



Dave Yost • Auditor of State



**VILLAGE OF RUTLAND  
MEIGS COUNTY  
DECEMBER 31, 2016 AND 2015**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Rutland, Meigs County, Ohio (the Village), as of and for the years ended December 31, 2016 and 2015.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 2 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2016 and 2015, or changes in financial position thereof for the years then ended.

***Basis for Disclaimer of Opinion on Fiduciary Fund Receipts on the Regulatory Basis of Accounting***

Fines, Licenses and Permits receipts are reported at \$30,280 and \$8,732 for the years ended December 31, 2016 and 2015, respectively, which is 100% of Fiduciary Fund receipts for the years ended December 31, 2016 and 2015. We were unable to obtain sufficient appropriate audit evidence supporting the amounts recorded as Fines, Licenses and Permits receipts.

***Disclaimer of Opinion on Fiduciary Fund Receipts on the Regulatory Basis of Accounting***

Because of the significance of other non-operating receipts to the Fiduciary Fund Type, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the Fiduciary Fund Type of the Village of Rutland, Meigs County, Ohio, for the years ended December 31, 2016 and 2015.

***Basis for Qualification of Opinion on General Fund Fines, Licenses, and Permits and Special Revenue Charges for Services Receipts on the Regulatory Basis of Accounting***

Fines, licenses and permits are reported at \$26,634 and \$19,151 for the years ended December 31, 2016 and 2015, respectively, which is 39 percent and 32 percent of total General Fund operating receipts for the years ended December 31, 2016 and 2015, respectively. Charges for services receipts are reported at \$5,281 and \$6,350 for the years ended December 31, 2016 and 2015, respectively, which is 22 percent and 21 percent of total percent of total Special Revenue Fund operating receipts for the years ended December 31, 2016 and 2015, respectively. We were unable to obtain sufficient appropriate audit evidence supporting the amounts recorded as fines, licenses and permits in the General Fund and as charges for services receipts in the Special Revenue Funds. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

***Qualification of Opinion on General Fund Fines, Licenses, and Permits and Special Revenue Charges for Services on the Regulatory Basis of Accounting***

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 2016 and 2015 fines, licenses and permit receipts in the General Fund and the 2016 and 2015 charges for services receipts in the Special Revenue Funds, the financial statements referred to above present fairly, in all material respects, the fund cash balances of the General Fund and Special Revenue Funds of the Village of Rutland, Meigs County, Ohio, as of December 31, 2016 and 2015, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03 permit, described in Note 2.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 2018, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

January 29, 2018

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**Village of Rutland  
Meigs County**

*Combined Statement of Receipts, Disbursements  
and Changes in Fund Balances (Regulatory Cash Basis)  
All Governmental Fund Types  
For the Year Ended December 31, 2016*

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$13,956	\$0	\$13,956
Intergovernmental	20,579	16,815	37,394
Charges for Services	0	5,281	5,281
Fines, Licenses and Permits	26,634	244	26,878
Earnings on Investments	24	18	42
Miscellaneous	6,620	2,050	8,670
	<u>67,813</u>	<u>24,408</u>	<u>92,221</u>
<b>Cash Disbursements</b>			
Current:			
Security of Persons and Property	42,950	443	43,393
Leisure Time Activities	0	9,467	9,467
Transportation	0	5,777	5,777
General Government	50,648	0	50,648
Capital Outlay	36,393	0	36,393
Debt Service:			
Principal Retirement	3,420	2,082	5,502
Interest and Fiscal Charges	479	628	1,107
<i>Total Cash Disbursements</i>	<u>133,890</u>	<u>18,397</u>	<u>152,287</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(66,077)</u>	<u>6,011</u>	<u>(60,066)</u>
<b>Other Financing Receipts (Disbursements)</b>			
Other Debt Proceeds	36,393	0	36,393
<i>Total Other Financing Receipts (Disbursements)</i>	<u>36,393</u>	<u>0</u>	<u>36,393</u>
Special Item	300	0	300
<i>Net Change in Fund Cash Balances</i>	(29,384)	6,011	(23,373)
<i>Fund Cash Balances, January 1</i>	<u>22,996</u>	<u>78,313</u>	<u>101,309</u>
<b>Fund Cash Balances, December 31</b>			
Restricted	0	65,462	65,462
Committed	0	18,862	18,862
Unassigned (Deficit)	(6,388)	0	(6,388)
<i>Fund Cash Balances, December 31</i>	<u>(\$6,388)</u>	<u>\$84,324</u>	<u>\$77,936</u>

*See accompanying notes to the basic financial statements.*

**Village of Rutland**  
**Meigs County**

*Combined Statement of Receipts, Disbursements  
and Changes in Fund Balances (Regulatory Cash Basis)  
Fiduciary Fund Type  
For the Year Ended December 31, 2016*

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	<u>Agency</u>
<b>Operating Cash Receipts</b>	
Fines, Licenses and Permits	<u>\$30,280</u>
<i>Total Operating Cash Receipts</i>	<u>30,280</u>
<b>Operating Cash Disbursements</b>	
Other	<u>26,631</u>
<i>Total Operating Cash Disbursements</i>	<u>26,631</u>
<i>Net Change in Fund Cash Balances</i>	3,649
<i>Fund Cash Balances, January 1</i>	<u>2,668</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$6,317</u></u>

*See accompanying notes to the basic financial statements.*

**VILLAGE OF RUTLAND  
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**Note 1 - Reporting Entity**

The Village of Rutland, Meigs County (the Village), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides park operations, street maintenance and police services.

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

**Note 2 - Summary of Significant Accounting Policies**

***Basis of Presentation***

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types.

***Fund Accounting***

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

***General Fund*** The General Fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

***Special Revenue Funds*** These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Fund:

***Street Construction Maintenance and Repair*** This fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

***James Vennari Fund*** This fund accounts for and reports donations and General Fund contributions for the construction and maintenance of the park.

***Fiduciary Funds*** Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs.

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's agency fund accounts for Mayor's Court fines and forfeitures.

**VILLAGE OF RUTLAND  
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016  
(Continued)**

**Note 2 - Summary of Significant Accounting Policies (Continued)**

***Basis of Accounting***

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03 (D) permit.

***Budgetary Process***

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

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

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

***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.

A summary of 2016 budgetary activity appears in Note 4.

***Deposits and Investments***

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

***Capital Assets***

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

***Fund Balance***

Fund balance is divided into three 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:

**VILLAGE OF RUTLAND  
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016  
(Continued)**

**Note 2 - Summary of Significant Accounting Policies (Continued)**

*Fund Balance (Continued)*

*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.

*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.

*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.

**Note 3 - Compliance**

Contrary to Ohio law, budgetary expenditures exceeded the appropriation authority in the General, Street Construction, Maintenance and Repair, State Highway, Civic Center, Log Cabin, James Venarri Park and Law Enforcement Trust Funds by \$129,695, \$4,898, \$879, \$802, \$2,755, \$7,036 and \$443, respectively, for the year ended December 31, 2016. Amendments to estimated receipts and appropriations were posted to the accounting system without formal approval by the legislative authority. Also contrary to Ohio law, at December 31, 2016, the General Fund had a cash deficit balance of \$6,388. Currently, management is taking steps to reduce spending and has implemented a system of accounting that will facilitate in the monitoring of the Village's finances.

**Note 4 - Budgetary Activity**

Budgetary activity for the year ending December 31, 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$38,880	\$104,506	\$65,626
Special Revenue	11,665	24,408	12,743
Total	\$50,545	\$128,914	\$78,369

**VILLAGE OF RUTLAND  
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016  
(Continued)**

**Note 4 - Budgetary Activity (Continued)**

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$4,195	\$133,890	(\$129,695)
Special Revenue	1,584	18,397	(16,813)
Total	\$5,779	\$152,287	(\$146,508)

**Note 5 - Deposits**

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

	2016
Demand deposits	\$78,955
Certificates of deposit	5,298
Total deposits	\$84,253

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

**Note 6 - Taxes**

*Property Taxes*

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.

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

**Note 7 - Risk Management**

During the audit period, the Village was uninsured for the following risks:

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

**VILLAGE OF RUTLAND  
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016  
(Continued)**

**Note 8 - Defined Benefit Pension Plans**

Village 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. 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, 2016.

**Note 9 - Postemployment Benefits**

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent of the employer contribution to fund these benefits.

**Note 10 - Debt**

Debt outstanding at December 31, 2016 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Cabin Loan	\$12,150	4.46%
Police Cruiser Loan	32,973	2.70%
Total	<u>\$45,123</u>	

The cabin loan was obtained during 2002 with the cabin pledged as collateral. The Village Council approved a \$30,000 loan for capital improvements 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.

In 2016, the Village obtained a loan to purchase a 2016 Ford Explorer police cruiser. The loan was for \$36,393 at a 2.7% interest rate. This loan is to be paid in monthly installments of \$650 for a term of 5 years.

***Amortization***

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

**VILLAGE OF RUTLAND  
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016  
(Continued)**

**Note 10 - Debt (Continued)**

Year ending December 31:	Cabin Loan	Police Cruiser Loan
2017	\$2,710	\$7,796
2018	2,710	7,797
2019	2,710	7,797
2020	2,710	7,797
2021	2,710	3,898
2022-2023	4,668	0
Total	\$18,218	\$35,085

**Note 11 - Contingent Liabilities**

The Village is defendant in several lawsuits. Although management cannot presently determine the outcome of these suits, management believes that the resolution of these matters will not materially adversely affect the Village's financial condition.

Additionally, as of December 31, 2016, the Village owes Meigs County \$15,447 collected by the Village as a result of restitution collected on the 2012 audit findings for recovery against former fiscal officer, Laura Curtis and in favor of the Water and Sewer Funds, equally. On April 1, 2013, subsequent to the issuance of the finding for recovery, the Village transferred the water and sewer operations to Meigs County.

Also as of December 31, 2016, the Village owes the Ohio Bureau of Workers' Compensation \$14,120.

**Note 12 - Deficit Fund Balance**

The Village had a deficit cash fund balance of \$6,388 in the General Fund as of December 31, 2016. Currently, management is taking steps to reduce spending and has implemented a system of accounting that will facilitate in the monitoring of the Village's finances.



**Village of Rutland  
Meigs County**

*Combined Statement of Receipts, Disbursements  
and Changes in Fund Balances (Regulatory Cash Basis)  
All Governmental Fund Types  
For the Year Ended December 31, 2015*

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$14,557	\$0	\$14,557
Intergovernmental	17,479	18,147	35,626
Charges for Services	0	6,350	6,350
Fines, Licenses and Permits	19,151	56	19,207
Earnings on Investments	96	8	104
Miscellaneous	7,633	5,708	13,341
	<u>58,916</u>	<u>30,269</u>	<u>89,185</u>
<b>Cash Disbursements</b>			
Current:			
Security of Persons and Property	20,631	525	21,156
Leisure Time Activities	0	6,379	6,379
Transportation	0	863	863
General Government	38,905	0	38,905
Debt Service:			
Principal Retirement	0	2,024	2,024
Interest and Fiscal Charges	0	613	613
<i>Total Cash Disbursements</i>	<u>59,536</u>	<u>10,404</u>	<u>69,940</u>
<i>Net Change in Fund Cash Balances</i>	(620)	19,865	19,245
<i>Fund Cash Balances, January 1</i>	<u>23,616</u>	<u>58,448</u>	<u>82,064</u>
<b>Fund Cash Balances, December 31</b>			
Restricted	0	59,451	59,451
Committed	0	18,862	18,862
Assigned	4,195	0	4,195
Unassigned (Deficit)	<u>18,801</u>	<u>0</u>	<u>18,801</u>
<i>Fund Cash Balances, December 31</i>	<u>\$22,996</u>	<u>\$78,313</u>	<u>\$101,309</u>

*See accompanying notes to the basic financial statements.*

**Village of Rutland**  
**Meigs County**

*Combined Statement of Receipts, Disbursements  
and Changes in Fund Balances (Regulatory Cash Basis)  
Fiduciary Fund Type  
For the Year Ended December 31, 2015*

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	<u>Agency</u>
<b>Operating Cash Receipts</b>	
Fines, Licenses and Permits	\$3,893
Miscellaneous	<u>8,732</u>
<i>Total Operating Cash Receipts</i>	<u>12,625</u>
<b>Operating Cash Disbursements</b>	
Other	<u>11,286</u>
<i>Total Operating Cash Disbursements</i>	<u>11,286</u>
<i>Net Change in Fund Cash Balances</i>	1,339
<i>Fund Cash Balances, January 1</i>	<u>1,329</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$2,668</u></u>

*See accompanying notes to the basic financial statements.*

**VILLAGE OF RUTLAND  
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**Note 1 - Reporting Entity**

The Village of Rutland, Meigs County (the Village), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides park operations, street maintenance and police services.

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

**Note 2 - Summary of Significant Accounting Policies**

***Basis of Presentation***

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types and a statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for the fiduciary fund.

***Fund Accounting***

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

***General Fund*** The General Fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

***Special Revenue Funds*** These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Fund:

***Log Cabin Fund*** This fund receives rental revenues committed for upkeep of the Village-owned Log Cabin.

***James Vennari Fund*** This fund accounts for and reports donations and General Fund contributions for the construction and maintenance of the park.

***Fiduciary Funds*** Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs.

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's agency fund accounts for Mayor's Court fines and forfeitures.

**VILLAGE OF RUTLAND  
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015  
(Continued)**

**Note 2 - Summary of Significant Accounting Policies (Continued)**

***Basis of Accounting***

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03 (D) permit.

***Budgetary Process***

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

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

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

***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.

A summary of 2015 budgetary activity appears in Note 4.

***Deposits and Investments***

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

***Capital Assets***

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

***Fund Balance***

Fund balance is divided into four 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:

**VILLAGE OF RUTLAND  
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015  
(Continued)**

**Note 2 - Summary of Significant Accounting Policies (Continued)**

*Fund Balance (Continued)*

**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.

**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.

**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.

**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.

**Note 3 - Compliance**

Contrary to Ohio law, budgetary expenditures exceeded the appropriation authority in the Law Enforcement Trust Fund by \$524 for the year ended December 31, 2015. Also contrary to Ohio law, amendments to estimated receipts and appropriations were posted to the accounting system without formal approval by the legislative authority.

**Note 4 - Budgetary Activity**

Budgetary activity for the year ending December 31, 2015 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$58,254	\$58,916	\$662
Special Revenue	20,400	30,269	9,869
Total	\$78,654	\$89,185	\$10,531

**VILLAGE OF RUTLAND  
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015  
(Continued)**

**Note 4 - Budgetary Activity (Continued)**

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$83,435	\$63,731	\$19,704
Special Revenue	67,457	11,988	55,469
Total	\$150,892	\$75,719	\$75,173

**Note 5 - Deposits**

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

	2015
Demand deposits	\$86,978
Certificates of deposit	16,999
Total deposits	\$103,977

Deposits are insured by the Federal Deposit Insurance Corporation.

**Note 6 - Taxes**

***Property Taxes***

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.

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

**Note 7 - Risk Management**

During the audit period, the Village was uninsured for the following risks:

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

**VILLAGE OF RUTLAND  
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015  
(Continued)**

**Note 8 - Defined Benefit Pension Plans**

Village 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. 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, 2015.

**Note 9 - Postemployment Benefits**

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent of the employer contribution to fund these benefits.

**Note 10 - Debt**

Debt outstanding at December 31, 2016 was as follows:

	Principal	Interest Rate
Cabin Loan	\$14,258	4.46%

The cabin loan was obtained during 2002 with the cabin pledged as collateral. The Village Council approved a \$30,000 loan for capital improvements 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.

***Amortization***

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

Year ending December 31:	Cabin Loan
2016	\$2,710
2017	2,710
2018	2,710
2019	2,710
2020	2,710
2021-2022	7,378
Total	\$20,928

**VILLAGE OF RUTLAND  
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015  
(Continued)**

**Note 11 - Contingent Liabilities**

The Village is defendant in several lawsuits. Although management cannot presently determine the outcome of these suits, management believes that the resolution of these matters will not materially adversely affect the Village's financial condition.

Additionally, as of December 31, 2015, the Village owes Meigs County \$14,488 collected by the Village as a result of restitution collected on the 2012 audit findings for recovery against former fiscal officer, Laura Curtis and in favor of the Water and Sewer Funds, equally. On April 1, 2013, subsequent to the issuance of the finding for recovery, the Village transferred the water and sewer operations to Meigs County.

Also as of December 31, 2015, the Village owes the Ohio Bureau of Workers' Compensation \$19,250.





# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S 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  
Rutland, Ohio 45775

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Village of Rutland, Meigs County, Ohio (the Village), as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, and have issued our report thereon dated January 29, 2018, wherein we noted the Village followed financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit. We did not express an opinion on the Fiduciary Fund Type. We also qualified our opinion on fines, licenses and permits in the General Fund and on miscellaneous receipts in the Special Revenue Funds.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

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 combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings that we consider material weaknesses. We consider Findings 2016-002, 2016-004, 2016-008 and 2016-010 through 2016-013 to be material weaknesses.

***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, opining 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 2016-001 through 2016-010.

***Entity's Responses to Findings***

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.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

January 29, 2018

VILLAGE OF RUTLAND  
MEIGS COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2016 AND 2015

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

FINDING NUMBER 2016-001

**Finding for Recovery**

Ohio Rev. Code § 117.28 requires the Auditor of State to issue a finding for recovery when “an audit report sets forth that any public money collected has been illegally expended, or that any public money collected has not been accounted for, or that any public money due has not been collected, or that any public property has been converted or misappropriated...”

In 2016, April Burke, former Mayor, wrote checks totaling \$2,273.55 from the Mayor’s Court checking account that were not allowable. The total of these expenditures was adjusted from the Mayor’s Court fund to the General Fund. Additionally, of the unallowable expenditures, seven checks, as listed below, had no supporting documentation, such as an invoice, nor evidence of Council approval and, therefore, could not be determined to be for a proper public purpose.

Check #	Date	Payee	Amount	Purpose in Check Register:
593	08/15/16	33 Auto	\$70	tow for traffic stop
596	10/12/16	Ridge Top Auto Repair	75	tow for traffic stop
601	12/22/16	Shannon Sheridan	100	Christmas Bonus
602	12/22/16	James McCall	100	Christmas Bonus
603	12/22/16	Kyle Calendine	100	Christmas Bonus
604	12/22/16	Angie Edwards	100	Christmas Bonus
605	12/22/16	Zachary Johnson	100	Christmas Bonus
			\$645	

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public money illegally expended is hereby issued against April Burke, former Mayor, in the amount of \$645 and in favor of the Village of Rutland General Fund.

**Official’s Response:** The Village Officials will follow up on this finding.

FINDING NUMBER 2016-002

**Noncompliance and Material Weakness**

Ohio Rev. Code § 149.351 establishes guidelines against the destruction or damage of records. All records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise disposed of, in whole or in part, except as provided by law or under the rules adopted by the Records Commission provided for under §§ 149.38 to 149.42 of the Ohio Revised Code.

- Pre-numbered duplicate receipt books were used during 2016 and 2015. However, all pre-numbered duplicate receipt books could not be located and presented for audit. Management indicated these books may have been stolen.
- The Village could not provide minutes for the December 14, 2016 council meeting.
- Purchase orders were not on file for 61% of those tested for 2016.
- Time sheets were not on file for 33% of employee payrolls tested for 2015.
- Federal 1099 forms were not presented for audit for 2015 or 2016.

VILLAGE OF RUTLAND  
MEIGS COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2016 AND 2015  
(Continued)

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

FINDING NUMBER 2016-002 (Continued)

**Noncompliance and Material Weakness - Ohio Rev. Code § 149.351 (Continued)**

Failure to maintain duplicate receipt books could lead to questions concerning the completeness of charges for services receipts for the Special Revenue Fund receipts. We have modified the opinion in the Independent Auditor's Report accordingly.

These receipts represent 32 percent and 21 percent of receipts of the Special Revenue Funds for the years ended December 31, 2016 and 2015, respectively

To avoid possible findings for recovery, management should maintain all records to support transactions.

**Official's Response:** The Village is taking steps to correct this issue.

FINDING NUMBER 2016-003

**Noncompliance**

Ohio Rev. Code § 733.40 requires that all fines, forfeitures, and costs in ordinance cases and all fees that are collected by the mayor, that in any manner come into the mayor's hands, or that are due to the mayor, and all money received by the mayor for the use of the municipal corporation shall be paid by the mayor into the treasury of the municipal corporation on the first Monday of each month. At the first regular meeting of the legislative authority each month, the mayor shall submit a full statement of all money received, from who and for what purposes received, and when paid into the treasury.

During 2015 and 2016, the Mayor did not remit monies collected to the Village by the first Monday of each month. In addition, monies collected in 2016 were not disbursed to the Village's General Fund as of December 31, 2016.

The Mayor should distribute fines collected by Mayor's Court to the Village's General Fund by the first Monday of the following month.

**Official's Response:** The Village Officials are taking steps to correct this issue.

FINDING NUMBER 2016-004

**Noncompliance and Material Weakness**

Ohio Rev. Code § 1905.21 provides that the mayor of a municipal corporation and a mayor's court magistrate shall keep a docket. The mayor or mayor's court magistrate shall account for and dispose of all such fines, forfeitures, fees and costs collected.

Ohio Admin. Code § 117-2-02(A) provides that, when designing the public office's system of internal control and the specific control activities, management should consider ensuring that accounting records are properly designed, verifying the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records, and performing analytical procedures to determine the reasonableness of financial data.

**VILLAGE OF RUTLAND  
MEIGS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2016 AND 2015  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2016-004 (Continued)**

**Noncompliance and Material Weakness - Ohio Rev. Code § 1905.21 (Continued)**

- A Mayor's Court docket was not maintained for 2015 and 2016.
- The Village was not reconciling tickets to determine completeness. As a result, tickets were not issued in sequential order, ticket numbers overlapped and some tickets issued were not numbered at all. Failure to properly maintain the accountability of all tickets could result in a misappropriation of funds without timely detection.
- Court receipts were deposited into the bank but were not posted to the Mayor's court system in the amount of \$216 for 2015 and \$3,036 for 2016.
- A Mayor's Court account check was written for \$200 payable to 'Cash' with no evidence of support or approval.

As such, we were unable to satisfy ourselves as to the completeness of Fines, Licenses and Permits receipts recorded in the General Fund in 2016 and 2015 and Fines, Licenses and Permits in the Fiduciary Fund Type in 2016 and 2015. We have modified the opinion in the Independent Auditor's Report accordingly. These receipts represent 39 percent and 32 percent of receipts of the General Fund for the years ended December 31, 2016 and 2015, respectively and 100 percent of receipts of the Fiduciary Fund Type for the years ended December 31, 2016 and 2015.

The Mayor should ensure a complete docket is maintained for all cases handled by the court and that the Mayor's Court accounting system (Baldwin Group) includes all transactions so that case files are accurately updated. Proper control should be maintained over issued and unissued tickets by the Police Chief or Mayor by ensuring:

- Unissued ticket books are stored in a secure location.
- Tickets are issued in sequential order.
- All tickets are accounted for before the next book is issued.
- Any discrepancies are investigated promptly.
- A periodic (perhaps yearly) inventory is taken to determine the status of the issued tickets.
- All parts of a voided ticket are retained and stored in sequence with the other tickets

**Official's Response:** The Village Officials are taking steps to correct this issue.

**FINDING NUMBER 2016-005**

**Noncompliance**

Ohio Rev. Code § 2949.091 requires the court, in which any person is convicted of or pleads guilty to any offense, to impose on the following sums as costs in the case in addition to any other court costs that the court is required by law to impose upon the offender:

- Thirty dollars if the offense is a felony;
- Twenty dollars if the offense is a misdemeanor other than a traffic offense that is not a moving violation; or
- Ten dollars if the offense is a traffic offense that is not a moving violation, excluding parking violations.

All such moneys collected during the month shall be transmitted on or before the twentieth of the following month by the clerk of the courts to the Treasurer of State.

**VILLAGE OF RUTLAND  
MEIGS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2016 AND 2015  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2016-005 (Continued)**

**Noncompliance - Ohio Rev. Code § 2949.091 (Continued)**

The Village did not remit the amounts due to the State on or before the twentieth day of the following month as follows:

- February and May 2015 were remitted on June 29, 2015;
- June through September 2014 were remitted on October 28, 2015;
- December 2015 was remitted on January 27, 2016;
- January 2016 was remitted on March 17, 2016; and
- February and March 2016 were remitted on May 3, 2016.

In addition, monies collected in 2016 were not disbursed to the State as of December 31, 2016.

The Village should remit the State portion of Mayor's Court fines and fees collected to the State on or before the twentieth day of the following month and submit all reports as required timely.

**Official's Response:** The Village Officials are taking steps to correct this issue.

**FINDING NUMBER 2016-006**

**Noncompliance**

Ohio Rev. Code § 5705.10(I) provides that money paid into a fund must be used only for the purpose for which such fund has been established.

The Village's General Fund had a negative fund balance of \$6,388 at December 31, 2016. A negative fund balance indicates money from one fund was used to cover the expenses of another fund. Overspending was due to a lack of budgetary oversight by the Village officials.

The Village should 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.

**Official's Response:** The Village Officials are taking steps to correct this issue.

**FINDING NUMBER 2016-007**

**Noncompliance**

Ohio Rev. Code § 5705.38(A) requires that on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until no later than April 1.

Village Council did not pass permanent appropriations for 2016. As a result, 100% of the 2016 expenditures were made absent of the legal appropriations authority.

Council should adopt an appropriation measure on or about the first day of each fiscal year. If the Council adopts a temporary measure, they should adopt a permanent measure no later than April 1.

**VILLAGE OF RUTLAND  
MEIGS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2016 AND 2015  
(Continued)**

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

**FINDING NUMBER 2016-007 (Continued)**

**Noncompliance - Ohio Rev. Code § 5705.38(A) (Continued)**

Furthermore, the Fiscal Officer should maintain documentation of the approved appropriation measure and file said measure with the County Auditor.

**Official's Response:** The Village Officials are taking steps to correct this issue.

**FINDING NUMBER 2016-008**

**Noncompliance and Material Weakness**

Ohio Rev. Code §§ 5705.36(A)(3) and (4) provide 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 and the legislative authority intends to appropriate and expend the excess revenue, or that the deficiency will reduce available resources below the level of current appropriations, the fiscal officer shall certify the amount of the excess to the commission, and if the commission determines that the fiscal officer's certification is reasonable, the commission shall certify an amended official certificate reflecting the excess or deficiency.

Ohio Rev. Code § 5705.40 provides, in part, that a subdivision may amend or supplement its appropriations measure provided the entity complies with the same provisions of law as are used in making the original appropriation. In addition, Ohio courts have held that a board or officer whose judgment and discretion is require, was chosen because they were deemed fit and competent to exercise that judgment and discretion and unless power to substitute another in their placed has been given, such board or officer cannot delegate these duties to another. Following such reasoning, a village council would be prohibited from delegating duties statutorily assigned to it, such as the duty of amending appropriations. See C.B. Transportation, Inc. v. Butler County Board of Mental Retardation, 60 Ohio Misc. 71, 397 N.E.2d 781 (C.P. 1979); and, Burkholder v. Lauder, 6 Ohio Misc. 152,216 N.E.2d (C.P. 1965).

Further, all local public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

At December 31, 2015, General Fund estimated receipts as posted to the accounting system exceeded the amount approved by the Budget Commission by \$3,442.

At December 31, 2016, estimated receipts as approved by the Budget Commission did not agree to the Village's accounting system as follows:

Fund	Estimated Receipts, as Approved	Estimated Receipts, as Posted	System Over (Under) Approved
General	\$38,880	\$53,508	\$14,628
Street Construction, Maintenance and Repair	25	14,000	13,975
State Highway	2	1,000	998
Civic Center	1,800	1,200	(600)
	\$44,907	\$73,909	\$29,002

**VILLAGE OF RUTLAND  
MEIGS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2016 AND 2015  
(Continued)**

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

**FINDING NUMBER 2016-008 (Continued)**

**Noncompliance and Material Weakness - Ohio Rev. Code § 5705.36(A)(3) and (4) (Continued)**

At December 31, 2015, appropriations as approved by Council did not agree to the Village's accounting system as follows:

Fund	Appropriations, as Approved	Appropriations, as Posted	System Over (Under) Approved
General	\$83,435	\$85,188	\$1,753
Street Construction, Maintenance and Repair	14,673	16,009	1,336
Log Cabin	15,111	14,300	(811)
James Vennari Park	24,807	18,328	(6,479)
	<u>\$138,026</u>	<u>\$133,825</u>	<u>(\$4,201)</u>

At December 31, 2016, appropriations posted to the accounting system when no formal appropriations existed. The variances are as follows:

Fund	Appropriations, as Approved	Appropriations, as Posted	System Over (Under) Approved
General	\$0	\$78,624	\$78,624
Street Construction, Maintenance and Repair	0	31,000	31,000
State Highway	0	10,912	10,912
Civic Center	0	2,200	2,200
Log Cabin	0	14,820	14,820
James Vennari Park	0	27,000	27,000
	<u>\$0</u>	<u>\$164,556</u>	<u>\$164,556</u>

Due to budgetary information being improperly entered into the system, Council lost some degree of budgetary control.

The Fiscal Officer should accurately post estimated receipts as certified by the County Budget Commission and appropriations as approved by Council. This procedure will help ensure more useful comparisons of budget versus actual activity, as well as provide management with an accurate monitoring tool throughout the year. The Fiscal Officer should only post legislatively approved appropriations and maintain Council approved resolutions for supporting documentation.

**Official's Response:** The Village Officials are taking steps to correct this issue.

**FINDING NUMBER 2016-009**

**Noncompliance**

Ohio Rev. Code § 5705.41(B) prohibits subdivisions or taxing authorities from expending money unless it is appropriated.

At December 31, 2015, Law Enforcement Trust Fund budgetary expenditures exceeded appropriations by \$524.



**VILLAGE OF RUTLAND  
MEIGS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2016 AND 2015  
(Continued)**

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

**FINDING NUMBER 2016-009 (Continued)**

**Noncompliance - Ohio Rev. Code § 5705.41(B) (Continued)**

At December 31, 2016, expenditures exceeded appropriations, as follows:

Fund	Appropriations, as Approved*	Budgetary Expenditures	System Over (Under) Approved
General	\$4,195	\$113,192	\$108,997
Street Construction, Maintenance and Repair	0	4,898	4,898
State Highway	0	912	912
Civic Center	1,457	3,446	1,989
Log Cabin	0	5,465	5,465
James Vennari Park	127	7,650	7,523
	<u>\$5,779</u>	<u>\$135,563</u>	<u>\$129,784</u>

\* Includes carryover encumbrances already appropriated.

The failure to spend within appropriated amounts was primarily due to a lack of formally approved appropriation amounts. The practice of allowing expenditures to exceed appropriations could result in negative fund balances for the Village.

The Fiscal Officer should compare expenditures to appropriations on a monthly basis. If appropriations in addition to those already adopted will be needed, Village Council should adopt appropriations, if possible, to prevent expenditures from exceeding appropriations or reduce spending. The Fiscal Officer should also deny requests for payment when appropriations are not available.

**Official's Response:** The Village Officials are taking steps to correct this issue.

**FINDING NUMBER 2016-010**

**Noncompliance and Material Weakness**

Ohio Admin. Code § 117-2-02 (A) requires all local public offices to 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, document compliance with finance-related legal and contractual requirements and prepare financial statements required by rule 117-2-03 of the Administrative Code.

The Fiscal Officer posted certain revenue and expenditures transactions incorrectly resulting in material audit adjustments.

For the year ended December 31, 2015:

- The improper classification of receipts based on underlying support and a failure to post taxes at gross resulted in the following material adjustments:
  - General Fund Property and Other Taxes increased \$8,870, Intergovernmental receipts decreased \$9,990, Miscellaneous receipts increased \$224, Security of Persons and Property decreased \$1,213, and General Government increased \$481.

**VILLAGE OF RUTLAND  
MEIGS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2016 AND 2015  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2016-010 (Continued)**

**Noncompliance and Material Weakness - Ohio Admin. Code § 117-2-02 (A) (Continued)**

- Street Construction, Maintenance, and Repair Fund Intergovernmental receipts increased \$1,340 and Miscellaneous receipts decreased \$795.
- The Village received repayments of prior period findings for recovery during the audit and improperly posting them entirely to the General Fund rather than to the fund identified in the finding for recovery being repaid and misclassifying the amounts as Special Items resulted the following material adjustments:
  - General Fund Special Item was decreased \$20,339, Fines, Licenses, and Permits were increased \$8,732, and miscellaneous receipts were increased \$5,899.
  - Log Cabin Fund Miscellaneous receipts increased \$3,464.
  - Civic Center Fund Miscellaneous receipts increased \$2,244.
- Mayor's Court Fund Miscellaneous receipts increased \$8,732 and Other Operating Cash Disbursements increased \$8,732, to reflect the payment of the Village portion of the Mayor's Court activity.
- The Village did not properly classify fund balances in accordance with GASB 54 as outlined in AOS Bulletin 2011-004 which resulted the following material adjustments:
  - General Fund Assigned Fund Cash Balance, December 31 increased and Unassigned Fund Cash Balance, December 31 decreased \$4,195, respectively.
  - Civic Center Fund Committed Cash Balance, December 31 increased and Restricted Fund Cash Balance, December 31 decreased \$2,457, respectively.
  - Log Cabin Fund Committed Cash Balance, December 31 increased and Restricted Fund Cash Balance, December 31 decreased \$10,697, respectively.
- The Village did not properly record the Mayor's Court activity which resulted the following material adjustment in the Mayor's Court Fund:
  - Fines, Licenses, and Permits increased \$3,893 and Other Operating Cash Disbursements increased \$2,554.

For the year ended December 31, 2016:

- General Fund Property and Other Taxes increased \$7,664, Intergovernmental receipts decreased \$8,399, Fines, Licenses, and Permits decreased \$267, Security of Persons and Property decreased \$820, and General Government increased \$1,140.
- The improper classification of receipts based on underlying support and a failure to post taxes at gross resulted in the following material adjustments:
  - General Fund Property and Other Taxes increased \$7,664, Intergovernmental receipts decreased \$8,399, Fines, Licenses, and Permits decreased \$267, Security of Persons and Property decreased \$820, and General Government increased \$1,140.
- The Village did not properly classify fund balances in accordance with GASB 54 as outlined in AOS Bulletin 2011-004 which resulted the following material adjustments:
  - Civic Center Fund Committed Cash Balance, December 31 increased and Restricted Fund Cash Balance, December 31 decreased \$1,576, respectively.
  - Log Cabin Fund Committed Cash Balance, December 31 increased and Restricted Fund Cash Balance, December 31 decreased \$9,392, respectively.
- The Village did not properly record the Mayor's Court activity in UAN and posted a portion of Mayor's Court activity directly to the General Fund rather than running it through the Mayor's Court Fund which resulted the following material adjustments :
  - Mayor's Court Fund Fines, Licenses, and Permits increased \$30,280 and Other Operating Cash Disbursements increased \$26,631.

**VILLAGE OF RUTLAND  
MEIGS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2016 AND 2015  
(Continued)**

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

**FINDING NUMBER 2016-010 (Continued)**

**Noncompliance and Material Weakness - Ohio Admin. Code § 117-2-02 (A) (Continued)**

- The Village did not post receipts collected in November 2016 until January 2017 which resulted the following material adjustments:
  - General Fund intergovernmental receipts and cash fund balance increased by \$1,391.
  - Street Construction, Maintenance and Repair Fund intergovernmental receipts and cash fund balance increased by \$210.
- The Village did not properly record debt proceeds relating to a police cruiser which resulted the following material adjustment:
  - General Fund Other Debt Proceeds and Capital Outlay increased \$36,393, respectively.
- The Village improperly recorded rental receipts which resulted the following material adjustment:
  - Civic Center Fund Charges for Services increased \$3,000 while Log Cabin Fund Charges for Services decreased \$3,000.

The following represents the cumulative effect of the adjustments listed above, as well as other immaterial adjustments identified the Village opted to post, on the fund cash balances as of December 31, 2016:

Fund	Unadjusted 12/31/2016 Fund Balance	Cumulative Adjustment Amount	Adjusted 12/31/2016 Fund Balance
General	(\$3,877)	(\$2,511)	(\$6,388)
Street Construction, Maintenance and Repair	22,267	6,240	28,507
State Highway	10,363	(8)	10,355
Civic Center	1,576	1,347	2,923
James Vennari Park	21,361	859	22,220
Law Enforcement Trust	4,781	(668)	4,113
Log Cabin	9,392	6,814	16,206
Mayor's Court	1,329	4,988	6,317
	<u>\$67,192</u>	<u>\$17,061</u>	<u>\$84,253</u>

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

To ensure the Village's financial statements and notes to the financial statements are complete and accurate, the Fiscal Officer should review the audit adjustments, Village Officer's Handbook, and Auditor of State Bulletin 2011-004 for guidance on the correct line items to post various receipts and expenditures as well as fund balance classifications of the Village in future years.

**Official's Response:** The Village Officials are taking steps to correct this issue.

VILLAGE OF RUTLAND  
MEIGS COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2016 AND 2015  
(Continued)

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

FINDING NUMBER 2016-011

**Material Weakness**

Council set rental rates for the Civic Center in the minutes in 2008. The Village documented no changes to these rates in the minute record since that time.

The Village received rental income during the audit period for the Civic Center building. Fifty-four percent and seventeen percent of Special Revenue Fund charges for services receipts tested in 2015 and 2016, respectively, did not have sufficient detail to determine if proper rates were charged. Additionally, some of the rates charged did not appear consistent with the approved rates. This could lead to discrepancies and complaints from citizens, as well as a loss of income if rates are not charged properly.

Council should establish set rates for Civic Center rental and document rentals in enough detail to determine if the proper rates were charged.

**Official's Response:** The Village Officials will implement a new form to help us track this.

FINDING NUMBER 2016-012

**Material Weakness**

The Fiscal Officer failed to update authorized signatories on a Park Fund certificate of deposit (CD). The CD included the former Fiscal Officer Laura Curtis. Additionally, checks were being signed by the current Fiscal Officer; however, the Fiscal Officer was not listed as an authorized signatory with the bank. The Mayor was identified as signatory by the bank but did not sign checks. This was an oversight by the Village management.

Management should ensure the bank is immediately notified to update signatories upon termination or change in authority level of any authorized signatory. Management should also ensure that only approved signatories sign checks.

**Official's Response:** The Village Officials will address this immediately.

FINDING NUMBER 2016-013

**Material Weakness**

The size of the Village's staff did not allow for an adequate segregation of duties; the Village 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 reviews financial reports; however, this is not always documented in the minutes and there are no sign-offs to indicate which reports have been reviewed. No processes exist to identify unusual fluctuations between accounts or between fiscal years. Additionally, bank reconciliations were available for all months, however, there were no sign-offs to indicate who prepared the reconciliations and who reviewed. This could allow errors and/or irregularities to occur and remain undetected for an extended period of time. Additionally, we noted new hires that were not approved in the minutes.

**VILLAGE OF RUTLAND  
MEIGS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2016 AND 2015  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2016-013 (Continued)**

**Material Weakness (Continued)**

Council should review financial reports and bank reconciliations on a monthly basis. Additionally, the Board should approve all items relating to payroll and document it in the minute record. Council should create and enforce policies and procedures such as review of monthly financial reports and reconciliations by an individual other than the preparer and evidence this by initialing and dating the reports and reconciliations. These steps will assist managements in ensuring transactions are posted timely and unusual fluctuations are identified.

Additionally, Council should 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.

**Official's Response:** The Village Officials are taking steps to correct this issue.

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# VILLAGE OF RUTLAND MEIGS COUNTY

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## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS DECEMBER 31, 2016 AND 2015

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2012-001	Finding for Recovery for public monies illegally expended issued against Mista Eldridge in the amount of \$2,515.	Not Corrected	Finding remains unpaid.
2012-002	Finding for Recovery for public money converted or misappropriated issued against Mista Eldridge in the amount of \$12,166.	Not Corrected	Finding remains unpaid.
2012-003	Finding for Recovery for public money converted or misappropriated issued against Laura Curtis in the amount of \$65,791.	Not Corrected	The Village has received \$29,003 in repayments leaving a balance due of \$36,788.
2012-004	Finding for Recovery for public money converted or misappropriated issued against Laura Curtis in the amount of \$1,311.	Corrected	The entire \$1,311 was repaid during 2015.
2012-005	Finding for Recovery for public monies illegally expended issued against Laura Curtis in the amount of \$308.	Corrected	The entire \$308 was repaid during 2015.
2014-001	Ohio Rev. Code § 733.40 cited for not distributing fine monies to the General Fund in a timely manner.	Not Corrected	The Village Officials are taking steps to correct this issue.
2014-002	Ohio Rev. Code § 2949.091 cited for not remitting fine monies due to the State in a timely manner.	Not Corrected	The Village Officials are taking steps to correct this issue.
2014-003	Ohio Rev. Code § 5705.10(I) cited for carrying a deficit cash fund balance of \$15,441 in the Street Construction, Maintenance and Repair Fund.	Not Corrected	The Village Officials are taking steps to correct this issue.
2014-004	Ohio Rev. Code § 5705.38 cited for failure to adopt a permanent appropriation measure for 2013 and the 2014 measure was adopted at an unallowable level.	Not Corrected	The Village Officials are taking steps to correct this issue.

# VILLAGE OF RUTLAND MEIGS COUNTY

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## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS DECEMBER 31, 2016 AND 2015 (Continued)

Finding Number	Finding Summary	Status	Additional Information
2014-005	Ohio Rev. Code § 5705.40 cited for appropriations, as posted, differing from the amounts adopted.	Not Corrected	The Village Officials are taking steps to correct this issue.
2014-006	Ohio Rev. Code § 5705.41(B) cited for expenditures exceeding appropriations.	Not Corrected	The Village Officials are taking steps to correct this issue.
2014-007	Ohio Rev. Code § 5705.41(D)(1) cited for failure to encumber 88% of expenditures and failure to establish a maximum for blanket purchase orders.	Not Corrected.	The Village Officials are taking steps to correct this issue.
2014-008	Material Weakness and noncompliance with Ohio Admin. Code § 117-2-02(A) for material misstatements requiring adjustment.	Not Corrected.	The Village Officials are taking steps to correct this issue.





# Dave Yost • 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  
FEBRUARY 27, 2018