of financial information. Appropriate inquiries would include:

- Are current receipts sufficient to cover expenditures?
- Are receipts and expenditures in line with prior years?
- If unusual fluctuations in receipts or expenditures occur, is the reason understood?
- Are anticipated receipts being received in a timely manner?

The information obtained as a result of such reviews and inquiries will provide important data necessary to properly manage the Village.

**VILLAGE OF RUTLAND  
MEIGS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2003-020**

**Material Weakness**

Ohio Admin. Code Sections 117-2-01(D)(3) and (5) state, in part, that when designing the public office's system of internal control and the specific control activities, management should ensure adequate security of assets and records, and verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.

The Village had several Village bank accounts; however bank reconciliations were not performed by the Village Clerk-Treasurer in 2003 or 2002. As a result, the Village contracted with the Auditor of State's Audit Division to perform this procedure.

We recommend the Village implement adequate procedures over the various cash collection points to safeguard cash received, which would include providing receipts (where applicable) to the payee, proper segregation of duties for the receipting, depositing, recording and reporting of cash, and ensuring bank reconciliations are completed in a timely manner to identify any unreconciled differences which may occur.

**FINDING NUMBER 2003-021**

**Material Weakness**

Ohio Admin. Code Section 117-2-02(B)(2) states, in part, management of each local public office is responsible for the assertions underlying the information in the public office's financial statements. The accounting system should assure that, among other assertions, all account balances and transactions that should be included in the financial records are included.

The Village maintained a separate bank account for the Village's Civic Center, which was not included on the books of the Village. The Village did not maintain records of receipts and disbursements for this activity; therefore, this activity could not be determined and is not reflected on the Village's financial statements.

We recommend the Village establish a Special Revenue fund to track the Civic Center activity on the books of the Village.

**FINDING NUMBER 2003-022**

**Reportable Condition**

In accordance with Ohio Rev. Code Section 118.021, a municipal corporation, county or township may undergo a fiscal watch review to determine whether it is approaching a state of fiscal emergency. The review may be initiated by a written request to the Auditor of State from the mayor of the municipal corporation or by the presiding officer of the legislative authority, when authorized by a majority of the members of the legislative authority, or initiated by the Auditor of State.

**VILLAGE OF RUTLAND  
MEIGS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2003-022 (Continued)**

**Reportable Condition (Continued)**

Pursuant to Section 118.022, any one or more of the following conditions are grounds for a fiscal watch:

- (1)(a) All accounts that were due and payable from the general fund of a municipal corporation, county, or township at the end of the preceding fiscal year that had been due and payable for at least thirty days at the end of the fiscal year or to which a penalty was added for failure to pay by the end of the fiscal year, less the year-end balance in the general fund, exceeded one-twelfth of the general fund budget for that year, or
- (b) All accounts that were due and payable at the end of the preceding fiscal year from all funds of the municipal corporation, county, or township and that had been due and payable for at least thirty days at the end of the fiscal year or to which a penalty was added for failure to pay by the end of the fiscal year, less the year-end balance in the general fund and in the respective special funds available to pay those accounts, exceeded one-twelfth of the available revenues during the preceding fiscal year, excluding nonrecurring receipts, of the general fund and of all special funds from which those accounts are payable.
- (2) The aggregate of deficit amounts of all deficit funds at the end of the preceding fiscal year, less the total of any year-end balance in the general fund and in any special fund that may be transferred as provided in Ohio Rev. Code Section 5705.14 to meet that deficit, exceeded one-twelfth of the total of the general fund budget for that year and the receipts to those deficit funds during that year other than transfers from the general fund.
- (3) At the end of the preceding fiscal year, moneys and marketable investments in or held for the unsegregated treasury of the municipal corporation, county, or township, minus outstanding checks and warrants, were less in amount than the aggregate of the positive balances of the general fund and those special funds, the purposes of which the unsegregated treasury is held to meet, and that deficiency exceeded one-twelfth of the total amount received into the unsegregated treasury during the preceding fiscal year.
- (4) Based on the examination of the financial forecast approved by the legislative authority of a municipal corporation, county, or township, the Auditor of State certifies that the general fund deficit at the end of the current fiscal year will exceed one-twelfth of the general fund revenue from the preceding fiscal year.

Pursuant to Section 118.023, upon a determination that any of the above listed conditions are present, the Auditor of State shall issue a written declaration of a fiscal watch.

**VILLAGE OF RUTLAND  
MEIGS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2003-022 (Continued)**

**Reportable Condition (Continued)**

Pursuant to Section 118.03, any one or more of the following are conditions of a fiscal emergency:

- (1) The existence, at the time of the determination by the Auditor of State under Ohio Rev. Code Section 118.04 of a default on any debt obligation for more than thirty days.
- (2) The existence, at the time of the determination by the Auditor of State under Ohio Rev. Code Section 118.04 of a failure for lack of cash in the funds to make payment of all payroll to the employees of a municipal corporation, county, or township in the amounts and at the times required by law, ordinances, resolutions, or agreements, which failure of payment has continued:
  - (a) For more than thirty days after such time for payment, or
  - (b) Beyond a period of extension, or beyond the expiration of ninety days from the original time for payment, whichever occurs first, if the time for payment has been extended for more than thirty days by the written consent of at least two-thirds of the employees affected by such failure to pay, acting individually or by their duly authorized representatives. The failure of one county office, board, or commission to meet payroll does not in itself constitute a fiscal emergency.
- (3) An increase, by action of the county budget commission pursuant to Ohio Rev. Code Section 5705.31(D) in the minimum levy of the municipal corporation, county, or township for the current or next fiscal year which results in a reduction in the minimum levies for one or more other subdivisions or taxing districts.
- (4) The existence of a condition in which all accounts that, at the end of its preceding fiscal year, were due and payable from the general fund and that either had been due and payable for at least thirty days at the end of the fiscal year or to which a penalty has been added for failure to pay by the end of the fiscal year, including, but not limited to, final judgments, fringe benefits payments due and payable, and amounts due and payable to persons and other governmental entities and including any interest and penalties thereon, less the year-end balance in the general fund, exceeded one-sixth of the general fund budget for that year, or in which all accounts that, at the end of its preceding fiscal year, were due and payable from all funds of the municipal corporation, county, or township and that either had been due and payable for at least thirty days at the end of that fiscal year or to which a penalty has been added for failure to pay by the end of the fiscal year, less the year-end balance in the general fund and in the respective special funds lawfully available to pay such accounts, exceeded one-sixth of the available revenues during the preceding fiscal year, excluding nonrecurring receipts, of the general fund and of all special funds from which such accounts lawfully are payable. Accounts due and payable shall not include any account, or portion thereof, that is being contested in good faith.
- (5) The existence of a condition in which the aggregate of deficit amounts of all deficit funds at the end of its preceding fiscal year, less the total of any year-end balance in the general fund and in any special fund that may be transferred as provided in Ohio Rev. Code Section 5705.14 to meet such deficit, exceeded one-sixth of the total of the general fund budget for that year and the receipts to those deficit funds during that year other than from transfers from the general fund.

VILLAGE OF RUTLAND  
MEIGS COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2003 AND 2002  
(Continued)

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

**FINDING NUMBER 2003-022 (Continued)**

**Reportable Condition (Continued)**

- (6) The existence of a condition in which, at the end of the preceding fiscal year, moneys and marketable investments in or held for the unsegregated treasury of the municipal corporation, county or township, minus outstanding checks and warrants, were less in amount than the aggregate of the positive balances of the general fund and those special funds the purposes of which the unsegregated treasury is held to meet, and such deficiency exceeded one-sixth of the total amount received into the unsegregated treasury during the preceding fiscal year.

As of December 31, 2003, the Village may meet some of the conditions stated above and, as stated in Note 9 to the financial statements, the Village's financial condition has not improved.

We recommend the Village Mayor and Council consider contacting the Local Government Services division of the Auditor of State's Office to determine if a written declaration of fiscal watch or fiscal emergency is necessary based on the Village's current financial condition. In addition, the Village should develop and implement a financial plan of corrective action.

**FINDING NUMBER 2003-023**

**Reportable Condition**

Ohio Rev. Code Section 703.20 states, in pertinent part, that Villages may surrender their corporate powers upon the petition to the legislative authority of the Village of at least forty percent of the electors in the Village, and by an affirmative vote of a majority of such electors at a special election. If the result of the election is in favor of such surrender, the village clerk shall certify the results to the Secretary of State and the County Recorder, and thereupon the corporate powers of such Village shall cease.

The Village's General Fund cash balance as of December 31 for the last six years was as follows:

1998	\$9,071
1999	\$13,482
2000	\$20,871
2001	\$15,977
2002	\$10,010
2003	(\$8,049)

As disclosed in Note 9 to the Financial Statements, the Village had an unaudited deficit General Fund balance of \$15,163 as of December 31, 2004 and \$21,099 as of June 9, 2005. The Village has not developed a financial plan or taken corrective action as outlined in previous audit reports. The position of Village Clerk-Treasurer has been an elected position; however, due to an extremely high turnover and inability to fill the position, Village Council adopted an ordinance in 2004, making it an appointed position rather than elected.

**VILLAGE OF RUTLAND  
MEIGS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

<p><b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b></p>
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**FINDING NUMBER 2003-023 (Continued)**

**Reportable Condition (Continued)**

The "Independent Accountants' Report" for the year ended December 31, 2000 was qualified due to omission of receipt and disbursement classifications. The Independent Accountants' Report included in this report for the years ended December 31, 2003 and 2002, "disclaimed an opinion" on all Village financial statements. Audit reports from 1998 to 2003 consistently reported material weaknesses regarding record keeping and other significant internal control weaknesses. These weaknesses also underscore the Village's difficulty obtaining the resources necessary to make significant renovations or improvements to the water and/or sewer infrastructure system, as the Village's financial reports and condition discloses that funds have not been set aside for emergency repairs or enhancements to the infrastructure system.

With the conditions noted above, and the ongoing financial concerns and constraints that the Village is operating under, we recommend that the Village Council consider circulating a petition for the surrender of corporate power as outlined in Ohio Rev. Code Section 703.20.



**VILLAGE OF RUTLAND  
MEIGS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2003 AND 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain:</b>
2001-001	A noncompliance citation was issued under Ohio Rev. Code Section 5705.41(D), for failure to properly certify the availability of funds prior to an obligation being incurred.	No	Not corrected:  This has been repeated in the Schedule of Findings as item 2003-018.
2001-002	A noncompliance citation was issued under Ohio Rev. Code Section 5705.41(B), for expenditures exceeding appropriations.	No	Not corrected:  This has been repeated in the Schedule of Findings as item 2003-017.
2001-003	A noncompliance citation was issued under Ohio Rev. Code Section 5705.36 for total appropriations exceeding the available resources.	No	Not corrected:  This has been repeated in the Schedule of Finding as item 2003-016.
2001-004	A noncompliance citation was issued under Ohio Rev. Code Section 5705.10 for the Village having negative fund balances.	No	Not corrected:  This has been repeated in the Schedule of Findings as item 2003-015.
2001-005	A noncompliance citation was issued under Ohio Rev. Code Section 5705.39 for appropriations exceeding estimated revenue.	No	Partially corrected:  This has been referred to management of the Village in a separate letter dated June 9, 2005
2001-006	A noncompliance citation was issued under Ohio Rev. Code Section 733.28 and Ohio Admin. Code Section 117-2-02(A) for not maintaining a sufficient accounting system and accounting records.	No	Not corrected:  This has been repeated in the Schedule of Findings as item 2003-014.
2001-007	A noncompliance citation was issued under Ohio Rev. Code Section 117.38 for not filing the annual report with the Auditor of State.	No	Partially corrected:  Not corrected for 2002 or 2003; however, partially corrected for 2004. Therefore, this was referred to management of the Village in a separate letter dated June 9, 2005.
2001-008	A noncompliance citation was issued under Ohio Rev. Code Section 149.43 for destruction of records.	No	Not corrected.  This is in the Schedule of Findings as item 2003-012.
2001-009	A finding for recovery was issued against the Mayor in the amount of \$229.	Yes	Corrected





**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490

**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  
OCTOBER 13, 2005**