



Mary Taylor, CPA
Auditor of State

VILLAGE OF RUSHSYLVANIA
LOGAN COUNTY

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Mary Taylor, CPA
Auditor of State

Village of Rushsylvania
Logan County
111 N. Sandusky Street
PO Box 204
Rushsylvania, Ohio 43347

To the Members of Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

October 6, 2008

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Rushsylvania
Logan County
111 N. Sandusky Street
PO Box 204
Rushsylvania, Ohio 43347

To the Members of Council:

We have audited the accompanying financial statements of the Village of Rushsylvania, Logan County, (the Village), as of and for the years ended December 31, 2007 and 2006. 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP requires presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2007 and 2006 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2007 and 2006 or its changes in financial position or cash flows where applicable, for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Rushsylvania, Logan County, as of December 31, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 6, 2008, 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 that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Mary Taylor, CPA
Auditor of State

October 6, 2008

**VILLAGE OF RUSHSYLVANIA
LOGAN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Local Taxes	\$57,560	\$14,376	\$71,936
Intergovernmental	76,380	26,649	103,029
Special Assessments	3,491		3,491
Fines, Licenses and Permits	3,278		3,278
Earnings on Investments	19,488	2,347	21,835
Miscellaneous	11,604	90	11,694
Total Cash Receipts	<u>171,801</u>	<u>43,462</u>	<u>215,263</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	12,739		12,739
Leisure Time Activities	12,750		12,750
Community Environment	435		435
Transportation	71,413	47,466	118,879
General Government	86,309	347	86,656
Total Cash Disbursements	<u>183,646</u>	<u>47,813</u>	<u>231,459</u>
Total Receipts (Under) Disbursements	(11,845)	(4,351)	(16,196)
Fund Cash Balances, January 1	<u>102,142</u>	<u>104,184</u>	<u>206,326</u>
Fund Cash Balances, December 31	<u><u>\$90,297</u></u>	<u><u>\$99,833</u></u>	<u><u>\$190,130</u></u>

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

**VILLAGE OF RUSHSYLVANIA
LOGAN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Enterprise
Operating Cash Receipts:	
Charges for Services	\$151,174
Operating Cash Disbursements:	
Personal Services	33,709
Employee Fringe Benefits	247
Contractual Services	75,193
Total Operating Cash Disbursements	109,149
Operating Income	42,025
Non-Operating Cash Receipts:	
Intergovernmental	556,526
Earnings on Investments	369
Other Debt Proceeds	446,296
Total Non-Operating Cash Receipts	1,003,191
Non-Operating Cash Disbursements:	
Capital Outlay	1,001,923
Redemption of Principal	32,079
Interest and Other Fiscal Charges	2,903
Total Non-Operating Cash Disbursements	1,036,905
Net Receipts Over Disbursements	8,311
Fund Cash Balances, January 1	198,904
Fund Cash Balances, December 31	\$207,215

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

**VILLAGE OF RUSHSYLVANIA
LOGAN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Local Taxes	\$54,756	\$20,145	\$74,901
Intergovernmental	72,666	19,767	92,433
Fines, Licenses and Permits	3,781		3,781
Earnings on Investments	6,147	416	6,563
Miscellaneous	6,126	70	6,196
Total Cash Receipts	<u>143,476</u>	<u>40,398</u>	<u>183,874</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	15,413		15,413
Leisure Time Activities	11,730		11,730
Community Environment	267		267
Transportation	60,125	19,304	79,429
General Government	72,847	262	73,109
Total Cash Disbursements	<u>160,382</u>	<u>19,566</u>	<u>179,948</u>
Total Receipts Over/(Under) Disbursements	(16,906)	20,832	3,926
Fund Cash Balances, January 1	<u>119,048</u>	<u>83,352</u>	<u>202,400</u>
Fund Cash Balances, December 31	<u><u>\$102,142</u></u>	<u><u>\$104,184</u></u>	<u><u>\$206,326</u></u>

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

VILLAGE OF RUSHSYLVANIA
LOGAN COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES
PROPRIETY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>Enterprise</u>
Operating Cash Receipts:	
Charges for Services	<u>\$163,145</u>
Operating Cash Disbursements:	
Personal Services	27,871
Employee Fringe Benefits	81
Contractual Services	88,105
Total Operating Cash Disbursements	<u>116,057</u>
Operating Income	<u>47,088</u>
Non-Operating Cash Receipts:	
Intergovernmental	10,000
Special Assessments	912
Earnings on Investments	1,312
Other Debt Proceeds	97,250
Total Non-Operating Cash Receipts	<u>109,474</u>
Non-Operating Cash Disbursements:	
Capital Outlay	120,168
Redemption of Principal	7,948
Interest and Other Fiscal Charges	4,175
Total Non-Operating Cash Disbursements	<u>132,291</u>
Net Receipts Over Disbursements	24,271
Fund Cash Balances, January 1	<u>174,633</u>
Fund Cash Balances, December 31	<u><u>\$198,904</u></u>

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

**VILLAGE OF RUSHSYLVANIA
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

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 Rushsylvania, Logan 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; park operations; and construction, maintenance, and repair of streets. The Village contracts with the Logan County Sheriff's department to provide security of persons and property.

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village 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 include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Cash and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Village values certificates of deposit at cost.

D. Fund Accounting

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

1. General Fund

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

2. Special Revenue Funds

These funds account are used to account or proceeds from specific sources (other than from private-purpose 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.

Storm Sewer Fund – This fund receives tax revenue to maintain storm sewers.

**VILLAGE OF RUSHSYLVANIA
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Fund:

Sewer Replacement and Improvement Fund – This fund receives charges for services from residents for sewer replacement and improvements. This fund receives loan proceeds from the Ohio Water Development Authority to finance a utility plant expansion. A utility surcharge recorded in this fund will repay this Wastewater Treatment Plant and Collection System Improvements Project loan.

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus 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 individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2007 and 2006 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

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

G. Accumulated Leave

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

**VILLAGE OF RUSHSYLVANIA
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2007	2006
Demand deposits	\$387,345	\$395,230
Certificates of deposit	10,000	10,000
Total deposits	\$397,345	\$405,230

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2006 and 2007 follows:

2007 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$143,476	\$171,801	\$28,325
Special Revenue	40,397	43,462	3,065
Enterprise	145,055	1,154,365	1,009,310
Total	\$328,928	\$1,369,628	\$1,040,700

2007 Budgeted vs. Actual Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$246,534	\$183,646	\$62,888
Special Revenue	144,581	47,813	96,768
Enterprise	759,467	1,146,054	(386,587)
Total	\$1,150,582	\$1,377,513	(\$226,931)

2006 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$152,043	\$143,476	(\$8,567)
Special Revenue	50,630	40,398	(10,232)
Enterprise	296,706	272,619	(24,087)
Total	\$499,379	\$456,493	(\$42,886)

2006 Budgeted vs. Actual Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$273,043	\$160,382	\$112,661
Special Revenue	137,448	19,566	117,882
Enterprise	413,136	248,348	164,788
Total	\$823,627	\$428,296	\$395,331

**VILLAGE OF RUSHSYLVANIA
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

Contrary to Ohio Rev. Code Section 5705.36(A)(3), actual receipts exceeded budgeted receipts by \$1,006,937 in the Sewer Replacement and Improvement Fund during 2007. Ohio Rev. Code Section 5705.39 was violated when the Village had several funds with appropriations greater than estimated resources during 2007 (General Fund, Sewer Replacement and Improvement Fund) and 2006 (General Fund, Street Construction and Maintenance, Permissive Motor Vehicle License Fund, and Sewer Bond Redemption and Surplus Fund). The Village violated Ohio Rev. Code Section 5705.41(B) in 2007 when expenditures exceeded appropriations by \$486,565 in the Sewer Replacement and Improvement Fund.

4. PROPERTY TAX

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

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

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

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

5. DEBT

Debt outstanding at December 31, 2007 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Bobcat Lease	\$4,928	4.40%
Ohio Water Development Authority Loan #1852	24,766	7.00%
Ohio Water Development Authority Loan #4646	528,644	0.00%
Total	<u>\$558,338</u>	

The Village entered into a lease-purchase arrangement for a Bobcat skid loader beginning May 2004 for \$23,030. The obligation is to be paid for over five years from the General, Street, State Highway, Permissive, Water, and Sewer Funds. The skid loader is to be used for various purposes in the Village.

The Ohio Water Development Authority (OWDA) #1852 loan was received to pay for wastewater treatment plant improvements. Per a Cooperative Agreement dated July 11, 1991, the original loan was for \$47,040 to be repaid over 25 years at 7.54% interest. An additional loan payment of \$1,100 against the principal was made in December 2007 not reflected by OWDA until January 2008. This debt is serviced with revenues from the utility.

**VILLAGE OF RUSHSYLVANIA
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

5. DEBT (Continued)

The Ohio Water Development Authority (OWDA) #4148 loan was received to pay for the planning of the wastewater plant improvement project. Per a Cooperative Agreement dated August 26, 2004, the loan amount approved was \$28,875 at 0% interest for five years. As of December 31, 2005, the Village only borrowed a total of \$25,500. This debt was serviced with revenues from the water utility. As of March 16, 2007, the remaining portion of the debt (\$11,310) was rolled into loan #4646 from OWDA.

The Ohio Water Development Authority (OWDA) #4488 loan was received to pay for the planning of the wastewater plant improvement project. Per a Cooperative Agreement dated March 30, 2006, the loan amount approved was \$97,250 at 0% interest for five years. This debt was serviced with revenues from the water utility. As of March 20, 2007, the remaining portion of the debt (\$89,550) was rolled into loan #4646 from the OWDA.

The Ohio Water Development Authority (OWDA) #4646 loan was received to pay for wastewater treatment plant collection system improvements. Per a Cooperative Agreement dated December 14, 2006, the original loan approved was for \$740,497 to be repaid over 20 years at 0% interest. The Village only borrowed \$547,156 as of December 31, 2007. This amount includes \$100,860 from the balances of loans #4148 and #4488. A payment was made on this loan in December 2007 for \$18,512 but was not reflected by OWDA until January 2008. This debt is serviced with revenues from the water utility.

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

<u>Year ending December 31:</u>	<u>Ohio Water Development Authority Loan #1852</u>	<u>Ohio Water Development Authority Loan #4646</u>	<u>Bobcat Lease- Purchase Agreement</u>
2008	\$4,235	\$26,432	\$5,038
2009	4,235	26,432	
2010	4,235	26,432	
2011	4,235	26,432	
2012	4,235	26,432	
2013-2017	12,704	132,161	
2018-2022		132,161	
2023-2027		132,162	
Total	<u>\$33,879</u>	<u>\$528,644</u>	<u>\$5,038</u>

6. RETIREMENT SYSTEM

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

The Ohio Revised Code also prescribes contribution rates. For 2007 and 2006, OPERS members contributed 9.5 percent and 9 percent, respectively, of their gross salaries and the Village contributed an amount equaling 13.85 percent and 13.70 percent, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2007.

VILLAGE OF RUSHSYLVANIA
LOGAN COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)

7. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.



Mary Taylor, CPA

Auditor of State

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

Village of Rushsylvania
Logan County
111 N. Sandusky Street
PO Box 204
Rushsylvania, Ohio 43347

To the Members of Council:

We have audited the financial statements of the Village of Rushsylvania, Logan County, (the Village), as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated October 6, 2008, wherein we noted the Village prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We also noted the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

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

We consider the following deficiency described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting: 2007-001

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. However, we believe the significant deficiency described above as finding 2007-001 is also a material weakness.

We also noted certain internal control matters that we reported to the Village's management in a separate letter dated October 6, 2008.

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 that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2007-002 through 2007-004.

We also noted certain noncompliance or other matters that we reported to the Village's management in a separate letter dated October 6, 2008.

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Village's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of the management and the Village Council. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

October 6, 2008

VILLAGE OF RUSHSYLVANIA
LOGAN COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006

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

FINDING NUMBER 2007-001

Material Weakness

Recording of Financial Activity

To assist in the effective management and reporting of financial resources, the village should have procedures in place to help assure that revenues and expenditures are correctly classified and that all financial activity for a reporting period has been recorded in the accounting records and financial statements. Errors in the accounting records and financial statements included but were not limited to the following: During 2007, the Village recorded \$467,520 of intergovernmental revenue and \$53,762 of debt proceeds as other financing sources, did not record \$398,034 of a loan spent on behalf of the Village, and did not record grant proceeds of \$83,506 paid on behalf of the Village, in the Enterprise Funds. During 2006, the Village did not record \$10,000 in grant funds and \$97,250 in loan proceeds, in the Enterprise Funds. In addition, during 2006, the Village did not record \$24,659 of utility receipts held in the utility department checking account, in the Enterprise Funds. The accompanying financial statements have been adjusted to correctly record and classify this activity.

The Village Clerk-Treasurer should review the Ohio Village Manual, the UAN Manual, and Auditor of State Audit Bulletin 2000-008 for guidance in the recording of financial activity. The Village's Clerk-Treasurer and Council Members should also perform a periodic review of the financial records and financial statements to help identify financial recording errors.

OFFICIALS' RESPONSE:

The Clerk-Treasurer followed recommendations from the project engineer and solicitor to post revenues and expenditures as such. In the future the Clerk-Treasurer will record such revenues as intergovernmental revenue and expenditures as capital outlay. The Clerk-Treasurer will also make sure utility receipts are recorded in the same year as received.

FINDING NUMBER 2007-002

Noncompliance Finding

Ohio Rev. Code Section 5705.36(A)(3) states that upon a determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be greater than the amount included in an official certificate and the legislative authority intends to appropriate and expend the excess revenue, the fiscal officer shall certify the amount of excess to the commission, and if the commission determines that the fiscal officer's certification is reasonable, the commission shall certify an amended official certificate reflecting such excess. During 2007, the Enterprise Sewer Replacement and Improvement Fund had actual receipts that exceeded estimated receipts by \$1,006,937. The Village spent this excess revenue without obtaining an amended certificate.

The Clerk-Treasurer and Council should monitor budget versus actual revenues to help identify those funds which will require an amended official certificate if they intend to appropriate and expend the excess revenue.

OFFICIALS' RESPONSE:

The Clerk-Treasurer will properly send a request to amend the official certificate to include loans and grants paid or received by the Village.

FINDING NUMBER 2007-003

Noncompliance Finding

Ohio Rev. Code Section 5705.39 provides, in part, that total appropriations from each fund shall not exceed the total estimated revenue available for expenditure, there from, as certified by the budget commission.

The following funds had appropriations in excess of estimated resources during 2006 and 2007:

Year	Fund	Estimated Resources	Appropriations	Variance
2006	General	\$271,091	\$273,043	(\$ 1,952)
	Street, Construction, and Maintenance	53,273	56,819	(3,546)
	Permissive Motor Vehicle License	16,628	22,174	(5,546)
	Sewer Bond Redemption and Surplus	(1,147)	53,741	(54,888)
2007	General	245,618	246,534	(916)
	Sewer Replacement and Improvement	115,665	555,831	(\$440,166)

The failure to adopt appropriations that are within the estimated resources of each fund could result in deficit spending by the Village and negative cash fund balances.

Prior to adopting appropriations, the Clerk-Treasurer and Council should verify that the appropriations are within the estimated resources approved by the budget commission.

OFFICIALS' RESPONSE:

In the future, the Clerk-Treasurer will file an amendment to the estimated resources certificate for the budget commission listing all revenue received or expected to be received and all expenditures spent or expected to be expended.

FINDING NUMBER 2007-004

Noncompliance Finding

Ohio Rev. Code Section 5705.41(B) states no subdivision or taxing unit shall expend money unless it has been appropriated. During 2007, the Enterprise Sewer Replacement and Improvement Fund had expenditures that were \$486,565 greater than appropriations.

The Clerk-Treasurer and Council should routinely monitor expenditures and appropriations, and make necessary changes to either the budgeted amounts or the actual activity. Monitoring procedures should be developed to help identify instances in which expenditures may exceed appropriations at the legal level of control. Appropriations and/or anticipated spending should be modified when a potential violation is identified to help reduce the risk of deficit spending and to remain in compliance with this Code Section.

OFFICIALS' RESPONSE:

The Clerk-Treasurer will properly appropriate grant and loan money spent even though it did not come directly to the Village.

**VILLAGE OF RUSHSYLVANIA
LOGAN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2007 AND 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2005-001	Ohio Rev. Code Section 5705.10 – some revenues were recorded in the wrong fund.	No	Financial statements were adjusted in the prior audit. A similar immaterial instance was noted during the current audit and reported to management of the Village in a separate letter.



Mary Taylor, CPA
Auditor of State

VILLAGE OF RUSHSYLVANIA

LOGAN 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
NOVEMBER 13, 2008**