



Dave Yost • Auditor of State

VILLAGE OF ROSSBURG
DARKE COUNTY

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Dave Yost • Auditor of State

Village of Rossburg
Darke County
200 W. Main Street
PO Box 94
Rossburg, Ohio 45362

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 Village 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 black ink that reads "Dave Yost".

Dave Yost
Auditor of State

October 1, 2012

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Rossburg
Darke County
200 W. Main Street
PO Box 94
Rossburg, Ohio 45362

To the Village Council:

We have audited the accompanying financial statements of Village of Rossburg, Darke County, (the Village) as of and for the years ended December 31, 2011 and 2010. 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. 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, 2011 and 2010 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, 2011 and 2010, or its changes in financial position 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 Village of Rossburg, Darke County, as of December 31, 2011 and 2010, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 2 describes.

As described in Note 1F, during 2011 the Village of Rossburg adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Also, as described in Note 2, the Village restated the January 1, 2010 fund balances in the Debt Service and Enterprise Funds.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 1, 2012, 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.



Dave Yost
Auditor of State

October 1, 2012

**VILLAGE OF ROSSBURG
DARKE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:					
Property and Other Local Taxes	\$7,693				\$7,693
Intergovernmental	30,143	\$12,932		\$234,809	277,884
Special Assessments			\$21,021		21,021
Earnings on Investments	21	17			38
Miscellaneous	991	90			1,081
Total Cash Receipts	<u>38,848</u>	<u>13,039</u>	<u>21,021</u>	<u>234,809</u>	<u>307,717</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	7,217				7,217
Public Health Services	627				627
Leisure Time Activities	300				300
Basic Utility Services	12,571				12,571
Transportation		2,174			2,174
General Government	20,398				20,398
Capital Outlay				261,387	261,387
Debt Service:					
Principal Retirement			10,941		10,941
Interest and Fiscal Charges			3,590		3,590
Total Cash Disbursements	<u>41,113</u>	<u>2,174</u>	<u>14,531</u>	<u>261,387</u>	<u>319,205</u>
Excess of Receipts Over (Under) Disbursements	<u>(2,265)</u>	<u>10,865</u>	<u>6,490</u>	<u>(26,578)</u>	<u>(11,488)</u>
Other Financing Receipts (Disbursements):					
Sale of Capital Assets		2,700			2,700
Total Other Financing Receipts (Disbursements)		<u>2,700</u>			<u>2,700</u>
Net Change in Fund Cash Balances	(2,265)	13,565	6,490	(26,578)	(8,788)
Fund Cash Balances, January 1	<u>35,708</u>	<u>24,154</u>	<u>5,355</u>		<u>65,217</u>
Fund Cash Balances, December 31:					
Non-spendable					
Restricted		37,719	16,459		54,178
Committed					
Assigned					
Unassigned (Deficit)	<u>33,443</u>		<u>(4,614)</u>	<u>(26,578)</u>	<u>2,251</u>
Fund Cash Balances, December 31	<u>\$33,443</u>	<u>\$37,719</u>	<u>\$11,845</u>	<u>(\$26,578)</u>	<u>\$56,429</u>

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

**VILLAGE OF ROSSBURG
DARKE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Proprietary Fund Types
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$44,707
Total Operating Cash Receipts	44,707
Operating Cash Disbursements:	
Personal Services	5,877
Contractual Services	19,014
Supplies and Materials	665
Total Operating Cash Disbursements	25,556
Operating Income (Loss)	19,151
Non-Operating Receipts (Disbursements):	
Special Assessments	26,550
Principal Retirement	(26,550)
Total Non-Operating Receipts (Disbursements)	
Net Change in Fund Cash Balances	19,151
Fund Cash Balances, January 1	64,397
Fund Cash Balances, December 31	\$83,548

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

VILLAGE OF ROSSBURG
DARKE COUNTY

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Property and Local Taxes	\$7,032				\$7,032
Intergovernmental	31,191	\$14,169		\$9,490	54,850
Special Assessments			\$9,556		9,556
Earnings on Investments	22	15			37
Miscellaneous	262				262
Total Cash Receipts	<u>38,507</u>	<u>14,184</u>	<u>9,556</u>	<u>9,490</u>	<u>71,737</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	7,444				7,444
Public Health Services	617				617
Leisure Time Activities	242				242
Basic Utility Service	10,078				10,078
Transportation		7,495			7,495
General Government	22,884				22,884
Capital Outlay				12,640	12,640
Debt Service:					
Redemption of Principal			10,941		10,941
Interest and Fiscal Charges			3,737		3,737
Total Cash Disbursements	<u>41,265</u>	<u>7,495</u>	<u>14,678</u>	<u>12,640</u>	<u>76,078</u>
Total Receipts Over/(Under) Disbursements	<u>(2,758)</u>	<u>6,689</u>	<u>(5,122)</u>	<u>(3,150)</u>	<u>(4,341)</u>
Other Financing Receipts / (Disbursements):					
Transfers-In			750	3,150	3,900
Transfers-Out		(3,150)		(750)	(3,900)
Total Other Financing Receipts / (Disbursements)		<u>(3,150)</u>	<u>750</u>	<u>2,400</u>	
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(2,758)	3,539	(4,372)	(750)	(4,341)
Fund Cash Balances, January 1 (Restated Note 2)	<u>38,466</u>	<u>20,615</u>	<u>9,727</u>	<u>750</u>	<u>69,558</u>
Fund Cash Balances, December 31	<u>\$35,708</u>	<u>\$24,154</u>	<u>\$5,355</u>	<u>\$0</u>	<u>\$65,217</u>
Reserve for Encumbrances, December 31	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

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

**VILLAGE OF ROSSBURG
DARKE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Proprietary Fund Types
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$34,355
Total Operating Cash Receipts	34,355
Operating Cash Disbursements:	
Personal Services	5,980
Contractual Services	15,901
Supplies and Materials	518
Total Operating Cash Disbursements	22,399
Operating Income/(Loss)	11,956
Non-Operating Receipts (Disbursements)	
Special Assessments	26,550
Redemption of Principal	(26,550)
Total Non-Operating Receipts (Disbursements)	-
Net Change in Fund Balance	11,956
Fund Cash Balances, January 1 (Restated Note 2)	52,441
Fund Cash Balances, December 31	\$64,397
Reserve for Encumbrances, December 31	\$0

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

**VILLAGE OF ROSSBURG
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

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 Rossburg, Darke County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides general government services, street maintenance, sewer utilities, and park operations.

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. Deposits and Investments

The Village held no investments.

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 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.

State Highway Improvement Fund – This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing state highways.

3. Debt Service Funds

These funds account for resources the Village accumulates to pay bond and note debt. The Village had the following significant Debt Service Funds:

**VILLAGE OF ROSSBURG
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

West Main Street Fund - This fund receives special assessments to repay the bank loan for road work on West Main Street.

Broad Street Fund – This fund receives special assessments to repay an OPWC loan.

Ross Street Fund – This fund receives special assessments to repay an OPWC loan.

4. 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:

Ross Street Fund – This fund received monies from Ohio Public Works Commission. The proceeds were used to construct a new street.

5. Enterprise Funds

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

Sewer Fund - This fund receives charges for services from residents to cover sewer service costs. This fund paid debt for the sewer project. The funds were held at Darke County, the fiscal agent.

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 level of control in the General Fund and the fund leave in all other funds, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2011 and 2010 budgetary activity appears in Note 4.

**VILLAGE OF ROSSBURG
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Fund Balance

For December 31, 2011, fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Non-spendable

The Village classifies assets as *non-spendable* when legally or contractually required to maintain the amounts intact.

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. Committed

Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G. 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.

**VILLAGE OF ROSSBURG
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

2. RESTATEMENT OF FUND BALANCE

Restatement of Fund Balance: The restatement of the December 31, 2009 fund balance was required between the Debt Service Fund and the Enterprise Fund due to an error in the classification of funds in the prior audit. The reclassification had the following effect on the fund balances as previously reported by the Village:

	<u>Fund Balance at December 31, 2009</u>	<u>Change in Fund Classification</u>	<u>Adjusted Fund Balance at December 31, 2009</u>
General	\$38,466		\$38,466
Special Revenue	20,615		20,615
Debt Service	23,002	(\$13,275)	9,727
Capital Projects	750		750
Enterprise	39,166	\$13,275	52,441

3. EQUITY IN POOLED DEPOSITS

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

	<u>2011</u>	<u>2010</u>
Demand deposits	\$ 69,704	\$ 78,492
Cash with Fiscal Agent	70,273	51,122
Total deposits	<u>\$139,977</u>	<u>\$129,614</u>

Deposits: Deposits are insured by the Federal Depository Insurance Corporation.

4. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2011 and 2010 follows:

2011 Budgeted vs. Actual Receipts			
<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 39,014	\$ 38,848	(\$ 166)
Special Revenue	11,000	15,739	4,739
Debt Service	10,000	21,021	11,021
Capital Projects	274,800	234,809	(39,991)
Enterprise	71,257	71,257	
Total	<u>\$406,071</u>	<u>\$381,674</u>	<u>(\$24,397)</u>

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 74,725	\$ 41,113	\$33,612
Special Revenue	34,682	2,174	32,508
Debt Service	15,826	14,531	1,295
Capital Projects	274,800	261,387	13,413
Enterprise	65,381	52,106	13,275
Total	<u>\$465,414</u>	<u>\$371,311</u>	<u>\$94,103</u>

**VILLAGE OF ROSSBURG
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

4. BUDGETARY ACTIVITY (Continued)

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 41,014	\$ 38,507	(\$ 2,507)
Special Revenue	13,000	14,184	1,184
Debt Service	23,275	10,306	(12,969)
Capital Projects	9,490	12,640	3,150
Enterprise	34,355	60,905	26,550
Total	\$121,134	\$136,542	\$15,408

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 79,469	\$ 41,265	\$38,204
Special Revenue	36,738	10,645	26,093
Debt Service	14,218	14,678	(460)
Capital Projects	12,640	13,390	(750)
Enterprise	48,949	48,949	
Total	\$192,014	\$128,927	\$63,087

Contrary to Ohio law, at December 31, 2011, the Ross Street Capital Projects fund had a cash deficit balance of \$26,578.

5. 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.

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

6. DEBT

Debt outstanding at December 31, 2011 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan - Sewer	\$411,515	0%
Ohio Public Works Commission Loan - Broad Street	49,120	0%
Ohio Public Works Commission Loan - Main Street	8,484	0%
Second National Bank Note - West Main Street	18,900	5%
Second National Bank Note - East Main Street	37,600	5%
Total	\$525,619	

**VILLAGE OF ROSSBURG
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

6. DEBT (Continued)

The Ohio Water Development Authority (OWDA) loan relates to a sewer plant expansion project the Ohio Environmental Protection Agency mandated. The Village will repay the loan in semiannual installments of \$13,275 paid from the Sewer Enterprise Fund. The Village had set utility rates sufficient to cover the OWDA debt requirements.

The Ohio Public Works Commission (OPWC) loans relate to street construction projects for Broad Street and Main Street. The Village will repay the Broad Street loan in semiannual installments of \$1,535 paid from the Debt Service Fund. The Village will repay the Main Street loan in semiannual installments of \$236 from the Debt Service Fund. The Village will repay the OPWC loans through special assessments.

The Second National Bank street improvement bond anticipation notes relates to financing the West and East Main Street reconstruction project. The Village will repay these notes through special assessments from the Debt Fund.

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

Year ending December 31:	OWDA Loan	OPWC Loan - Broad Street	OPWC Loan - Main Street	West Main Steet Note	East Main Street Note
2012	\$ 26,550	\$ 3,070	\$ 471	\$ 3,645	\$ 6,580
2013	26,550	3,070	471	17,010	6,345
2014	26,550	3,070	471		29,610
2015	26,550	3,070	471		
2016	26,550	3,070	471		
2017-2021	132,750	15,350	2,357		
2022-2026	132,750	15,350	2,357		
2027-2029	13,265	3,070	1,415		
Total	<u>\$411,515</u>	<u>\$49,120</u>	<u>\$8,484</u>	<u>\$20,655</u>	<u>\$42,535</u>

7. RETIREMENT SYSTEMS

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 2011 and 2010, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2011.

8. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

**VILLAGE OF ROSSBURG
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

9. NONCOMPLIANCE

The Village failed to properly classify various transactions in its books and properly present its annual report as required by law.

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Dave Yost • 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 Rossburg
Darke County
200 W. Main Street
PO Box 94
Rossburg, Ohio 45362

To the Village Council:

We have audited the financial statements of the Village of Rossburg, Darke County, (the Village) as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated October 1, 2012, wherein we noted the Village adopted the provisions of Government Accounting Standards Board Statement No. 54, *Fund Balance and Governmental Fund Type Definitions* for the year ended December 31, 2011, and restated the January 1, 2010 fund balances of the debt Service and Enterprise Funds. We also noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. 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 the purpose of expressing our opinion on the financial statements, but not for the purpose of opining 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses and another deficiency we consider to be a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2011-01 and 2011-02 described in the accompanying schedule of findings to be material weaknesses.

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

A significant deficiency is a deficiency, or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2011-03 described in the accompanying schedule of findings to be a significant deficiency.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2011-01 and 2011-02.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated October 1, 2012.

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 management, Village Council, and others within the Village. We intend it for no one other than these specified parties.



Dave Yost
Auditor of State

October 1, 2012

**VILLAGE OF ROSSBURG
DARKE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010**

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

FINDING NUMBER 2011-01

Noncompliance Citation/Material Weakness

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

The Village did not properly classify receipt and disbursement transactions. The following errors were noted on the Village's annual reports:

- The 2011 and 2010 annual reports did not present the Sewer Fund (Enterprise Fund), which understated the revenue collected of \$44,707 and \$34,355 respectively and expenses of \$25,556 and \$22,399 respectively by Darke County on-behalf for the Village of Rossburg.
- The special assessment revenue in the enterprise fund was improperly presented on the 2011 and 2010 annual reports. In 2011, the special assessment revenue of \$26,550 was incorrectly posted to miscellaneous revenue. In 2010, the special assessments revenue of \$26,550 was incorrectly posted to charges for services.
- The 2010 annual reports did not present a \$3,150 transfer from a Special Revenue Fund to a Capital Project Fund correctly.
- The Village did not record an OPWC direct vendor payment of \$9,490 to their Capital Project Fund in 2010.
- An OPWC debt payment in 2010 for \$471 was improperly recorded in the Special Revenue Fund instead of the Debt Service Fund.
- During 2010, check #4078 for \$2,070 was voided and recorded as a Miscellaneous Revenue and Transportation Expense in the Special Revenue Funds instead of a reduction of an expenditure.

The 2011 and 2010 annual reports required numerous audit adjustments and reclassifications for proper presentation. The Village fiscal officer should review the Village Handbook for proper posting and use due care in preparation of the annual report. The Village fiscal officer should also obtain assistance in determination of proper posting when necessary to provide accurate financial information.

Policies and procedures should be developed and implemented to verify that all receipts and expenditures are posted in correct accounts. The fiscal officer should review postings each month and again at the end of the fiscal year to verify that all amounts are classified and posted in accordance with the Village's chart of accounts.

Official's Response:

I understand there was a problem with the Sanitary Sewer (Enterprise Fund). I did not understand how to post the figures received through the County. I thought I was doing the best I could. The 2011 report was bad for me because of my medical condition.

FINDING NUMBER 2011-02

Noncompliance Citation/Material Weakness

Ohio Rev. Code Section 5705.10 (H) provides that money paid into a fund must be used only for the purposes 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.

At December 31, 2011, the E. Main Street Debt Service Fund and the entire Capital Project Fund type had negative fund balances of \$4,145 and \$26,578 respectively. At December 31, 2010, the E. Main Street Debt Service Fund had a negative balance of \$3,711. The negative fund balances indicate that money from one fund was used to cover the expenses of another fund.

Available fund cash balances should be reviewed regularly to evaluate the reasoning behind a negative cash balance and determine how to correct the situation when necessary. This may be done by reducing the applicable fund expenditures, or by the use of transfers or advances, as allowable.

Official's Response:

I know these funds had negative fund balances, but when residents do not pay their property taxes (including our assessments) on time, that causes my Debt Service Fund to be negative.

FINDING NUMBER 2011-03

Significant Deficiency

Monitoring Village Financial Reports

Since the Village fiscal officer performs all accounting functions, the Council should monitor the Village's financial position on a routine basis. However, the Fiscal Officer did not provide Council with monthly bank reconciliations or copies of the monthly financial reports. The fiscal officer did not keep updated cash journal or reconcile on a timely basis starting in October of 2011.

The failure to provide the Council with the financial information necessary to monitor financial activity could result in errors or irregularities occurring that would not be detected during the normal course of business operations and could cause the financial statements to be materially overstated and understated. Budget vs. actual reports are necessary in order to determine when amendments are required.

The fiscal officer should provide the Council with copies of the monthly bank reconciliation, receipt report, budget vs. actual revenue and expenditures, and fund balance report at the end of each month. The review and acceptance of these monthly financial reports by Council should then be recorded in the minutes.

Official's Response:

I am trying to do better with these procedures. When it comes to not reconciling in a timely manner starting October 2011, I was ill and in and out of the hospital.

**VILLAGE OF ROSSBURG
DARKE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2011 AND 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2009-001	Ohio Revised Code 5705.41(D) – prior certification of funds	No	Partially Corrected; Re-issued as a management letter comment
2009-002	Ohio Revised Code 5705.41(B) – expenditures in excess of appropriations	No	Partially Corrected; Re-issued as a management letter comment
2009-003	Ohio Revised Code 733.28 – not exhibiting accurate statements of all monies received and expended	No	Not Corrected; Re-issued as Finding Number 2011-001

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Dave Yost • Auditor of State

VILLAGE OF ROSSBURG

DARKE 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 8, 2012