



Mary Taylor, CPA
Auditor of State

VILLAGE OF RUTLAND
MEIGS COUNTY

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Mary Taylor, CPA

Auditor of State

Village of Rutland
Meigs County
P.O. Box 297
337 Main Street
Rutland, Ohio 45775

To the Village 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

December 8, 2008

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Rutland
Meigs County
P.O. Box 297
337 Main Street
Rutland, Ohio 45775

To the Village Council:

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

Except as described in paragraph six, 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 require 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 villages 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 of its proprietary funds for the years then ended.

The Village did not provide adequate supporting documentation for fines, licenses and permits receipts to allow us to determine the completeness of fines, licenses and permits receipts recorded in the General and Fiduciary Fund types in 2007 and 2006, nor were we able to satisfy ourselves as to the completeness of those receipts by other auditing procedures. These fines, licenses and permits receipts represent 10 percent of receipts of the General Fund and 100 percent of receipts of the Fiduciary Fund type for the year ended December 31, 2006. These fines, licenses and permits receipts represent eight percent of receipts of the General Fund and 100 percent of receipts of the Fiduciary Fund type for the year ended December 31, 2007.

Also, in our opinion, except for such adjustments, if any, as might have been determined to be necessary had we been able to obtain sufficient competent evidential matter to support the 2007 and 2006 fines, licenses and permits receipts in the General and Fiduciary Fund types, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Rutland, Meigs County, Ohio, 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.

As described in Note 9 to the financial statements, the Village has reported a December 31, 2007 General Fund cash deficit of \$33,199. Management's actions are also described in Note 9.

Further, the Auditor of State has billed the Village for prior audit services and non-audit services provided. As of the date of this report, the Village has an outstanding balance over 120 days of \$68,142.

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 December 8, 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

December 8, 2008

**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, 2007**

| | <u>Governmental Fund Types</u> | | | Totals (Memorandum Only) |
|--|--------------------------------|----------------------------|-----------------------------|---|
| | <u>General</u> | <u>Special Revenue</u> | <u>Capital Projects</u> | |
| Cash Receipts: | | | | |
| Property and Local Taxes | \$19,152 | | | \$19,152 |
| Intergovernmental | 17,095 | \$25,641 | | 42,736 |
| Charges for Services | | 1,642 | | 1,642 |
| Fines, Licenses and Permits | 3,768 | 1,550 | | 5,318 |
| Earnings on Investments | 342 | 18 | | 360 |
| Miscellaneous | 2,286 | 20,720 | | 23,006 |
| Total Cash Receipts | <u>42,643</u> | <u>49,571</u> | <u>\$0</u> | <u>92,214</u> |
| Cash Disbursements: | | | | |
| Current: | | | | |
| Security of Persons and Property | 21,943 | 956 | | 22,899 |
| Leisure Time Activities | | 6,069 | | 6,069 |
| Transportation | | 20,767 | | 20,767 |
| General Government | 4,185 | | | 4,185 |
| Debt Service: | | | | |
| Redemption of Principal | | 3,047 | | 3,047 |
| Interest and Fiscal Charges | | 1,521 | | 1,521 |
| Capital Outlay | | 20,023 | | 20,023 |
| Total Cash Disbursements | <u>26,128</u> | <u>52,383</u> | <u>0</u> | <u>78,511</u> |
| Total Cash Receipts Over/(Under) Cash Disbursements | <u>16,515</u> | <u>(2,812)</u> | <u>0</u> | <u>13,703</u> |
| Other Financing Receipts / (Disbursements): | | | | |
| Other Financing Sources | 1,700 | | | 1,700 |
| Other Financing Uses | | (7,184) | | (7,184) |
| Total Other Financing Receipts / (Disbursements) | <u>1,700</u> | <u>(7,184)</u> | <u>0</u> | <u>(5,484)</u> |
| Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements | 18,215 | (9,996) | 0 | 8,219 |
| Fund Cash Balances, January 1 | (51,414) | 42,915 | 9,780 | 1,281 |
| Fund Cash Balances, December 31 | <u>(\$33,199)</u> | <u>\$32,919</u> | <u>\$9,780</u> | <u>\$9,500</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 FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007**

| | <u>Proprietary Fund Type</u> | <u>Fiduciary Fund Type</u> | <u>Totals (Memorandum Only)</u> |
|--|----------------------------------|--------------------------------|---|
| | <u>Enterprise</u> | <u>Agency</u> | |
| Operating Cash Receipts: | | | |
| Charges for Services | \$246,433 | | \$246,433 |
| Miscellaneous | 5,524 | | 5,524 |
| Total Operating Cash Receipts | <u>251,957</u> | <u>\$0</u> | <u>251,957</u> |
| Operating Cash Disbursements: | | | |
| Personal Services | 66,160 | | 66,160 |
| Employee Fringe Benefits | 10,124 | | 10,124 |
| Contractual Services | 67,062 | | 67,062 |
| Supplies and Materials | 20,562 | | 20,562 |
| Other | 3,000 | | 3,000 |
| Total Operating Cash Disbursements | <u>166,908</u> | <u>0</u> | <u>166,908</u> |
| Operating Income/(Loss) | <u>85,049</u> | <u>0</u> | <u>85,049</u> |
| Non-Operating Cash Receipts: | | | |
| Other Non-Operating Cash Receipts | 5,484 | 4,377 | 9,861 |
| Total Non-Operating Cash Receipts | <u>5,484</u> | <u>4,377</u> | <u>9,861</u> |
| Non-Operating Cash Disbursements: | | | |
| Redemption of Principal | 25,750 | | 25,750 |
| Interest and Other Fiscal Charges | 28,564 | | 28,564 |
| Other Non-Operating Cash Disbursements | | 4,912 | 4,912 |
| Total Non-Operating Cash Disbursements | <u>54,314</u> | <u>4,912</u> | <u>59,226</u> |
| Net Receipts Over/(Under) Disbursements | 36,219 | (535) | 35,684 |
| Fund Cash Balances, January 1 | <u>76,680</u> | <u>607</u> | <u>77,287</u> |
| Fund Cash Balances, December 31 | <u>\$112,899</u> | <u>\$72</u> | <u>\$112,971</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 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> | <u>Capital Projects</u> | |
| Cash Receipts: | | | | |
| Property and Local Taxes | \$11,596 | \$1,712 | | \$13,308 |
| Intergovernmental | 16,260 | 33,325 | | 49,585 |
| Charges for Services | | 1,856 | | 1,856 |
| Fines, Licenses and Permits | 4,378 | 200 | | 4,578 |
| Earnings on Investments | 1,222 | 121 | | 1,343 |
| Miscellaneous | 2,157 | 1,876 | | 4,033 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total Cash Receipts | 35,613 | 39,090 | \$0 | 74,703 |
| Cash Disbursements: | | | | |
| Current: | | | | |
| Security of Persons and Property | 25,778 | 300 | | 26,078 |
| Leisure Time Activities | | 3,150 | | 3,150 |
| Transportation | | 29,489 | | 29,489 |
| General Government | 3,283 | | | 3,283 |
| Debt Service: | | | | |
| Redemption of Principal | 98 | 2,926 | | 3,024 |
| Interest and Fiscal Charges | 92 | 1,423 | | 1,515 |
| Capital Outlay | | 12,005 | | 12,005 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total Cash Disbursements | 29,251 | 49,293 | 0 | 78,544 |
| Total Cash Receipts Over/(Under) Cash Disbursements | 6,362 | (10,203) | 0 | (3,841) |
| Fund Cash Balances, January 1 | (57,776) | 53,118 | 9,780 | 5,122 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Fund Cash Balances, December 31 | <u>(\$51,414)</u> | <u>\$42,915</u> | <u>\$9,780</u> | <u>\$1,281</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 FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

| | <u>Proprietary Fund Type</u> | <u>Fiduciary Fund Type</u> | <u>Totals (Memorandum Only)</u> |
|--|----------------------------------|--------------------------------|---|
| | <u>Enterprise</u> | <u>Agency</u> | |
| Operating Cash Receipts: | | | |
| Charges for Services | \$196,251 | | \$196,251 |
| Fines, Licenses and Permits | 34 | | 34 |
| Miscellaneous | 932 | | 932 |
| | <hr/> | | <hr/> |
| Total Operating Cash Receipts | 197,217 | \$0 | 197,217 |
| | <hr/> | | <hr/> |
| Operating Cash Disbursements: | | | |
| Personal Services | 63,988 | | 63,988 |
| Employee Fringe Benefits | 9,710 | | 9,710 |
| Contractual Services | 68,260 | | 68,260 |
| Supplies and Materials | 37,929 | | 37,929 |
| Other | 2,403 | | 2,403 |
| | <hr/> | | <hr/> |
| Total Operating Cash Disbursements | 182,290 | 0 | 182,290 |
| | <hr/> | | <hr/> |
| Operating Income/(Loss) | 14,927 | 0 | 14,927 |
| | <hr/> | | <hr/> |
| Non-Operating Cash Receipts: | | | |
| Sale of Notes | 51,092 | | 51,092 |
| Other Non-Operating Cash Receipts | | 4,876 | 4,876 |
| | <hr/> | <hr/> | <hr/> |
| Total Non-Operating Cash Receipts | 51,092 | 4,876 | 55,968 |
| | <hr/> | <hr/> | <hr/> |
| Non-Operating Cash Disbursements: | | | |
| Redemption of Principal | 22,761 | | 22,761 |
| Interest and Other Fiscal Charges | 28,331 | | 28,331 |
| Other Non-Operating Cash Disbursements | 128 | 4,778 | 4,906 |
| | <hr/> | <hr/> | <hr/> |
| Total Non-Operating Cash Disbursements | 51,220 | 4,778 | 55,998 |
| | <hr/> | <hr/> | <hr/> |
| Net Receipts Over/(Under) Disbursements | 14,799 | 98 | 14,897 |
| | <hr/> | | <hr/> |
| Fund Cash Balances, January 1 | 61,881 | 509 | 62,390 |
| | <hr/> | <hr/> | <hr/> |
| Fund Cash Balances, December 31 | <u>\$76,680</u> | <u>\$607</u> | <u>\$77,287</u> |

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, 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 Rutland, Meigs County (the Village), as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, park operations, and police services.

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

B. 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

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 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.

FEMA Fund – This fund receives federal monies for repair of roads, culverts, and bridges due to flooding.

**VILLAGE OF RUTLAND
MEIGS COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

3. Capital Project Funds

These funds account 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 Project Fund:

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

4. 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 Service – This fund receives charges for services from residents to cover sewer debt payments.

5. Fiduciary Funds

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. 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.

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund type level of control for 2006 and the fund level of control for 2007, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

**VILLAGE OF RUTLAND
MEIGS COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

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 canceled, and reappropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law.

A summary of 2007 and 2006 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.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. EQUITY IN POOLED CASH

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

| | <u>2007</u> | <u>2006</u> |
|-------------------------|------------------|-----------------|
| Demand deposits | \$111,470 | \$67,567 |
| Certificates of deposit | 11,001 | 11,001 |
| Total deposits | <u>\$122,471</u> | <u>\$78,568</u> |

Deposits: Deposits are insured by the Federal Deposit 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, 2007 AND 2006
(Continued)**

3. BUDGETARY ACTIVITY

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

| 2007 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|-----------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$53,027 | \$44,343 | (\$8,684) |
| Special Revenue | 25,097 | 49,571 | 24,474 |
| Capital Projects | 2,305 | 0 | (2,305) |
| Enterprise | 230,413 | 257,441 | 27,028 |
| Total | \$310,842 | \$351,355 | \$40,513 |

| 2007 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|------------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$32,513 | \$26,128 | \$6,385 |
| Special Revenue | 33,658 | 59,567 | (25,909) |
| Capital Projects | 6,000 | 0 | 6,000 |
| Enterprise | 196,502 | 221,222 | (24,720) |
| Total | \$268,673 | \$306,917 | (\$38,244) |

| 2006 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|------------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$62,357 | \$35,613 | (\$26,744) |
| Special Revenue | 29,456 | 39,090 | 9,634 |
| Capital Projects | 0 | 0 | 0 |
| Enterprise | 182,552 | 248,309 | 65,757 |
| Total | \$274,365 | \$323,012 | \$48,647 |

| 2006 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|------------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$14,359 | \$29,251 | (\$14,892) |
| Special Revenue | 67,994 | 49,293 | 18,701 |
| Capital Projects | 7,716 | 0 | 7,716 |
| Enterprise | 204,597 | 233,510 | (28,913) |
| Total | \$294,666 | \$312,054 | (\$17,388) |

Contrary to Ohio law, the Village adopted appropriations at the fund type level for 2006 and the fund level for 2007.

Contrary to Ohio law, budgeted revenue exceeded actual revenue and appropriations were greater than actual revenue for the 2006 General Fund and the 2007 General Fund and Street Construction & Maintenance Fund.

**VILLAGE OF RUTLAND
MEIGS COUNTY**

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

3. BUDGETARY ACTIVITY (Continued)

Contrary to Ohio law, expenditures exceeded appropriations at the fund type level for the General Fund Type and Enterprise Fund Type at December 31, 2006 and at the fund level for the Law Enforcement Trust Fund, Civic Center Fund, FEMA Fund, Nature Works Grant Fund, Water Operating Fund and Water Tank Fund at December 31, 2007.

Contrary to Ohio law, appropriations exceeded estimated resources for the General Fund and Log Cabin Fund at December 31, 2007.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted 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 financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, 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> |
|---|-------------------------|----------------------|
| Ohio Water Development Authority Loan #1858 | \$322,377 | 7.50% |
| Ohio Water Development Authority Loan #1859 | \$1,814 | 7.50% |
| Ohio Water Development Authority Loan #3068 | 25,783 | 6.02% |
| Ohio Water Development Authority Loan #4443 | 49,555 | 4.99% |
| Cabin Loan | 24,805 | 6.46% |
| Tractor Loan | 2,954 | 3.45% |
| Total | <u><u>\$427,288</u></u> | |

The Ohio Water Development Authority (OWDA) loan #1858 and #1859 relate to a sewer plant improvement project. The OWDA approved loans in previous years of \$523,533 and \$2,881, respectively for this project. These loans will be repaid in semiannual installments of \$23,483 and \$132, respectively. Revenues from the Sewer Debt Service Fund will be used to repay this debt.

The Ohio Water Development Authority (OWDA) loan #3068 relates to a water line replacement project. The OWDA approved a loan in previous years of \$52,928 for this project. This loan will be repaid in semiannual installments of \$2,311. Revenues from the Sewer Debt Service Fund will be used to repay this debt.

**VILLAGE OF RUTLAND
MEIGS COUNTY**

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

5. DEBT (Continued)

The Ohio Water Development Authority (OWDA) loan #4443 was utilized to make the semiannual installments for loan #1858, #1859 and #3068. The OWDA approved the loan in 2006 of \$51,092 for this project. This loan will be repaid in semiannual installments of \$2,034. Revenues from the Sewer Debt Service Fund will be used to repay this debt.

The cabin note was obtained during 2002 to pay for capital improvements with the cabin pledged as collateral. However, the funds were used to meet general operating expenditures in the year the loan was obtained and no subsequent capital improvements or reimbursements to the Capital Improvement Fund were made. The Village approved a \$30,000 for 20 years. This loan will be repaid in monthly installments. 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 Section 133.03(D), the Village entered into a twenty year note to meet current operating expenditures.

The tractor loan was obtained during 2004 to purchase a tractor which is also pledged as collateral. The Village approved a \$9,800 loan for five years. This loan will be repaid in monthly installments.

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

| Year ending December 31: | OWDA loan #1858 | OWDA loan #1859 | OWDA loan #3068 | OWDA loan #4443 | Cabin Loan | Tractor Loan |
|-----------------------------|--------------------|--------------------|--------------------|--------------------|-----------------|-----------------|
| 2008 | \$46,967 | \$264 | \$4,622 | \$4,067 | \$2,592 | \$2,139 |
| 2009 | 46,967 | 264 | 4,622 | 4,067 | 2,592 | 891 |
| 2010 | 46,967 | 264 | 4,622 | 4,067 | 2,592 | |
| 2011 | 46,967 | 264 | 4,622 | 4,067 | 2,592 | |
| 2012 | 46,967 | 264 | 4,622 | 4,067 | 2,592 | |
| 2013-2017 | 234,835 | 1,320 | 9,244 | 20,335 | 12,960 | |
| 2018-2022 | | | | 20,335 | 12,960 | |
| | | | | 16,268 | | |
| Total | <u>\$469,670</u> | <u>\$2,640</u> | <u>\$32,354</u> | <u>\$77,273</u> | <u>\$38,880</u> | <u>\$3,030</u> |

Amortization of the Cabin Loan was calculated based on the rate as of December 31, 2007.

6. RETIREMENT SYSTEM

The Village's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2007 and 2006, OPERS members contributed 9.5% and 9%, respectively, of their gross salaries and the Village contributed an amount equaling 13.85% and 13.7%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2007.

**VILLAGE OF RUTLAND
MEIGS COUNTY**

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

7. RISK MANAGEMENT

Risk Pool Membership

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

The Village insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

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

For an occurrence prior to January 1, 2006 PEP retains casualty risks up to \$250,000 per occurrence, including claim 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 \$10,000,000 in the aggregate per year.

For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with PEP.

If losses exhaust PEP's retained earnings, APEEP provides excess of funds available coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (prior to January 1, 2006) or \$3,000,000 (on or subsequent to January 1, 2006) as noted above.

Property Coverage

Beginning in 2005, APEEP established a risk-sharing property program. Under the program, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. This amount was increased to \$300,000 in 2007. For 2007, APEEP reinsures members for specific losses exceeding \$100,000 up to \$300,000 per occurrence, subject to an annual aggregate loss payment. For 2006, APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000 in 2006, or \$100,000 and \$300,000 in 2007, Travelers will then reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 was \$2,014,548.

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

**VILLAGE OF RUTLAND
MEIGS COUNTY**

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

7. RISK MANAGEMENT (Continued)

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

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, 2007 and 2006.

| | 2007 | 2006 |
|-------------|---------------|---------------|
| Assets | \$ 37,560,071 | \$ 36,123,194 |
| Liabilities | (17,340,825) | (16,738,904) |
| Net Assets | \$ 20,219,246 | \$ 19,384,290 |

At December 31, 2007 and 2006, respectively, the liabilities above include approximately \$15.9 million and \$15.0 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$15.0 million and \$14.4 million of unpaid claims to be billed to approximately 443 member governments in the future, as of December 31, 2007 and 2006, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Village's share of these unpaid claims collectible in future years is approximately \$14,000. This payable includes the subsequent year's contribution due if the Village terminates participation, as described in the last paragraph below.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

Contributions to PEP

| | | |
|------|----|--------|
| 2005 | \$ | 12,544 |
| 2006 | \$ | 11,878 |
| 2007 | \$ | 11,973 |

After completing one year of membership, members may withdraw on each anniversary of the date they joined PEP provided they provide written notice to PEP 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

**VILLAGE OF RUTLAND
MEIGS COUNTY**

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

8. CONTINGENT LIABILITIES

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor, principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

9. DEFICIT FUND BALANCES

As of December 31, 2007, the Village had deficit fund balances of \$33,199 in the General Fund, \$1,180 in the Street Construction, Maintenance and Repair Fund, \$6,482 in the Log Cabin Fund and \$15,331 in the Water Operating Fund. As of November 30, 2008, the Village had unaudited deficit fund balances of \$22,664 in the General Fund, \$3,946 in the Street Construction, Maintenance and Repair Fund, \$5,685 in the Log Cabin Fund and \$29,731 in the Water Operating Fund. As of September 30, 2008, the Village had outstanding audit fee obligations to the Auditor of State in the amount of \$83,035 of which includes obligations for prior audit fees that were past due by more than 120 days in the amount of \$68,142. The Village has agreed to make payments to the Auditor of State in the amount of \$500 per month. The Village is also behind on payments to the Bureau of Workers Compensation (BWC). As of November 24, 2008, the Village owed BWC \$19,871. The Village has agreed to make payments to the BWC in the amount of \$1,000 per month of which \$500 per month is for past due amounts. The Village has taken steps to reduce spending to help reduce deficit fund balances. The Auditor of State's Local Government Services Division monitors the Village's deficit fund balances.

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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 Rutland
Meigs County
P.O. Box 297
337 Main Street
Rutland, Ohio 45775

To the Village Council:

We have audited the financial statements of Village of Rutland, Meigs County, Ohio (the Village), as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated December 8, 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 did not opine on the 2007 and 2006 fines, licenses and permits receipts of the General and Fiduciary Fund Types because we were unable to satisfy ourselves to the completeness of the receipts. 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. Except as discussed above concerning fines, licenses and permits receipts in the General and Fiduciary Fund Types, 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 certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

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.

We consider the following deficiencies described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting: 2007-008 through 2007-013.

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 the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, of the significant deficiencies described above, we believe finding numbers 2007-008, 2007-010, 2007-011, and 2007-013 are also material weaknesses.

We also noted certain internal control matters that we reported to the Village's management in a separate letter dated December 8, 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 2007-001 through 2007-007 and 2007-012.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated December 8, 2008.

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



Mary Taylor, CPA
Auditor of State

December 8, 2008

**VILLAGE OF RUTLAND
MEIGS 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

Finding for Recovery

On October 20, 2007 and December 24, 2007, Jeffrey Miller, former Village Police Chief, signed checks made payable to cash from the Village's Law Enforcement Trust Fund account with no supporting documentation for these expenditures. These checks also included a signature of the former Mayor, April Burke; however, the Mayor's signature was forged by Jeffrey Miller. On November 17, 2008, Jeffrey Miller was indicted for Theft in Office. The following checks were forged:

| Check Number | Date Issued | Payee per Financial Records | Amount | Fund |
|--------------|-------------|-----------------------------|-----------|----------------------------|
| 1510 | 10/20/2007 | Cash (Hometown Market) | \$ 200.00 | Law Enforcement Trust Fund |
| 1511 | 12/24/2007 | Cash (Hometown Market) | 200.00 | Law Enforcement Trust Fund |
| Total | | | \$ 400.00 | |

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public property converted or misappropriated is hereby issued against Jeffrey Miller, former Village Police Chief, in the amount of \$400, in favor of the Village of Rutland Law Enforcement Trust Fund.

FINDING NUMBER 2007-002

Noncompliance Citation

Ohio Rev. Code Section 5705.10(H) states that money paid into a fund must be used only for the purpose for which such fund has been established. As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund. The following Village funds had negative fund balances:

| 12/31/2006 | | 12/31/2007 | |
|-------------------------|-------------|-------------------------------|-------------|
| Fund | Balance | Fund | Balance |
| General Fund | \$ (51,414) | General Fund | \$ (33,199) |
| Nature Works Grant Fund | (475) | St Const, Maint & Repair Fund | (1,180) |
| Log Cabin Fund | (1,602) | Log Cabin Fund | (6,482) |
| Water Operating Fund | (16,121) | Water Operating Fund | (15,331) |
| Sewer Operating Fund | (27,187) | | |

This is a result of years of overspending by the Village and was due to a lack of budgetary oversight by management.

We recommend the Village take the necessary steps to eliminate negative fund balances and only post disbursements into a fund for the purposes for which such fund has been established.

VILLAGE OF RUTLAND
MEIGS COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006
(Continued)

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

FINDING NUMBER 2007-003

Noncompliance Citation

Ohio Rev. Code Section 5705.36(A)(2) states that upon a determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be greater or less than the amount included in an official certificate, the fiscal officer may certify the amount of the deficiency or excess to the Budget Commission, and if the Budget Commission determines that the fiscal officer's certification is reasonable, the Budget Commission shall certify an amended official certificate reflecting the deficiency or excess.

Ohio Rev. Code Section 5705.36(A)(4) states that upon a determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be less than the amount included in an official certificate and that the amount of the deficiency will reduce available resources below the level of current appropriations, the fiscal officer shall certify the amount of the deficiency to the Budget Commission, and the Budget Commission shall certify an amended certificate reflecting the deficiency.

Budgeted resources exceeded actual revenue plus January 1 unencumbered cash and appropriations were greater than actual revenue, plus January 1 unencumbered cash as follows:

| Fiscal Year | Fund | Budgeted Resources | Actual Revenue Plus January 1 Unencumbered Cash | Appropriation Authority |
|-------------|--|--------------------|---|-------------------------|
| 2006 | General Fund | \$ 26,058 | \$ (686) | \$ 14,359 |
| 2007 | General Fund | 727 | (7,957) | 32,513 |
| 2007 | Street Construction, Maintenance and Repair Fund | 21,101 | 20,658 | 21,101 |

This resulted in the Village expending monies which were not available and was due to a lack of budgetary oversight by management. See also Finding Number 2007-002.

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.

FINDING NUMBER 2007-004

Noncompliance Citation

Ohio Rev. Code Section 5705.38(C) requires the following minimum level of budgetary control for subdivisions other than schools: appropriation measures shall be classified so as to set forth separately the amounts appropriated for each office, department, and division, and, within each, the amount appropriated for personal services.

The Village adopted appropriations at the fund type level of control for 2006 and the fund level of control for 2007.

VILLAGE OF RUTLAND
MEIGS COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006
(Continued)

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

FINDING NUMBER 2007-004 (Continued)

Noncompliance Citation - Ohio Rev. Code Section 5705.38(C) (Continued)

This resulted in inaccurate monitoring of appropriations by Village Council and was due to a lack of budgetary oversight by management.

We recommend the Village Council adopt appropriations for each office, department, and division, and, within each, the amount appropriated for personal services.

FINDING NUMBER 2007-005

Noncompliance Citation

Ohio Rev. Code Section 5705.39 states, in part, that the total appropriation from each fund should not exceed the total estimated revenue available for expenditure therefrom as certified by the County Budget Commission, or in case of appeal, by the Board of Tax Appeals. No appropriations measure is effective until the County Auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

Appropriations exceeded estimated resources at December 31, 2007, in the following funds:

| <u>Fund</u> | <u>Estimated Resources</u> | <u>Appropriation Authority</u> | <u>Variance</u> |
|-------------|----------------------------|--------------------------------|-----------------|
| General | \$737 | \$32,513 | (\$31,776) |
| Log Cabin | (1,061) | 5,605 | (6,666) |

This was due to a lack of budgetary oversight by management. The practice of allowing appropriations to exceed estimated resources could lead to expenditures being made for which the Village does not have adequate funds, thus leading to negative fund balances. See also Finding Number 2007-002 regarding negative fund balances. The Meigs County Auditor also issued a certificate in 2006 stating that the appropriations exceeded estimated resources.

We recommend the Village closely monitor appropriations to ensure that appropriations do not exceed estimated resources at any time throughout the year.

FINDING NUMBER 2007-006

Noncompliance Citation

Ohio Rev. Code Section 5705.41(B) prohibits a subdivision or taxing authority from expending money unless it has been appropriated.

Expenditures exceeded appropriations at the legal level of control as follows:

**VILLAGE OF RUTLAND
MEIGS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006
(Continued)**

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

FINDING NUMBER 2007-006 (Continued)

Noncompliance Citation - Ohio Rev. Code Section 5705.41(B) (Continued)

| Year | Fund/Fund Type | Appropriation Authority | Expenditures | Variance |
|------------|----------------------------|----------------------------|--------------|------------|
| 12/31/2006 | General Fund Type | \$14,359 | \$29,251 | (\$14,892) |
| 12/31/2006 | Enterprise Fund Type | 204,597 | 233,510 | (28,913) |
| 12/31/2007 | Law Enforcement Trust Fund | 0 | 956 | (956) |
| 12/31/2007 | Civic Center Fund | 1,951 | 3,266 | (1,315) |
| 12/31/2007 | FEMA Fund | 0 | 27,207 | (27,207) |
| 12/31/2007 | Nature Works Grant Fund | 0 | 371 | (371) |
| 12/31/2007 | Water Operating Fund | 65,944 | 96,740 | (30,796) |
| 12/31/2007 | Water Tank Fund | 0 | 600 | (600) |

Also, expenditures exceeded appropriations in all funds from January 1, 2007 through March 12, 2007 because there were no temporary appropriations adopted and the permanent appropriations were not adopted until March 13, 2007.

This was due to a lack of budgetary oversight. This could result in the Village spending more than is available to spend.

The Fiscal Officer should not certify the availability of funds and should deny payment requests exceeding appropriations. The Fiscal Officer may request Village Council to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

FINDING NUMBER 2007-007

Noncompliance Citation

Ohio Rev. Code Section 5705.41(D)(1) prohibits a subdivision or taxing authority 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 receipt of the "then and now" certificate to approve payment by ordinance or resolution.

**VILLAGE OF RUTLAND
MEIGS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006
(Continued)**

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

FINDING NUMBER 2007-007 (Continued)

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

Amounts of less than \$3,000 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 current fiscal year. 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 exceed 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 certify the availability of funds prior to purchase commitment for 58 percent of the expenditures tested in 2006, and there was no evidence the Village followed the aforementioned exceptions.

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 the Fiscal Officer certify that the funds are or will be available prior to an obligation being incurred 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 Fiscal Officer should sign the certification at the time the Village incurs a commitment, and only when the requirements of Ohio Rev. Code 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 2007-008

Material Weakness

When designing the public office's system of internal control and the specific control activities, management should ensure that all transactions are properly authorized in accordance with management's policies as well as ensure the collection and compilation of the data needed for the timely preparation of financial statements.

**VILLAGE OF RUTLAND
MEIGS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006
(Continued)**

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

FINDING NUMBER 2007-008 (Continued)

Material Weakness (Continued)

At December 31, 2007 and December 31, 2006, appropriations as approved by the Village Council did not agree to the Village's ledgers as follows:

| Year | Fund | Appropriations Posted to the Accounting System | Approved Appropriations | Variance |
|------|--|--|----------------------------|-------------|
| 2006 | General Fund | \$ 29,920 | \$ 14,359 | \$ (15,561) |
| 2006 | Special Revenue Funds | 72,352 | 67,994 | (4,358) |
| 2006 | Enterprise Funds | 260,380 | 204,597 | (55,783) |
| 2007 | Street Construction & Maintenance Fund | 21,097 | 21,101 | 4 |
| 2007 | Civic Center Fund | 4,246 | 1,951 | (2,295) |
| 2007 | Nature Works Grant Fund | 371 | 0 | (371) |
| 2007 | FEMA Fund | 22,744 | 0 | (22,744) |
| 2007 | Water Operating Fund | 86,814 | 65,944 | (20,870) |
| 2007 | Sewer Operating Fund | 64,132 | 65,485 | 1,353 |
| 2007 | Water Tank Fund | 2,816 | 0 | (2,816) |

At December 31, 2007 and December 31, 2006, estimated receipts per the amended certificates did not agree to the estimated receipts the Fiscal Officer entered into the revenue ledger as follows:

| Year | Fund | Estimated Receipts per Budget Commission | Amounts Per UAN System | Variance |
|------|--|--|---------------------------|------------|
| 2006 | General Fund | \$ 62,357 | \$ 65,114 | \$ (2,757) |
| 2006 | Street Construction & Maintenance Fund | 17,606 | 20,094 | (2,488) |
| 2006 | State Highway Fund | 1,656 | 1,648 | 8 |
| 2006 | Civic Center Fund | 250 | 956 | (706) |
| 2006 | Nature Works Grant Fund | 7,661 | 8,862 | (1,201) |
| 2006 | Water Operating Fund | 74,004 | 75,795 | (1,791) |
| 2006 | Sewer Operating Fund | 49,158 | 52,858 | (3,700) |
| 2007 | General Fund | 53,027 | 32,513 | 20,514 |
| 2007 | Street Construction & Maintenance Fund | 19,089 | 21,097 | (2,008) |
| 2007 | State Highway Fund | 2,000 | 5,000 | (3,000) |
| 2007 | Log Cabin Fund | 0 | 5,605 | (5,605) |
| 2007 | Civic Center Fund | 3,008 | 4,246 | (1,238) |
| 2007 | FEMA Fund | 0 | 22,744 | (22,744) |
| 2007 | Nature Works Grant Fund | 1,000 | 371 | 629 |
| 2007 | Capital Improvements Fund | 2,305 | 6,000 | (3,695) |
| 2007 | Water Operating Fund | 85,429 | 86,814 | (1,385) |
| 2007 | Sewer Operating Fund | 85,000 | 64,132 | 20,868 |
| 2007 | Sewer Debt Fund | 56,055 | 55,920 | 135 |
| 2007 | Utilities Deposit Fund | 1,818 | 4,000 | (2,182) |
| 2007 | Sewer Replacement Fund | 0 | 5,153 | (5,153) |
| 2007 | Water Tank Fund | 2,111 | 2,816 | (705) |

**VILLAGE OF RUTLAND
MEIGS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006
(Continued)**

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

FINDING NUMBER 2007-008 (Continued)

Material Weakness (Continued)

This was caused by a lack of budgetary oversight by management. Without information properly entered into the system, the management of the Village lost some degree of budgetary control. This also resulted in audit adjustments to the budgetary note disclosure.

We recommend the Fiscal Officer take due care in posting only approved estimated receipts and appropriations to the accounting system.

FINDING NUMBER 2007-009

Significant Deficiency

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 Fiscal Officer performed all accounting functions, including receipting, depositing, disbursing, and reconciling. It is therefore important that the Village Council monitor financial activity closely.

Council did not consistently review financial or operating reports. Bank reconciliations were not reviewed by anyone other than the preparer. No processes existed to identify unusual fluctuations between accounts or between fiscal years. Expenditures were not consistently approved by Council. This could allow errors and/or irregularities to occur and remain undetected for an extended period of time.

We recommend Village Council review financial reports (dealing with both revenues and expenditures) and bank reconciliations on a monthly basis. This should be documented in the minute record. Also, we recommend the Village create and enforce policies and procedures such as review of monthly financial reports and reconciliations by an individual other than the preparer. This should be indicated by initialing and dating the reports and reconciliations. This will ensure that transactions are posted timely. We also recommend Council 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, 2007 AND 2006
(Continued)**

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

FINDING NUMBER 2007-010

Material Weakness

All local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets (and liabilities, if generally accepted accounting principles apply), document compliance with finance-related legal and contractual requirements and prepare financial statements.

The Village misclassified and misposted tax receipts, intergovernmental receipts, charges for services, debt proceeds and payments, and other various receipts and disbursements, including misallocation of salaries, to the Village receipt and disbursement ledgers and to the annual financial report submitted to the Auditor of State for fiscal years 2007 and 2006. There were also fund balance adjustments made to the beginning fund balances in 2007 by the Fiscal Officer that were unsupported. In addition, the Law Enforcement Trust Fund Special Revenue activity and the Mayor's Court Agency Fund activity was not recorded on the books. These misstatements had the following net effect on the Village's financial statements as of December 31, 2007:

| Fund | UAN Fund Balance 12/31/07 | Audited Fund Balance 12/31/07 | Adjustment |
|--|------------------------------------|--|------------|
| General | \$(33,722) | \$(33,199) | \$523 |
| Street | (376) | (1,180) | (804) |
| State Highway | 3,898 | 3,280 | (618) |
| Law Enforcement Trust | 1,038 | 4,112 | 3,074 |
| Log Cabin | (5,941) | (6,482) | (541) |
| Capital Improvement. | 9,031 | 0 | (9,031) |
| Bridge Project | 0 | 12,575 | 12,575 |
| Capital Improvement - Capital Projects | 0 | 9,780 | 9,780 |
| Water Operating | (12,255) | (15,331) | (3,076) |
| Sewer Operating | 20,956 | 10,929 | (10,027) |
| Water Tank | 0 | 2,221 | 2,221 |
| Mayor's Court | 0 | 72 | 72 |

An adjustment was also made to move the Capital Improvement Fund from Special Revenue Fund Type to Capital Project Fund Type for 2006 and 2007.

These misstatements were caused by management oversight. As a result, significant adjustments and reclassifications, with which the Village's management agrees, were made to the financial statements and ledgers, and are reflected in the accompanying financial statements.

We recommend the Fiscal Officer refer to the Ohio Village Handbook for proper classification and take additional care in posting transactions to the Village's ledgers in order to ensure the Village's year-end financial statements reflect the appropriate sources of the Village's receipts and expenditures.

**VILLAGE OF RUTLAND
MEIGS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006
(Continued)**

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

FINDING NUMBER 2007-011

Material Weakness

The 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 completeness is achieved for all transaction types and account balances applicable to the local public office's operations, considering the basis of accounting applicable to it. The definition of the completeness assertion is that all account balances and transactions that should be included in the financial records are included.

The Village has not developed procedures to account for all Mayor's Court tickets. A ticket log was not maintained showing what tickets had been taken to be used by the police officers or what tickets had been used. There was no reconciliation performed to identify and account for missing tickets. There was no file of ticket copies to show the sequential order of tickets used and voided. This could allow errors and/or irregularities to occur and go undetected.

We recommend the Village develop and implement ticket accountability procedures. The Police Department should keep a log of tickets issued to each officer and monitor that all tickets are either turned in or still on file with the applicable officer. A file of ticket copies should be maintained which would include all tickets issued in sequential order and any voided ticket packets. Police officers should be held strictly accountable for all tickets issued in his or her name.

FINDING NUMBER 2007-012

Noncompliance Citation and Significant Deficiency

Village Council Ordinance 2005/4 Section 13 (d), in effect from January 1, 2006 through November 28, 2006, established water rates as \$19.00 for the first 2000 gallons of water used and forty-five cents per one hundred gallons of water usage thereafter. Village Council Ordinance 2005/4 Section 13(e), in effect from January 1, 2006 through December 31, 2007, established sewer rates as \$16.25 for the first 2000 gallons of water used and \$4.50 per one thousand gallons thereafter. Village Council Ordinance 100-06 Sections 1 & 2, in effect from November 28, 2006 through December 31, 2007, established water rates as \$21.00 for the first 2000 gallons of water used and seventy-five cents per one hundred gallons of water usage thereafter. Village Council Ordinance 104-07 Section 1, increased the sewer debt fee from \$16.25 to \$16.75 effective February 13, 2007.

From January 1, 2006 through June 30, 2006, the Village was not charging the correct residential sewer rates as defined in ordinance 2005/4 Section 13(e). They were charging a minimum amount of \$7.75 for the first 200 gallons of water used instead of \$16.25 for the first 200 gallons of water used.

This was caused by miscommunication and a lack of management oversight. Failure to do this resulted in under-billings of approximately \$13,515 for the Village's sewer charges from January 1, 2006 through June 30, 2006.

We recommend the Village develop controls to monitor the amounts billed to utility customers.

VILLAGE OF RUTLAND
MEIGS COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006
(Continued)

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

FINDING NUMBER 2007-013

Material Weakness

The Mayor's Court computer system should include a breakdown of the distribution of court costs and fees collected for each case.

The computerized cashbook utilized by the Mayor's Court did not include the distribution of court costs and fees collected during the period under audit. It only included a record of disbursements made during the audit period. This complicates the audit process and could allow errors and/or irregularities to occur and remain undetected for an extended period of time.

We recommend the Mayor's Court maintain a record of the monthly distribution of fines and court costs, which includes but is not limited to the following:

- Defendant's Name
- Case Number
- Check Number
- Check Date
- Amount remitted to State of Ohio
- Amount remitted to Village of Rutland
- Amount remitted to Law Enforcement Trust Fund

Officials' Response: We did not receive a response from Officials to the findings reported above.

**VILLAGE OF RUTLAND
MEIGS 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; Explain |
|----------------|--|------------------|---|
| 2003-001 | Finding for Recovery was issued under Ohio Rev. Code Section 731.13 for overpayment of the Mayor, Richard L. Fetty. | No | Finding not repaid. |
| 2003-002 | Finding for Recovery was issued under Ohio Rev. Code Section 731.13 for overpayment of the Clerk-Treasurer, Amanda Ramage. | No | Finding not repaid. |
| 2003-003 | Finding for Recovery was issued under Ohio Rev. Code Section 731.13 for overpayment of the Office Manager, Amanda Ramage. | No | Finding not repaid. |
| 2003-004 | Finding for Recovery was issued under Ohio Rev. Code Section 731.13 for overpayment of the Office Manager, Anna Farley. | No | Finding not repaid. |
| 2003-005 | Finding for Recovery was issued against Dave Davis for overpayment for medical insurance. | No | Finding not repaid. |
| 2003-006 | Finding for Recovery was issued against the Office Manager, Anna Farley, for receipts not deposited to the bank. | No | Finding not repaid. |
| 2003-007 | Finding for Recovery was issued for petty cash activity not recorded and no supporting documentation. | No | Finding not repaid. |
| 2003-008 | Finding for Recovery was issued for long distance and calling card phone calls not for Village purposes. | No | Finding not repaid. |

**VILLAGE OF RUTLAND
MEIGS COUNTY**

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

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain |
|----------------|---|------------------|---|
| 2003-009 | Finding for Recovery was issued for the Village's reimbursement of the Mayor's cellular phone. | No | Finding not repaid. |
| 2003-010 | Finding for Recovery was issued for payment of cellular phone and accessories. These items were not approved by Village Council. | No | Finding not repaid. |
| 2003-011 | Finding for Recovery was issued for the payment of Sam's Club memberships for various individuals. | No | Finding not repaid. |
| 2005-001 | Finding for Recovery in the amount of \$600 for overcompensation of prior Mayor, April Burke. | Yes | Finding repaid. |
| 2005-002 | Finding for Recovery in the amount of \$243.13 for overcompensation of former Fiscal Officer, Deborah Whitlatch. | No | Finding not repaid. |
| 2005-003 | Finding for Recovery in the amount of \$112.90 for overcompensation of former fiscal officer, Suzanne Johnson. | No | Finding not repaid. |
| 2005-004 | Finding for Recovery in the amount of \$750 for overcompensation of employee Gary Freeman. | No | Finding not repaid. |
| 2005-005 | Finding for recovery in the amount of \$1,873.81 for unauthorized payments of cell phone bills. | No | Finding not repaid. |
| 2005-006 | Finding for recovery in the amount of \$670 for improperly paying fines monies to the General Fund instead of the Treasurer of State. | No | Partially corrected; \$242 of this amount was repaid during the audit period. The remaining balance due is \$428. |

**VILLAGE OF RUTLAND
MEIGS COUNTY**

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

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain |
|----------------|---|------------------|---|
| 2005-007 | Ohio Rev. Code Section 118.021 for not conducting a fiscal watch review. | Yes | Corrected; Village is in contact with Local Government Services concerning fiscal watch review. |
| 2005-008 | Ohio Rev. Code Section 149.351(A) for inadequate supporting documentation. | No | Partially corrected; issued in the Management Letter for the current audit period. |
| 2005-009 | Ohio Rev. Code Section 703.20 for surrender of corporate powers. | Yes | Finding no longer valid. |
| 2005-010 | Ohio Rev. Code Section 731.14 for not properly bidding contracts. | Yes | Finding no longer valid. No new contracts this audit period. |
| 2005-011 | Ohio Rev. Code Section 733.27(A) for minutes not containing sufficient detail. | Yes | |
| 2005-012 | Ohio Rev. Code Section 733.28 for not maintaining a proper accounting system accounting records. | Yes | Corrected; Village utilizes the UAN system. |
| 2005-013 | Ohio Rev. Code Section 5705.10 for negative fund balances. | No | Not corrected; repeated in the current audit Schedule of Findings as item 2007-002. |
| 2005-014 | Ohio Rev. Code Section 5705.36(A)(2) for budgeted revenue exceeding actual revenue and appropriations were greater than actual revenue. | No | Not corrected; repeated in the current audit Schedule of Findings as item 2007-003. |
| 2005-015 | Ohio Rev. Code Section 5705.39 for appropriations exceeding estimated resources. | No | Not corrected; repeated in the current audit Schedule of Findings as item 2007-005. |
| 2005-016 | Ohio Rev. Code Section 5705.41(B) for expenditures exceeding appropriations. | No | Not corrected; repeated in the current audit Schedule of Findings as item 2007-006. |

**VILLAGE OF RUTLAND
MEIGS COUNTY**

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

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain |
|----------------|---|------------------|---|
| 2005-017 | Ohio Rev. Code Section 5705.41(D)(1) for not properly prior certifying. | No | Not corrected; repeated in the current audit Schedule of Findings as item 2007-007. |
| 2005-018 | Ohio Admin. Code Sections 117-2-01(D)(3) and (5) for not preparing bank reconciliations. | Yes | |
| 2005-019 | Ohio Admin. Code Section 117-2-01(D)(4) for no segregation of duties. | No | Not corrected; repeated in the current audit Schedule of Findings 2007-009. |
| 2005-020 | Ohio Admin. Code Section 117-2-02(D)(4)(a)(ii) for preparing a payroll journal, tracking leave usage or approving timesheets. | No | Partially corrected; issued recommendation in Management Letter for not approving timesheets. |
| 2005-021 | Ordinance 2004-1 Section 13(d) and 13(e) for inaccurate utility billings. | No | Not corrected; repeated in the current audit Schedule of Findings 2007-012. |
| 2005-022 | Material Weakness for lack of supporting documentation. | No | Partially corrected; issued in the management letter for the current audit period. |
| 2005-023 | Reportable Condition for lack of budgetary documentation in the minutes. | No | Partially corrected; issued in the management letter for the current audit period. |
| 2005-024 | Material Weakness for lack of preparing monthly utility reports and submitting them to Council. | Yes | |
| 2005-025 | Reportable Condition for lack of documentation of employees payroll fund allocation charges. | No | Partially corrected; issued citation in the management letter for the current audit period. |



Mary Taylor, CPA
Auditor of State

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
JANUARY 13, 2009**