



**Auditor of State  
Betty Montgomery**



VILLAGE OF RUSHVILLE  
FAIRFIELD COUNTY

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

Village of Rushville  
Fairfield County  
8620 Main Street  
Rushville, Ohio 43150

To the Village Council:

We have audited the accompanying financial statements of the Village of Rushville, Fairfield County, Ohio, (the Village) as of and for the years ended December 31, 2003, and December 31, 2002. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

The Village's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of the Village because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments.

We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Rushville, Fairfield County, Ohio, as of December 31, 2003, and December 31, 2002, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 22, 2004, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying schedules of federal awards expenditures are presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and are not a required part of the financial statements. We subjected this information to the auditing procedures applied in the audit of the financial statements. In our opinion, they are fairly stated, in all material respects, in relation to the financial statements for the years ended December 31, 2003, and December 31, 2002, taken as a whole.

This report is intended solely for the information and use of the management, Village Council, and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

July 22, 2004

**VILLAGE OF RUSHVILLE  
FAIRFIELD COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Property Tax and Other Local Taxes	\$5,465	\$4,465	\$0	\$9,930
Intergovernmental Receipts	11,558	7,781	302,841	322,180
Fines, Licenses, and Permits	0	0	0	0
Earnings on Investments	625	61	0	686
Miscellaneous	2,362	129	0	2,491
	<u>20,010</u>	<u>12,436</u>	<u>302,841</u>	<u>335,287</u>
<b>Total Cash Receipts</b>	<b>20,010</b>	<b>12,436</b>	<b>302,841</b>	<b>335,287</b>
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	58	1,626	0	1,684
Public Health Services	690	0	0	690
Leisure Time Activities	0	0	0	0
Community Environment	334	0	0	334
Basic Utility Services	11,669	0	22,341	34,010
Transportation	1,475	15,213	0	16,688
General Government	13,169	0	0	13,169
Capital Outlay	0	0	762,916	762,916
	<u>27,395</u>	<u>16,839</u>	<u>785,257</u>	<u>829,491</u>
<b>Total Cash Disbursements</b>	<b>27,395</b>	<b>16,839</b>	<b>785,257</b>	<b>829,491</b>
<b>Total Receipts (Under) Disbursements</b>	<b>(7,385)</b>	<b>(4,403)</b>	<b>(482,416)</b>	<b>(494,204)</b>
<b>Other Financing Receipts and (Disbursements):</b>				
Debt Proceeds	0	0	481,633	481,633
Transfers-Out	(181)	0	0	(181)
Advances-In	5,000	0	0	5,000
Advances-Out	(5,000)	0	0	(5,000)
	<u>(181)</u>	<u>0</u>	<u>481,633</u>	<u>481,452</u>
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>(181)</b>	<b>0</b>	<b>481,633</b>	<b>481,452</b>
Excess of Cash Receipts and Other Financing Receipts (Under) Cash Disbursements and Other Financing Disbursements	(7,566)	(4,403)	(783)	(12,752)
Fund Cash Balances, January 1	62,130	44,575	965	107,670
	<u>62,130</u>	<u>44,575</u>	<u>965</u>	<u>107,670</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$54,564</u></b>	<b><u>\$40,172</u></b>	<b><u>\$182</u></b>	<b><u>\$94,918</u></b>
Reserves for Encumbrances, December 31	\$450	\$0	\$6,445	\$6,895
	<u>\$450</u>	<u>\$0</u>	<u>\$6,445</u>	<u>\$6,895</u>

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

**VILLAGE OF RUSHVILLE  
FAIRFIELD COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<b>Proprietary Fund Type</b>
	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$140,636
Fines, Licenses, and Permits	440
Miscellaneous	4,750
Total Operating Cash Receipts	145,826
<b>Operating Cash Disbursements:</b>	
Personal Services	27,102
Fringe Benefits	4,376
Contractual Services	26,002
Supplies and Materials	15,395
Other	2,804
Total Operating Cash Disbursements	75,679
Operating Income	70,147
<b>Non-Operating Cash Receipts:</b>	
Interest	3,544
Total Non-Operating Cash Receipts	3,544
<b>Non-Operating Cash Disbursements:</b>	
Debt Service:	
Redemption of Principal	28,468
Interest	9,095
Total Non-Operating Cash Disbursements	37,563
Excess of Receipts Over Disbursements Before Interfund Transfers and Advances	36,128
Transfers-In	181
Advances-In	5,000
Advances-Out	(5,000)
Net Receipts Over Disbursements	36,309
Fund Cash Balances, January 1	227,460
<b>Fund Cash Balances, December 31</b>	<b>\$263,769</b>

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



**VILLAGE OF RUSHVILLE  
FAIRFIELD COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Property Tax and Other Local Taxes	\$5,697	\$4,586	\$0	\$10,283
Intergovernmental Receipts	40,931	6,876	549,825	597,632
Earnings on Investments	1,064	176	0	1,240
Miscellaneous	2,234	0	0	2,234
	<u>49,926</u>	<u>11,638</u>	<u>549,825</u>	<u>611,389</u>
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	58	0	0	58
Public Health Services	641	0	0	641
Leisure Time Activities	50	0	0	50
Community Environment	319	0	0	319
Basic Utility Service	16,447	0	20,000	36,447
Transportation	15,050	6,568	0	21,618
General Government	13,947	0	0	13,947
Capital Outlay	0	0	1,241,097	1,241,097
	<u>46,512</u>	<u>6,568</u>	<u>1,261,097</u>	<u>1,314,177</u>
Total Cash Disbursements	<u>46,512</u>	<u>6,568</u>	<u>1,261,097</u>	<u>1,314,177</u>
Total Receipts Over/(Under) Disbursements	<u>3,414</u>	<u>5,070</u>	<u>(711,272)</u>	<u>(702,788)</u>
<b>Other Financing Receipts and (Disbursements):</b>				
Debt Proceeds	26,094	0	712,237	738,331
Transfers-Out	(412)	0	0	(412)
	<u>25,682</u>	<u>0</u>	<u>712,237</u>	<u>737,919</u>
Total Other Financing Receipts/(Disbursements)	<u>25,682</u>	<u>0</u>	<u>712,237</u>	<u>737,919</u>
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	29,096	5,070	965	35,131
Fund Cash Balances, January 1	<u>33,034</u>	<u>39,505</u>	<u>0</u>	<u>72,539</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$62,130</b></u>	<u><b>\$44,575</b></u>	<u><b>\$965</b></u>	<u><b>\$107,670</b></u>
Reserves for Encumbrances, December 31	<u>\$0</u>	<u>\$0</u>	<u>\$21,361</u>	<u>\$21,361</u>

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

**VILLAGE OF RUSHVILLE  
FAIRFIELD COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<b>Proprietary Fund Type</b>
	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$93,023
	93,023
Total Operating Cash Receipts	93,023
<b>Operating Cash Disbursements:</b>	
Personal Services	28,655
Fringe Benefits	4,353
Contractual Services	16,319
Supplies and Materials	14,028
Other	30
	63,385
Total Operating Cash Disbursements	63,385
Operating Income	29,638
<b>Non-Operating Cash Receipts:</b>	
Interest	2,861
	2,861
Total Non-Operating Cash Receipts	2,861
<b>Non-Operating Cash Disbursements:</b>	
Debt Service:	
Redemption of Principal	27,909
Interest	9,653
	37,562
Total Non-Operating Cash Disbursements	37,562
Excess of Receipts (Under) Disbursements Before Interfund Transfers	(5,063)
Transfers-In	412
	(4,651)
Net Receipts (Under) Disbursements	(4,651)
Fund Cash Balances, January 1	232,111
	232,111
<b>Fund Cash Balances, December 31</b>	<b>\$227,460</b>

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

**VILLAGE OF RUSHVILLE  
FAIRFIELD COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Village of Rushville, Fairfield County, Ohio, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general governmental services, street maintenance, and water/sewer utilities.

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

**B. Basis of Accounting**

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 prescribed or permitted by the Auditor of State.

**C. Cash**

Certificates of deposit are valued at cost.

**D. Fund Accounting**

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

**1. General Fund**

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

**2. Special Revenue Funds**

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

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

*Permissive Motor Vehicle License Fund* - This fund receives permissive tax from the state for constructing, maintaining and repairing Village street and sidewalks.

**VILLAGE OF RUSHVILLE  
FAIRFIELD COUNTY**

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

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

**D. Fund Accounting (Continued)**

**3. Capital Projects Fund**

This fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects which included the construction of the water system. The Village received a Federal Community Development Block Grant as well as loans from OWDA for the construction of the water system.

**4. Enterprise Funds**

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

*Sewer Operating Fund* - This fund receives charges for services from residents to cover the cost of providing this utility.

*Water Operating Fund* - This fund receives charges for services from residents to cover the cost of providing this utility.

*Enterprise Debt Service Fund* – This fund receives monies from fees assessed to sewer users. The monies are used to retire debt incurred to operate the sewer system.

*Sewer Repair and Replacement Fund* – This fund receives an annual transfer from the Sewer Operating Fund to be used for the repair and replacement of pumps and aerators.

**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 and object level of control and appropriations may not exceed estimated resources. The Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

Amendments to appropriations were not properly approved by Council which resulted in expenditures exceeding appropriations at the fund, function, and object level.

**2. Estimated Resources**

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

**VILLAGE OF RUSHVILLE  
FAIRFIELD COUNTY**

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

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

**E. Budgetary Process (Continued)**

**3. Encumbrances**

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2003 and 2002 budgetary activity appears in Note 3.

**F. Property, Plant and Equipment**

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

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

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

	<u>2003</u>	<u>2002</u>
Demand deposits	\$298,687	\$310,130
Certificates of deposit	60,000	25,000
Total deposits	<u>\$358,687</u>	<u>\$335,130</u>

**Deposits:** Deposits are either insured by the Federal Depository Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Village.

**VILLAGE OF RUSHVILLE  
FAIRFIELD COUNTY**

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

**3. BUDGETARY ACTIVITY**

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

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$15,000	\$20,010	\$5,010
Special Revenue	11,075	12,436	1,361
Capital Projects	1,000,000	784,474	(215,526)
Enterprise	141,750	149,551	7,801
Total	\$1,167,825	\$966,471	(\$201,354)

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$64,586	\$28,026	\$36,560
Special Revenue	54,495	16,839	37,656
Capital Projects	955,075	791,702	163,373
Enterprise	152,450	113,242	39,208
Total	\$1,226,606	\$949,809	\$276,797

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$41,600	\$76,020	\$34,420
Special Revenue	11,000	11,638	638
Capital Projects	2,000,000	1,262,062	(737,938)
Enterprise	88,250	96,296	8,046
Total	\$2,140,850	\$1,446,016	(\$694,834)

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$72,528	\$46,924	\$25,604
Special Revenue	45,725	6,568	39,157
Capital Project	1,000,000	1,282,458	(282,458)
Enterprise	168,575	100,947	67,628
Total	\$1,286,828	\$1,436,897	(\$150,069)

**VILLAGE OF RUSHVILLE  
FAIRFIELD COUNTY**

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

**4. PROPERTY TAX**

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

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

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

**5. DEBT**

Debt outstanding at December 31, 2003 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Sewer Project Loan - OWDA	\$426,282	2.00%
Water Project Loan - OWDA	1,304,678	1.50%
Total	<u>\$1,730,960</u>	

The Sewer Project Loan was provided to the Village by the Ohio Water Development Authority (OWDA) to perform sewer plant expansion which was mandated by the Ohio Environment Protection Agency. The Village has been approved for lending up to \$733,357 for this project. The loan will be repaid in semi-annual installments of \$18,781, including interest, over the next 13 years.

The Water Project Loan was provided to the Village by the Ohio Water Development Authority (OWDA) to develop and construct a water system for the Village. This loan has not been finalized and additional proceeds are expected. An amortization schedule is not available.

Amortization of the Sewer Project Loan, including interest, is scheduled as follows:

	<u>Sewer Loan</u>
Year ending December 31:	
2004	\$37,563
2005	37,563
2006	37,563
2007	37,563
2008	37,563
2009 – 2013	187,815
2014 - 2016	112,689
Total	<u>\$488,319</u>

**VILLAGE OF RUSHVILLE  
FAIRFIELD COUNTY**

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

**6. RETIREMENT SYSTEMS**

The Village's employees belong to Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2003 and 2002.

The Village has paid all contributions required through December 31, 2003.

**7. RISK MANAGEMENT**

**Commercial Insurance**

The Village has obtained commercial insurance for the following risks:

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

**8. JOINTLY GOVERNED ORGANIZATION**

The Village appoints a person to represent the Village on the 48 member board of the Fairfield County Regional Planning Commission. The Village pays a small membership fee annually. The fee is based on the per capita of the Village. There is no ongoing financial interest of responsibility by the Village.



**VILLAGE OF RUSHVILLE  
FAIRFIELD COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2003**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<b><u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u></b>			
<i>Passed Through the Ohio Department of Development:</i>			
Community Development Block Grant	316188794	14.228	<u>\$310,546</u>
<b>Total Federal Assistance</b>			<u><u>\$310,546</u></u>

*The accompanying notes to this schedule are an integral part of this schedule.*

**VILLAGE OF RUSHVILLE  
FAIRFIELD COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2002**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<b><u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u></b>			
<i>Passed Through the Ohio Department of Development:</i>			
Community Development Block Grant	316188794	14.228	\$218,535
<i>Passed Through Fairfield County:</i>			
Community Development Block Grant		14.228	<u>195,000</u>
<b>Total Federal Assistance</b>			<b><u><u>\$413,535</u></u></b>

*The accompanying notes to this schedule are an integral part of this schedule.*

**VILLAGE OF RUSHVILLE  
FAIRFIELD COUNTY  
DECEMBER 31, 2003 AND 2002**

**NOTES TO THE SCHEDULES OF FEDERAL AWARDS EXPENDITURES**

**NOTE A--SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedules of Federal Awards Expenditures (the Schedules) summarize activity of the Village's federal award programs. The schedules have been prepared on the cash basis of accounting.

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## **Auditor of State Betty Montgomery**

### **INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Village of Rushville  
Fairfield County  
8620 Main Street  
Rushville, Ohio 43150

To the Village Council:

We have audited the financial statements of the Village of Rushville, Fairfield County, Ohio (the Village), as of and for the years ended December 31, 2003, and December 31 2002, and have issued our report thereon dated July 22, 2004, wherein we noted that the Village's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of the Village because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### **Compliance**

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2003-001 and 2003-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated July 22, 2004.

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

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be a material weakness. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the Village in a separate letter dated July 22, 2004.

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This report is intended for the information and use of the management, Village Council, and federal awarding agencies and pass-through agencies and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
**Auditor of State**

July 22, 2004



**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO MAJOR FEDERAL PROGRAMS AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Village of Rushville  
Fairfield County  
8620 Main Street  
Rushville, OH 43150

To the Village Council:

**Compliance**

We have audited the compliance of the Village of Rushville, Fairfield County, Ohio, (the Village), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to the major federal program for the years ended December 31, 2003, and December 31, 2002. The Village's major federal program for each year is identified in the respective summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program for each year is the responsibility of Village's management. Our responsibility is to express an opinion on the Village's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the Village's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Village's compliance with those requirements.

In our opinion, the Village complied, in all material respects, with the requirements referred to above that are applicable to the major federal program for the years ended December 31, 2003, and December 31, 2002. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements for the year ended December 31, 2002, that is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings as item 2003-003.

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### **Internal Control Over Compliance**

The management of the Village is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Village's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the management, Village Council, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



**Betty Montgomery**  
**Auditor of State**

July 22, 2004



**VILLAGE OF RUSHVILLE  
FAIRFIELD COUNTY  
DECEMBER 31, 2003 AND 2002**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 §.505**

**1. SUMMARY OF AUDITOR'S RESULTS**

**FOR THE YEAR ENDING DECEMBER 31, 2003**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Community Development Block Grant CFDA #14.228
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A\B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	No

**VILLAGE OF RUSHVILLE  
FAIRFIELD COUNTY  
DECEMBER 31, 2003 AND 2002**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 §.505**

<b>1. SUMMARY OF AUDITOR'S RESULTS (CONTINUED)</b>
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**FOR THE YEAR ENDING DECEMBER 31, 2002**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510?</b>	Yes
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Community Development Block Grant CFDA #14.228
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A\B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	No

**VILLAGE OF RUSHVILLE  
FAIRFIELD COUNTY  
DECEMBER 31, 2003 AND 2002**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 §.505**

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

**FINDING NUMBER 2003-001**

Ohio Rev. Code Section 5705.40 states that any appropriation ordinance or measure may be amended or supplemented, provided that such amendment or supplement shall comply with all provisions of law governing the taxing authority in making an original appropriation and that no appropriation for any purpose shall be reduced below an amount sufficient to cover all unliquidated and outstanding contracts or obligations certified from or against the appropriation. The Ohio Revised Code prohibits the Council from delegating its authority to establish appropriations.

The Council passed a resolution in each year to allow the Clerk to make transfers between line item appropriations within funds. The appropriation transfers made by the Clerk in accordance with this resolution were not subsequently approved by the Council. Council cannot delegate its responsibilities at the "legal level of appropriation control".

The lack of properly approved amendments resulted in expenditures exceeding the Council approved appropriations.

We recommend the Council ensure that expenditures do not exceed appropriations at any time during the year or at year end by approving amendments at the legal level of control on a frequent basis and prior to these amendments being posted to the accounting records. The Council should determine the legal level of control and pass the annual appropriation resolution and any necessary amendments at that level.

**FINDING NUMBER 2003-002**

Ohio Rev. Code Section 5705.41(B) states in part that no subdivision or taxing unit shall make any expenditure of money unless it has been appropriated against an appropriate fund. The Village had expenditures in excess of appropriations as follows:

Year	Fund Type / Fund	Total Appropriated	Total Expended	Variance
2003	<b>General Fund</b>			
	Other Contractual Services	\$0	\$8,430	(\$8,430)
	Machinery, Equipment, and Furniture	\$750	\$1,300	(\$550)
	Repair and Maintenance of Machinery & Equip	\$0	\$175	(\$175)
	Salary Clerk/Treasurer	\$1,675	\$1,800	(\$125)
	Telephone	\$675	\$691	(\$16)
	Insurance and Bonding Services	\$1,500	\$2,246	(\$746)
	Other Personal Services	\$0	\$200	(\$200)
	Ohio Public Employees Retirement System	\$10	\$44	(\$34)
	Uniform Accounting Network Fees	\$900	\$1,223	(\$323)
2003	<b>Special Revenue</b>			
	<b>Street Construction Maintenance and Repair</b>			
	Other Personal Services	\$750	\$1,336	(\$586)
	Ohio Public Employees Retirement System	\$90	\$142	(\$52)
	Social Security	\$0	\$20	(\$20)
	Medicare	\$10	\$20	(\$10)
2003	<b>Capital Projects</b>			
	Other Contractual Services	\$0	\$28,786	(\$193)

**VILLAGE OF RUSHVILLE  
FAIRFIELD COUNTY  
DECEMBER 31, 2003 AND 2002**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 §.505**

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

**FINDING NUMBER 2003-002 (Continued)**

Year	Fund Type / Fund	Total Appropriated	Total Expended	Variance
2003	<b>Enterprise Fund</b>			
	<b>Water Operating</b>			
	Personal Service	\$0	\$5,801	(\$5,801)
	Ohio Public Employees Retirement System	\$0	\$786	(\$786)
	Medicare	\$0	\$84	(\$84)
	Contractual Services	\$0	\$2,268	(\$2,268)
	Supplies and Materials	\$0	\$870	(\$870)
	Postage	\$0	\$81	(\$81)
	Payment to Another Political Subdivision	\$0	\$2,805	(\$2,805)
	Electricity	\$0	\$1,296	(\$1,296)
	Telephone	\$0	\$321	(\$321)
	Professional and Technical Services	\$0	\$6,000	(\$6,000)
	Insurance Premiums - Booster Station	\$0	\$185	(\$185)
Insurance Premiums - Water Tower	\$0	\$209	(\$209)	
	<b>Debt Service</b>			
	Principal	\$28,000	\$28,468	(\$468)
2002	<b>General Fund</b>			
	Postage	\$0	\$50	(\$50)
	Accounting and Legal Fees	\$0	\$1,844	(\$1,844)
	Other Professional and Technical Services	\$10,660	\$13,555	(\$2,895)
	Machinery, Equipment & Furniture	\$11,000	\$15,050	(\$4,050)
	Travel and Transportation	\$50	\$97	(\$47)
	Public Employees Retirement System	\$25	\$38	(\$13)
	Other – Insurance and Bonding Services	\$1,000	\$1,151	(\$151)
	Auditing Services	\$1,500	\$2,087	(\$587)
	Uniform Accounting Network Fees	\$600	\$793	(\$193)
2002	<b>Special Revenue</b>			
	<b>Street Construction Maintenance and Repair</b>			
	Uniform Accounting Network Fees	\$200	\$393	(\$193)
2002	<b>Capital Projects</b>			
	Other Professional and Technical Services	\$0	\$2,500	(\$2,500)
	Land and Land Improvements	\$0	\$17,500	(\$17,500)
	Utility Distribution Systems	\$798,000	\$1,072,897	(\$274,897)
2002	<b>Enterprise Fund</b>			
	<b>Sewer Operating</b>			
	Other Personal Service	\$12,000	\$16,715	(\$4,715)
	Medicare	\$325	\$405	(\$80)
	Dues and Fees	\$500	\$700	(\$200)
	<b>Repair and Replacement Fund</b>			
	Repairs and Maintenance of Buildings and Land	\$0	\$5,542	(\$5,542)

VILLAGE OF RUSHVILLE  
FAIRFIELD COUNTY  
DECEMBER 31, 2003 AND 2002

SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 §.505

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

**FINDING NUMBER 2003-002 (Continued)**

The Clerk/Treasurer should monitor appropriations when certifying expenditures under 5705.41(D) and should not certify proposed obligations that exceed appropriations. The Clerk/Treasurer should also ensure that all financial activity is included in the budget, including activity for which the Village does not receive cash and activity processed by others on the Village's behalf (i.e., loan proceeds and related capital outlay, CDBG funding, etc.).

Additionally, some of the variances noted above are the result of certain appropriations amendments not being specifically approved by Council as noted in finding 2003-001. The Clerk/Treasurer should request Council to amend appropriations before expenditures occur to prevent expenditures from exceeding appropriations. All amendments to appropriations should be approved by the Council via resolution prior to being posted to the accounting records.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

**FINDING NUMBER 2003-003**

Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, Section .200(a) provides that a non-federal entity that expends \$300,000 or more in a year in federal awards shall have a single audit conducted as discussed in the Circular. Section .105 defines such entities as "auditees". Section .300 (a) states, an auditee shall "Identify, in its accounts, all Federal awards received and expended and the Federal programs under which they were received. Federal programs and award identification shall include, as applicable, the CFDA title and number, award number and year, name of the Federal agency, and name of the pass-through entity."

Section .300 (e) further states, an auditee shall "Ensure that the audits required by this part are properly performed and submitted when due." Section .320 provides that single audits shall be completed and a reporting package submitted to the federal clearinghouse designated by OMB, no later than nine months after the end of the audit period.

The Village expended in excess of \$300,000 in federal awards during the year ended December 31, 2002, however, it did not properly identify federal award expenditures in its accounting records for the year ended December 31, 2002.

The lack of proper identification of federal awards expenditures resulted in the Village not ensuring a single audit was conducted within nine months of December 31, 2002, when federal expenditures exceeded \$300,000.

We recommend the Clerk/Treasurer and Council develop procedures to ensure they can properly identify federal expenditures and, if necessary, notify the Auditor of State that a single audit is required.





**Auditor of State  
Betty Montgomery**

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**VILLAGE OF RUSHVILLE**

**FAIRFIELD 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  
AUGUST 26, 2004**