



Mary Taylor, CPA
Auditor of State

VILLAGE OF ROSSBURG
DARKE COUNTY

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Mary Taylor, CPA
Auditor of State

Village of Rossburg
Darke County
P.O. Box 94
200 West Main Street
Rossburg, Ohio 45362

To the Village Council:

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

July 19, 2010

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Rossburg
Darke County
P.O. Box 94
200 West Main Street
Rossburg, Ohio 45362

To the Village Council:

We have audited the accompanying financial statements of Village of Rossburg, Darke County, (the Village) as of and for the years ended December 31, 2009 and 2008. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

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

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

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2009 and 2008 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2009 and 2008, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Village of Rossburg, Darke County, as of December 31, 2009 and 2008, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated July 19, 2010, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

Mary Taylor, CPA
Auditor of State

July 19, 2010

**VILLAGE OF ROSSBURG
DARKE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Property and Local Taxes	\$8,121				\$8,121
Intergovernmental	30,503	\$13,562		\$271,426	315,491
Special Assessments		14,765			14,765
Earnings on Investments	29	18			47
Miscellaneous	385				385
Total Cash Receipts	<u>39,038</u>	<u>28,345</u>		<u>271,426</u>	<u>338,809</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	7,494				7,494
Public Health Services	596				596
Basic Utility Service	10,300				10,300
Transportation		6,379			6,379
General Government	19,467		\$217		19,684
Debt Service:					
Redemption of Principal			12,770		12,770
Interest and Fiscal Charges			2,038		2,038
Capital Outlay				325,425	325,425
Total Cash Disbursements	<u>37,857</u>	<u>6,379</u>	<u>15,025</u>	<u>325,425</u>	<u>384,686</u>
Total Receipts Over/(Under) Disbursements	<u>1,181</u>	<u>21,966</u>	<u>(15,025)</u>	<u>(53,999)</u>	<u>(45,877)</u>
Other Financing Receipts / (Disbursements):					
Proceeds from Sale of Public Debt:					
Sale of Notes				54,000	54,000
Transfers-In			15,770		15,770
Transfers-Out		(14,765)		(1,005)	(15,770)
Advances-In	20,000			20,000	40,000
Advances-Out	(20,000)			(20,000)	(40,000)
Total Other Financing Receipts / (Disbursements)		<u>(14,765)</u>	<u>15,770</u>	<u>52,995</u>	<u>54,000</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	1,181	7,201	745	(1,004)	8,123
Fund Cash Balances, January 1	<u>37,285</u>	<u>13,414</u>	<u>22,257</u>	<u>1,754</u>	<u>74,710</u>
Fund Cash Balances, December 31	<u>\$38,466</u>	<u>\$20,615</u>	<u>\$23,002</u>	<u>\$750</u>	<u>\$82,833</u>

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

**VILLAGE OF ROSSBURG
DARKE COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGE IN FUND CASH BALANCE - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$36,199
Miscellaneous	9
Total Operating Cash Receipts	36,208
Operating Cash Disbursements:	
Personal Services	6,640
Contractual Services	17,342
Supplies and Materials	650
Total Operating Cash Disbursements	24,632
Operating Income	11,576
Non-Operating Cash Receipts:	
Special Assessments	26,550
Total Non-Operating Cash Receipts	26,550
Non-Operating Cash Disbursements:	
Redemption of Principal	26,550
Total Non-Operating Cash Disbursements	26,550
Net Receipts Over Disbursements	11,576
Fund Cash Balance, January 1	27,590
Fund Cash Balance, December 31	\$39,166

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

**VILLAGE OF ROSSBURG
DARKE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Property and Local Taxes	\$9,414				\$9,414
Intergovernmental	34,017	\$13,411		\$199,999	247,427
Special Assessments		14,146			14,146
Fines, Licenses, Permits	150				150
Earnings on Investments	118	42			160
Miscellaneous	1,943				1,943
Total Cash Receipts	<u>45,642</u>	<u>27,599</u>		<u>199,999</u>	<u>273,240</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	7,326				7,326
Public Health Services	571				571
Leisure Time Activities	500				500
Basic Utility Service	9,212				9,212
Transportation	162	16,825			16,987
General Government	22,178				22,178
Debt Service:					
Redemption of Principal			\$4,534		4,534
Interest and Fiscal Charges			629		629
Capital Outlay	174			228,244	228,418
Total Cash Disbursements	<u>40,123</u>	<u>16,825</u>	<u>5,163</u>	<u>228,244</u>	<u>290,355</u>
Total Receipts Over/(Under) Disbursements	<u>5,519</u>	<u>10,774</u>	<u>(5,163)</u>	<u>(28,245)</u>	<u>(17,115)</u>
Other Financing Receipts / (Disbursements):					
Proceeds from Sale of Public Debt:					
Sale of Notes				30,000	30,000
Transfers-In		2,064	14,146		16,210
Transfers-Out		(14,146)		(2,064)	(16,210)
Total Other Financing Receipts / (Disbursements)		<u>(12,082)</u>	<u>14,146</u>	<u>27,936</u>	<u>30,000</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	5,519	(1,308)	8,983	(309)	12,885
Fund Cash Balances, January 1	<u>31,766</u>	<u>14,722</u>	<u>13,274</u>	<u>2,063</u>	<u>61,825</u>
Fund Cash Balances, December 31	<u><u>\$37,285</u></u>	<u><u>\$13,414</u></u>	<u><u>\$22,257</u></u>	<u><u>\$1,754</u></u>	<u><u>\$74,710</u></u>

**VILLAGE OF ROSSBURG
DARKE COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGE IN FUND CASH BALANCE - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$35,608
Total Operating Cash Receipts	35,608
Operating Cash Disbursements:	
Personal Services	6,460
Contractual Services	21,247
Supplies and Materials	909
Total Operating Cash Disbursements	28,616
Operating Income	6,992
Non-Operating Cash Receipts:	
Special Assessments	24,450
Total Non-Operating Cash Receipts	24,450
Non-Operating Cash Disbursements:	
Redemption of Principal	26,550
Total Non-Operating Cash Disbursements	26,550
Net Receipts Over Disbursements	4,892
Fund Cash Balance, January 1	22,698
Fund Cash Balance, December 31	\$27,590

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

**VILLAGE OF ROSSBURG
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

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

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Deposits and Investments

The Village held no investments.

D. Fund Accounting

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

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

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

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

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

3. Debt Service Funds

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

**VILLAGE OF ROSSBURG
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

West Main Street Fund – This fund paid loan to Second National Bank from special assessments transferred from the Special Revenue Fund.

East Main Street Fund – This fund paid debt to Second National Bank from special assessments transferred from the Special Revenue Fund.

4. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project funds:

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

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

5. Enterprise Funds

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

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

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund/function level of control in the General Fund and the fund level in all other funds, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2009 and 2008 budgetary activity appears in Note 3.

**VILLAGE OF ROSSBURG
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Property, Plant, and Equipment

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

2. EQUITY IN POOLED DEPOSITS

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

	2009	2008
Demand deposits	\$ 82,833	\$ 74,710
Cash with Fiscal Agent	39,166	27,590
Total deposits	\$121,999	\$102,300

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2009 and 2008 follows:

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 46,618	\$ 59,038	\$ 12,420
Special Revenue	19,435	28,345	8,910
Debt Service	18,679	15,770	(2,909)
Capital Projects	293,840	345,426	51,586
Enterprise		62,758	62,758
Total	\$378,572	\$511,337	\$132,765

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 79,388	\$ 57,857	\$21,531
Special Revenue	34,155	21,144	13,011
Debt Service	31,954	15,025	16,929
Capital Projects	301,005	346,430	(45,425)
Enterprise		51,182	(51,182)
Total	\$446,502	\$491,638	(\$45,136)

**VILLAGE OF ROSSBURG
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2008 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 40,000	\$ 45,642	\$ 5,642
Special Revenue	11,000	29,663	18,663
Debt Service	13,275	14,146	871
Capital Projects	230,000	229,999	(1)
Enterprise		60,058	60,058
Total	<u>\$294,275</u>	<u>\$379,508</u>	<u>\$85,233</u>

2008 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 71,771	\$ 40,123	\$31,648
Special Revenue	25,720	30,971	(5,251)
Debt Service	13,275	5,163	8,112
Capital Projects	237,165	230,308	6,857
Enterprise		55,166	(55,166)
Total	<u>\$347,931</u>	<u>\$361,731</u>	<u>(\$13,800)</u>

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Broad Street Fund (Debt Service Fund) by \$1,490; West Main Street Fund (Debt Service Fund) by \$897; East Main Street Fund (Debt Service Fund) by \$7,234; East Main Street Fund (Capital Projects Fund) by \$45,425; and Sewer Fund (Enterprise Fund) by \$51,182 for the year ended December 31, 2009 and Street Maintenance Fund by \$10,520; West Main Street Fund (Debt Service Fund) by \$3,628; Broad Street Fund (Debt Service Fund) by \$1,535; Sewer Fund (Enterprise Fund) by \$55,166 for the year ended December 31, 2008.

Also contrary to Ohio law, the Village did not properly encumber funds.

4. PROPERTY TAX

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

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

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

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

**VILLAGE OF ROSSBURG
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

5. DEBT

Debt outstanding at December 31, 2009 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan - Sewer	\$464,615	0%
Ohio Public Works Commission Loan - Broad Street	55,260	0%
Ohio Public Works Commission Loan - Main Street	9,427	0%
Second National Bank Note - West Main Street	24,300	5%
Second National Bank Note - East Main Street	47,000	4.1%
Total	<u>\$600,602</u>	

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

The Ohio Public Works Commission (OPWC) loan relates to street reconstruction projects for Broad Street and Main Street. The Village will repay the Broad Street loan in semiannual installments of \$1,535 paid from the Debt Service Fund. The Village will repay the Main Street loan in semiannual installments of \$471, beginning on January 1, 2010. The Village will repay the OPWC loans through special assessments.

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

Amortization of the above debt is scheduled as follows:

<u>Year ending December 31:</u>	<u>OWDA Loan</u>	<u>OPWC Loan - Broad Street</u>	<u>OPWC Loan - Main Street</u>	<u>West Main Street Note</u>	<u>East Main Street Note</u>
2010	\$ 26,550	\$ 3,070	\$ 471	\$ 2,700	\$ 4,700
2011	26,550	3,070	471	2,700	4,700
2012	26,550	3,070	471	2,700	4,700
2013	26,550	3,070	471	16,200	4,700
2014	26,550	3,070	471		28,200
2015-2019	132,750	15,350	2,357		
2020-2024	132,750	15,350	2,357		
2025-2029	66,365	9,210	2,358		
Total	<u>\$464,615</u>	<u>\$55,260</u>	<u>\$9,427</u>	<u>\$24,300</u>	<u>\$47,000</u>

6. RETIREMENT SYSTEMS

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

The Ohio Revised Code also prescribes contribution rates. For 2009 and 2008, 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, 2009.

**VILLAGE OF ROSSBURG
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

7. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

8. NONCOMPLIANCE

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



Mary Taylor, CPA

Auditor of State

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

Village of Rossburg
Darke County
P.O. Box 94
200 West Main Street
Rossburg, Ohio 45362

To the Village Council:

We have audited the financial statements of the Village of Rossburg, Darke County, (the Village) as of and for the year ended December 31, 2009 and 2008, and have issued our report thereon dated July 19, 2010, wherein we noted the Village prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

A *deficiency in internal control over compliance* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2009-003 as described in the accompanying schedule of findings to be material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying schedule of findings as 2009-001 through 2009-003.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated July 19, 2010.

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

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

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

Mary Taylor, CPA
Auditor of State

July 19, 2010

**VILLAGE OF ROSSBURG
DARKE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2009-001

Noncompliance Citation

Ohio Revised Code Section 5705.41(D)(1) states that no orders or contracts involving the expenditure of money are to be made unless there is attached thereto a certificate of the fiscal officer certifying that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such a certificate shall be void and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. **"Then and Now" certificate** – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Board of Commissioners (the Board) can authorize the drawing of a warrant for the payment of the amount due. The Board has thirty days from the receipt of the "then and now" certificate to approve payment by resolution. Amounts of less than \$100 may be paid by the fiscal officer without a resolution upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Board.
2. **Blanket Certificate** – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. **Super Blanket Certificate** – The Council may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Village of Rossburg did not properly certify the availability of funds prior to purchase commitment for any expenditure in 2009 and 2008, and there was no evidence that Village followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and lead to negative cash fund balances.

**FINDING NUMBER 2009-001
 (Continued)**

Unless the exceptions noted above are used, prior certification is not only required by statute, but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, the Village should certify that the funds are or will be available prior to the obligation. When prior certification is not possible, "then and now" certification should be used.

Officials' Response:

We received no response from the officials to this finding.

FINDING NUMBER 2009-002

Noncompliance Citation

Ohio Rev. Code Section 5705.41(B) prohibits expenditures unless the funds have been properly appropriated. Contrary to this requirement the Village had the following expenditures in excess of the amounts appropriated at December 31, 2009:

<u>Fund</u>	<u>Total Appropriations</u>	<u>Total Actual Expenditures</u>	<u>Variance</u>
Board Street Fund (Debt Service)	\$ 3,200	\$ 4,690	(\$1,490)
West Main Street Fund (Debt Service)	2,204	3,101	(897)
East Main Street Fund (Debt Service)		7,234	(7,234)
East Main Street Fund (Capital Project)	300,000	345,425	(45,425)
Sewer Fund (Enterprise)		51,182	(51,182)

Contrary to this requirement the Village had the following expenditures in excess of the amounts appropriated at December 31, 2008:

<u>Fund</u>	<u>Total Appropriations</u>	<u>Total Actual Expenditures</u>	<u>Variance</u>
General Fund – Capital Outlay		\$ 174	(\$ 174)
Street Maintenance Fund (Special Revenue)	\$18,901	29,421	(10,520)
West Main Street Fund (Debt Service)		3,628	(3,628)
Broad Street Fund (Debt Service)		1,535	(1,535)
Sewer Fund (Enterprise)		55,166	(55,166)

Failure to properly appropriate funds prior to expenditure could result in deficits occurring. The Village should not expend funds unless the funds have been appropriated by the Council.

The Fiscal Officer should closely monitor the Village budgetary financial reports throughout the year so that expenditures do not exceed the appropriations at the legal level of control.

Officials' Response:

I will try to understand this and make corrections.

FINDING NUMBER 2009-003

Noncompliance Citation/Material Weakness

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

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

- The 2009 and 2008 annual reports did not present the Sewer Fund (Enterprise Fund), which understated the revenue collected of \$62,758 and \$60,058 respectively and expenditures expensed of \$51,182 and \$55,166 respectively by Darke County on-behalf for the Village of Rossburg.
- The special assessment revenue was improperly presented on the 2009 and 2008 annual reports. In 2009 and 2008, special assessments in amount of \$14,765 and \$14,146 respectively were incorrectly posted to the Debt Service Fund. The special assessments should be originally posted to the Special Revenue Fund. Then these monies were to be transferred to the Debt Service Fund in order for the debt payments to be paid from the special assessments.
- 2009 Sanitary Sewer debt payments in a total of \$26,550 were not paid from the Sewer Fund (Enterprise) but were paid from a Debt Service Fund. State assessment fees in total amount of \$217 were incorrectly recorded as interest payment. Interest of \$341 was posted as principal payment. Also principal of \$1,535 and interest payment of \$1,463 were incorrectly recorded as transportation expenditures in the Street Maintenance Fund, when the payment should have been from the Broad Street Debt Service Fund.
- 2008 Sanitary Sewer debt payments in a total of \$26,550 were not paid from the Sewer Fund (Enterprise) but paid \$21,448 from the Sanitary Sewer Debt Service Fund and \$5,102 from the Sanitary Sewer Capital Project Fund. A portion of West Main Street Fund debt in the amount of \$762 was paid from the Capital Project Fund instead of Debt Service Fund. One of the Broad Street loan payment in amount of \$1,535 was improperly posted as transportation expenditure in the Street Maintenance Fund instead of posted as principal payment in the Broad Street Debt Service Fund. Also West Main Street Fund interest payment of \$629 was improperly presented as a principal payment on the financial statements.
- In 2009 and 2008, there also were various other posted errors that caused the unaudited fund balances to be understated by \$11 and \$12 in the General Fund respectively; overstated by \$6,747 and \$9,745 in the Street Maintenance Fund respectively; understated by \$8,979 in the West Main Street Debt Service Fund for both years; overstated by \$2,998 in the Broad Street Debt Service Fund in 2009; understated by \$750 and \$751 in the West Main Street Capital Project Fund respectively; understated by \$20,000 and overstated by \$1 in the East Main Street Capital Project Fund respectively; and understated by \$39,166 and \$27,590 in the Sanitary Sewer Enterprise Fund.

The 2009 and 2008 annual reports required numerous audit adjustments and reclassification for proper presentation. The adjustments are reflected on the audited financial statements and have been posted to the Village's records. The Village fiscal officer should review the Village Handbook for proper posting and use due care in preparation of the annual report. The Village fiscal officer should also obtain assistance in determination of proper posting when necessary to provide accurate financial information.

**FINDING NUMBER 2009-003
(Continued)**

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

Officials' Response:

I was posting figures the way I thought they should be. I will try to post correctly. The sewer system figures were new to me and they were recorded in my records. I am trying to better understand all this new information.

**VILLAGE OF ROSSBURG
DARKE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2009 AND 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2007-VOR-001	Audit adjustment for loan payoff	Yes	
2007-VOR-002	Ohio Rev. Code Section 5705.41(B) expenditures in excess of appropriations	No	Not corrected. Re-issued as Finding Number 2009-002
2007-VOR-003	Ohio Rev. Code Section 5705.40 reduction of appropriations	Yes	
2007-VOR-004	Ohio Rev. Code Section 5705.41 (D) prior certification of funds	No	Not corrected. Re-issued as Finding Number 2009-001
2007-VOR-005	Ohio Rev. Code Section 5705.36(A)(4) appropriations in excess of resources	Yes	
2007-VOR-006	Ohio Rev. Code Section 5705.36 incorrect unencumbered fund balances	Yes	
2007-VOR-007	31 U.S.C. 7502(a)(1)(A) did not have required Single Audit in 2006	No	Finding No Longer Valid



Mary Taylor, CPA
Auditor of State

VILLAGE OF ROSSBURG

DARKE COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 26, 2010**