



Dave Yost • Auditor of State

VILLAGE OF RUTLAND
MEIGS COUNTY

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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 and related notes of the Village of Rutland, Meigs County, Ohio (the Village) as of and for the years ended December 31, 2012, 2011 and 2010.

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 of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03; 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 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 1 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03, which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

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, 2012, 2011 and 2010, or changes in financial position or cash flows thereof, for the years then ended.

Basis for Disclaimer of Opinion on Regulatory Basis of Accounting

Fines, licenses and permits are reported at \$14,792, \$9,402 and \$12,138 for the years ended December 31, 2012, 2011 and 2010, respectively, which is 100% of Fiduciary Fund receipts for the years ended December 31, 2012, 2011 and 2010. Enterprise Fund charges for services receipts are reported at \$238,697, \$223,240 and \$181,271 for the years ended December 31, 2012, 2011 and 2010 respectively, which is 100 percent, 98 percent and 100 percent of total Enterprise Fund operating receipts for the years ended December 31, 2012, 2011 and 2012, respectively. We were unable to obtain sufficient appropriate audit evidence supporting the amounts recorded as fines, licenses and permits and charges for services receipts.

Disclaimer of Opinion on Regulatory Basis of Accounting

Because of the significance of fines, licenses and permits to the Fiduciary Fund Type and charges for services to the Enterprise Fund Types, 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 and the Enterprise Fund Types of the Village of Rutland, Meigs County, Ohio, for the years ended December 31, 2012, 2011 and 2010.

Basis for Qualification of Opinion on Regulatory Basis of Accounting

Fines, licenses and permits are reported at \$16,792, \$4,298 and \$10,372 for the years ended December 31, 2012, 2011 and 2010, respectively, which is 34 percent, 25 percent and 22 percent of total General Fund operating receipts for the years ended December 31, 2012, 2011 and 2010, respectively. General Fund charges for services receipts are reported at \$2,433, \$3,723 and \$2,482 for the years ended December 31, 2012, 2011 and 2010 respectively, which is 5 percent, 8 percent and 5 percent of total General Fund operating receipts for the years ended December 31, 2012, 2011 and 2012, respectively. Special Revenue Fund charges for services receipts are reported at \$5,583, \$6,789 and \$6,735 for the years ended December 31, 2012, 2011 and 2010 respectively, which is 19 percent, 26 percent and 28 percent of total Special Revenue Fund operating receipts for the years ended December 31, 2012, 2011 and 2012, respectively. We were unable to obtain sufficient appropriate audit evidence supporting the amounts recorded as fines, licenses and permits and charges for services receipts. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

Qualification of Opinion on 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 2012, 2011 and 2010 fines, licenses and permits and charges for services receipts in the General Fund and charges for services 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 Capital Projects Fund of the Village of Rutland, Meigs County, Ohio, as of December 31, 2012, 2011 and 2010, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit, described in Note 1.

Emphasis of Matter

As discussed in Note 2 to the financial statements, during 2011, the Village adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2014, 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 10, 2014

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**VILLAGE OF RUTLAND
MEIGS COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$ 14,551	\$	\$	\$ 14,551
Intergovernmental	15,686	22,280		37,966
Charges for Services	2,433	5,583		8,016
Fines, Licenses and Permits	16,792	1,371		18,163
Earnings on Investments	27			27
Miscellaneous	657	336		993
<i>Total Cash Receipts</i>	<u>50,146</u>	<u>29,570</u>	<u>0</u>	<u>79,716</u>
Cash Disbursements				
Current:				
Security of Persons and Property	24,866			24,866
Leisure Time Activities		379		379
Transportation		20,146		20,146
General Government	20,074			20,074
Debt Service:				
Principal Retirement	0	4,132		4,132
Interest and Fiscal Charges	0	1,685		1,685
<i>Total Cash Disbursements</i>	<u>44,940</u>	<u>26,342</u>	<u>0</u>	<u>71,282</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>5,206</u>	<u>3,228</u>	<u>0</u>	<u>8,434</u>
Other Financing Receipts (Disbursements)				
Other Financing Uses		(100)		(100)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>0</u>	<u>(100)</u>	<u>0</u>	<u>(100)</u>
<i>Net Change in Fund Cash Balances</i>	5,206	3,128	0	8,334
<i>Fund Cash Balances, January 1</i>	<u>27,752</u>	<u>(7,056)</u>	<u>9,780</u>	<u>30,476</u>
Fund Cash Balances, December 31				
Restricted		23,886	9,780	33,666
Committed		8,483		8,483
Unassigned (Deficit)	32,958	(36,297)		(3,339)
<i>Fund Cash Balances, December 31</i>	<u>\$ 32,958</u>	<u>\$ (3,928)</u>	<u>\$ 9,780</u>	<u>\$ 38,810</u>

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

**VILLAGE OF RUTLAND
MEIGS COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$ 238,067	\$	\$ 238,067
Fines, Licenses and Permits		14,734	14,734
Miscellaneous	630		630
<i>Total Operating Cash Receipts</i>	<u>238,697</u>	<u>14,734</u>	<u>253,431</u>
Operating Cash Disbursements			
Personal Services	68,530		68,530
Employee Fringe Benefits	12,645		12,645
Contractual Services	116,989		116,989
Supplies and Materials	76,567		76,567
Other	400	19,869	20,269
<i>Total Operating Cash Disbursements</i>	<u>275,131</u>	<u>19,869</u>	<u>295,000</u>
<i>Net Change in Fund Cash Balances</i>	(36,434)	(5,135)	(41,569)
<i>Fund Cash Balances, January 1</i>	<u>19,782</u>	<u>7,290</u>	<u>27,072</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$ (16,652)</u></u>	<u><u>\$ 2,155</u></u>	<u><u>\$ (14,497)</u></u>

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

**VILLAGE OF RUTLAND
MEIGS COUNTY**

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

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$ 13,668	\$ 350	\$ -	\$ 14,018
Intergovernmental	17,935	19,257		37,192
Charges for Services	3,723	6,789		10,512
Fines, Licenses and Permits	4,298			4,298
Earnings on Investments	20			20
Miscellaneous	7,316			7,316
<i>Total Cash Receipts</i>	<u>46,960</u>	<u>26,396</u>	<u>0</u>	<u>73,356</u>
Cash Disbursements				
Current:				
Security of Persons and Property	23,857			23,857
Leisure Time Activities		5,625		5,625
Transportation		16,775		16,775
General Government	3,733			3,733
Debt Service:				
Principal Retirement	0	3,896		3,896
Interest and Fiscal Charges	0	2,072		2,072
<i>Total Cash Disbursements</i>	<u>27,590</u>	<u>28,368</u>	<u>0</u>	<u>55,958</u>
<i>Net Change in Fund Cash Balances</i>	19,370	(1,972)	0	17,398
<i>Fund Cash Balances, January 1</i>	<u>8,382</u>	<u>(5,083)</u>	<u>9,780</u>	<u>13,079</u>
Fund Cash Balances, December 31				
Restricted		21,591	9,780	31,371
Committed		5,679		5,679
Unassigned (Deficit)	27,752	(34,326)		(6,574)
<i>Fund Cash Balances, December 31</i>	<u>\$ 27,752</u>	<u>\$ (7,056)</u>	<u>\$ 9,780</u>	<u>\$ 30,476</u>

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

**VILLAGE OF RUTLAND
MEIGS COUNTY**

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

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$ 223,240	\$	\$ 223,240
Fines, Licenses and Permits		\$9,402	9,402
Miscellaneous	4,876		4,876
<i>Total Operating Cash Receipts</i>	<u>228,116</u>	<u>9,402</u>	<u>237,518</u>
Operating Cash Disbursements			
Personal Services	61,231		61,231
Employee Fringe Benefits	9,746		9,746
Contractual Services	113,699		113,699
Supplies and Materials	31,583		31,583
Other	969	6,684	7,653
<i>Total Operating Cash Disbursements</i>	<u>217,228</u>	<u>6,684</u>	<u>223,912</u>
<i>Operating Income (Loss)</i>	<u>10,888</u>	<u>2,718</u>	<u>13,606</u>
Non-Operating Receipts (Disbursements)			
Principal Retirement	(313)		(313)
Interest and Other Fiscal Charges	(312)		(312)
Other Financing Sources	500		500
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(125)</u>	<u>0</u>	<u>(125)</u>
<i>Net Change in Fund Cash Balances</i>	10,763	2,718	13,481
<i>Fund Cash Balances, January 1</i>	<u>9,019</u>	<u>4,572</u>	<u>13,591</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 19,782</u>	<u>\$ 7,290</u>	<u>\$ 27,072</u>

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

**VILLAGE OF RUTLAND
MEIGS COUNTY**

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

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property and Local Taxes	\$ 14,917	\$	\$	\$ 14,917
Intergovernmental	17,612	16,925		34,537
Charges for Services	2,482	6,735		9,217
Fines, Licenses and Permits	10,372			10,372
Earnings on Investments	20			20
Miscellaneous	1,755			1,755
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	47,158	23,660	0	70,818
	<hr/>	<hr/>	<hr/>	<hr/>
Cash Disbursements:				
Current:				
Security of Persons and Property	20,711			20,711
Leisure Time Activities		3,551		3,551
Transportation		21,384		21,384
General Government	1,872			1,872
Debt Service:				
Redemption of Principal		3,048		3,048
Interest and Fiscal Charges		2,271		2,271
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	22,583	30,254	0	52,837
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts Over/(Under) Cash Disbursements	24,575	(6,594)	0	17,981
	<hr/>	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	\$ (16,193)	\$ 1,511	\$ 9,780	\$ (4,902)
	<hr/>	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	\$ 8,382	\$ (5,083)	\$ 9,780	\$ 13,079
	<hr/>	<hr/>	<hr/>	<hr/>
Reserve for Encumbrances, December 31	<u>\$151</u>	<u>\$428</u>	<u>\$0</u>	<u>\$579</u>

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

**VILLAGE OF RUTLAND
MEIGS COUNTY**

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

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Type</u>	Totals (Memorandum Only)
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$ 181,271	\$	\$ 181,271
Fines, Licenses and Permits		12,138	12,138
Total Operating Cash Receipts	<u>181,271</u>	<u>12,138</u>	<u>193,409</u>
Operating Cash Disbursements:			
Personal Services	64,181		64,181
Employee Fringe Benefits	9,333		9,333
Contractual Services	89,966		89,966
Supplies and Materials	23,696		23,696
Other	194	16,287	16,481
Total Operating Cash Disbursements	<u>187,370</u>	<u>16,287</u>	<u>203,657</u>
Operating Income/(Loss)	<u>(6,099)</u>	<u>(4,149)</u>	<u>(10,248)</u>
Non-Operating Cash Receipts:			
Intergovernmental	6,687		6,687
Total Non-Operating Cash Receipts	<u>6,687</u>	<u>0</u>	<u>6,687</u>
Non-Operating Cash Disbursements:			
Capital Outlay			-
Redemption of Principal	13,634		13,634
Interest and Other Fiscal Charges	13,634		13,634
Total Non-Operating Cash Disbursements	<u>27,268</u>	<u>0</u>	<u>27,268</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	(26,680)	(4,149)	(30,829)
Fund Cash Balances, January 1	<u>35,699</u>	<u>8,721</u>	<u>44,420</u>
Fund Cash Balances, December 31	<u>\$ 9,019</u>	<u>\$ 4,572</u>	<u>\$ 13,591</u>
Reserve for Encumbrances, December 31	<u>\$2,088</u>	<u>\$0</u>	<u>\$2,088</u>

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

**VILLAGE OF RUTLAND
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012, 2011 AND 2010**

1. Summary of Significant Accounting Policies

A. Description of the Entity

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

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

B. Accounting Basis

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

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

C. 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.

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 accounts for and reports all financial resources not accounted for and reported in another fund.

2. 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 Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing Village streets.

**VILLAGE OF RUTLAND
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012, 2011 AND 2010
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

3. Capital Project Funds

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

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

4. Enterprise Funds

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

Water Fund – This fund received charges for services from residents to cover water service costs.

Sewer Fund – This fund received charges for services from residents to cover sewer service costs.

Sewer Debt Service – This fund received charges for services from residents to cover sewer debt payments.

5. Fiduciary Funds

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

Mayor's Court Fund – This fund accounts for the activity of the Village's Mayor's Court.

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control 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.

**VILLAGE OF RUTLAND
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012, 2011 AND 2010
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

E. Budgetary Process (Continued)

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law.

A summary of 2012, 2011 and 2010 budgetary activity appears in Note 4.

F. Fund Balance

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

1. Nonspendable

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

2. Restricted

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

3. Committed

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

4. Assigned

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

**VILLAGE OF RUTLAND
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012, 2011 AND 2010
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

F. Fund Balance (Continued)

5. Unassigned

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

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

G. Property, Plant, and Equipment

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

H. Accumulated Leave

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

2. Change in Accounting Principle and Restatement of Net Assets/Fund

For fiscal year 2011, the Village reclassified certain funds as required by the revised fund classification guidance in Governmental Accounting Standard Board (GASB) Statement No. 54. Implementing GASB Statement No. 54 had no effect on fund balances previously reported.

3. Equity in Pooled Deposits and Investments

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

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Demand deposits	<u>\$24,313</u>	<u>\$57,548</u>	<u>\$26,670</u>

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

**VILLAGE OF RUTLAND
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012, 2011 AND 2010
(Continued)**

4. Budgetary Activity

Budgetary activity for the years ending December 31, 2012, 2011 and 2010 follows:

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$33,506	\$50,146	\$16,640
Special Revenue	26,179	29,570	3,391
Enterprise	143,860	238,697	94,837
Total	\$203,545	\$318,413	\$114,868

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$50,028	\$44,940	\$5,088
Special Revenue	26,100	26,442	(342)
Enterprise	147,581	275,131	(127,550)
Total	\$223,709	\$346,513	(\$122,804)

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$36,423	\$46,960	\$10,537
Special Revenue	8,835	26,396	17,561
Enterprise	160,680	228,616	67,936
Total	\$205,938	\$301,972	\$96,034

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$27,590	(\$27,590)
Special Revenue	0	28,368	(28,368)
Enterprise	0	217,853	(217,853)
Total	\$0	\$273,811	(\$273,811)

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$49,609	\$47,158	(\$2,451)
Special Revenue	2,545	23,660	21,115
Enterprise	225,391	187,958	(37,433)
Total	\$277,545	\$258,776	(\$18,769)

**VILLAGE OF RUTLAND
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012, 2011 AND 2010
(Continued)**

4. Budgetary Activity (Continued)

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$22,101	\$22,583	(\$482)
Special Revenue	61,204	30,254	30,950
Enterprise	368,382	214,638	153,744
Total	\$451,687	\$267,475	\$184,212

Contrary to Ohio law, the Village had negative fund balances in the Street Construction Maintenance and Repair fund, the Nature Works Grant fund, the Log Cabin fund, the Water Operating fund, the Sewer Operating fund and the Sewer Replacement fund at December 31, 2012, 2011 and 2010.

Contrary to Ohio law, the Village appropriations exceeded their actual resources in the State Highway and Log Cabin funds for the year ended December 31, 2012 and in the Water Operating, Sewer Operating, Sewer Debt Service and Sewer Replacement funds for the year ended December 31, 2010.

Contrary to Ohio law, the Village did not adopt their appropriation measure until April 13, 2010 for 2010 and March 20, 2012 for 2012. The Village did not adopt appropriations at all for 2011.

Contrary to Ohio law, the Village's appropriations exceeded their total estimated resources available for appropriation in the Street Construction, Maintenance and Repair fund, the Nature Works Grant fund, the Log Cabin Fund, the Water Operating fund, the Sewer Operating fund, and the Sewer Replacement fund for the year ended December 31, 2012. The Village's appropriations exceeded their total estimated resources available for appropriation in the Street Construction, Maintenance and Repair fund, the State Highway fund, the Civic Center fund, the Nature Works Grant fund, the Log Cabin Fund, the Capital Improvements fund, the Water Operating fund, the Sewer Operating fund, the Sewer Debt Service fund, the Utility Deposits fund and the Sewer Replacement fund for the year ended December 31, 2010. No appropriations were adopted for 2011.

Contrary to Ohio law, the Village's actual expenditures exceeded the legal appropriations in the Street Construction, Maintenance and Repair fund, the Law Enforcement Trust fund, the Water Operating fund and the Sewer Operating fund for the year ended December 31, 2012. Actual expenditures exceeded the legal appropriations in the General fund, the Street Construction, Maintenance and Repair fund, the Log Cabin fund and the Water Operating fund for the year ended December 31, 2010. Actual expenditures exceeded legal appropriations in all funds for the year ended December 31, 2011 since no measure was adopted.

5. Property Tax

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

**VILLAGE OF RUTLAND
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012, 2011 AND 2010
(Continued)**

5. Property Tax (Continued)

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.

6. Debt

Debt outstanding at December 31, 2012 was as follows:

	Principal	Interest Rate
Cabin Loan	\$18,855	6.46%
Truck Loan	\$4,658	5.10%
Total	\$23,513	

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.

The truck loan was obtained during 2009 to purchase a truck which is also pledged as collateral. The Village approved a \$13,500 loan for five years. This loan will be repaid in monthly installments.

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

Year ending	Cabin	Truck
December 31:	Loan	Loan
2013	\$2,592	\$3,071
2014	2,592	1,791
2015-2019	13,005	
2020-2022	7,586	
Total	\$25,775	\$4,862

In addition to the debt described above, The Village defaulted on OWDA loans totaling \$408,250, plus interest and penalties. OWDA filed a suit against the Village and as a result, the debt was assumed by Meigs County in September 2012.

7. Retirement Systems

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

The Ohio Revised Code also prescribes contribution rates. For 2012, 2011 and 2010, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2012.

**VILLAGE OF RUTLAND
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012, 2011 AND 2010
(Continued)**

8. Risk Management

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

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

Through October 19, 2012, the Village belonged to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. York Risk Pooling Services, Inc. (formerly known as American Risk Pooling Consultants, Inc.), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2012, PEP retained \$350,000 for casualty claims and \$150,000 for property claims.

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

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2012, 2011 and 2010:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Assets	\$34,389,569	\$33,362,404	\$34,952,010
Liabilities	(14,208,353)	(14,187,273)	(14,320,812)
Net Position	<u>\$20,181,216</u>	<u>\$19,175,131</u>	<u>\$20,631,198</u>

At December 31, 2012, 2011 and 2010, respectively, the liabilities above include approximately \$13.1 million, \$13.0 million and \$12.9 million of estimated incurred claims payable. The assets above also include approximately \$12.6 million, \$12.1 million and \$12.4 million of unpaid claims to be billed to approximately 466, 455 and 455 member governments in the future, as of December 31, 2012, 2011 and 2010, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2012, the Village's share of these unpaid claims collectible in future years is approximately \$4,000.

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

**VILLAGE OF RUTLAND
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012, 2011 AND 2010
(Continued)**

8. Risk Management (Continued)

<u>Contributions to PEP</u>		
<u>2012</u>	<u>2011</u>	<u>2010</u>
\$5,660	\$0	\$0

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

9. 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.

10. Financial Commitments

As of December 31, 2012, the Village had the following significant commitments:

- The Village owes the Internal Revenue Service \$14,203.10 for federal payroll taxes and Medicare.
- The Village owes the Bureau of Workers Compensation \$38,301.45.

11. Deficit Fund Balance

The Village had a deficit fund balances as follows as of December 31, 2012:

Fund	Balance at 12/31/12
Street Construction, Maintenance and Repair	\$ (21,371)
Nature Works State Grant Fund	(1,977)
Log Cabin Fund	(12,949)
Water Operating Fund	(111,659)
Sewer Operating Fund	(68,705)
Sewer Replacement Fund	(18,014)

Currently, management is taking steps to reduce spending and to monitor the Village's finances.

12. Subsequent Events

Subsequent to assuming the Village's OWDA loans, previously discussed in Note 6, Meigs County took over the Village's Water and Sewer System and in April 2013, the Village's utility department employees were transferred to the County as well. The deficit combined fund balance for the Enterprise Funds as of the date the system and employees were transferred will be covered by the Village General Fund.

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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 Village of Rutland, Meigs County, Ohio (the Village), as of and for the years ended December 31, 2012, 2011 and 2010 and the related notes to the financial statements, and have issued our report thereon dated January 10, 2014, wherein we noted the Village uses a special purpose framework other than generally accepted accounting principles, and wherein we noted that in 2011, the Village adopted Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. We did not express an opinion on the Fiduciary Fund Type and the Enterprise Fund Types. We also qualified our opinion on fines, licenses and permits and charges for services receipts in the General Fund and charges for services in the Special Revenue Funds.

Internal Control Over Financial Reporting

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. 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* 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 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. We consider Findings 2012-006, 2012-008, 2012-017, 2012-018, 2012-023 and 2012-024 described in the accompanying Schedule of Findings to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider Finding 2012-21 described in the accompanying Schedule of Findings to be a significant deficiency.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, 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 2012-001 through 2012-022.

Entity's Response 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 10, 2014

VILLAGE OF RUTLAND
MEIGS COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2012, 2011 AND 2010

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

FINDING NUMBER 2012-001

Finding for Recovery – Mista Eldridge

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951) provides that expenditures made by a governmental unit should serve a public purpose. Typically, the determination of what constitutes a “proper public purpose” rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialize by a duly enacted ordinance or resolution and may have a prospective effect only. Auditor of State Bulletin 2003-005 Expenditure of Public Funds/Proper “Public Purpose” states that the Auditor of State’s Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect.

Beginning in February 2011, Mista Eldridge worked in the Village's Utility Department to work off community service hours. However, on October 18, 2011, the Village approved to hire Ms. Eldridge to serve as a Village employee in the position of Water Clerk, to work in addition to hours served for community service. In 2011 and 2012, the Water Clerk's hours that were certified to the Court as community service hours served overlapped with hours paid according to her timesheet by 107.5 hours and 188.5 hours, respectively. Based on her approved pay rate of \$8.50/hour, she was overpaid by \$913.75 in 2011 and \$1,602.25 in 2012, from the Village's Sewer Operating Fund (5201).

In accordance with the foregoing facts, and pursuant to Ohio Revised Code Section 117.28, a finding for recovery for public monies illegally expended is hereby issued against Mista Eldridge, former Water Clerk, and the insurance company, the Public Entities Risk Pool of Ohio, jointly and severally, for \$2,515 and in favor of the Village of Rutland's Sewer Operating Fund (5201). In addition, this matter will be referred to the Jackson County Court.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is strictly liable for the amount of the expenditure. Seward v. National Surety Corp. (1929), 120 Ohio St. 47; 1980 Op. Att’y Gen. No. 80-074; Ohio Rev. Code Section 9.39; State, ex. Rel. Village of Linndale v. Masten (1985), 18 Ohio St.3d 228. Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 Op. Att’y Gen. No. 80-074.

Village Officers signed the warrants resulting in improper payments. Village Councilman, Abe Gueser and Village Mayor, Lowell Vance, and the Mayor’s bonding company, Travelers Casualty and Surety Company of America, will be jointly and severally liable in the amount of \$2,515 and in favor of the Village of Rutland’s Sewer Operating Fund to the extent that recovery is not obtained from Mista Eldridge.

Official’s Response: The Village will take steps to properly monitor all employee timesheets.

VILLAGE OF RUTLAND
MEIGS COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2012, 2011 AND 2010
(Continued)

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

FINDING NUMBER 2012-002

Finding for Recovery – Mista Eldridge

Ohio Rev. Code Section 9.39 provides that all public officials are liable for all public money received or collected by them or by their subordinates under color of office.

Pursuant to Ohio Revised Code Section 2921.41(A) [n]o public official...shall commit any theft offense, as defined in division (K) of section 2913.01 of the Revised Code, when either of the following applies: (1) The offender uses the offender's office in aid of committing the offense or permits or assents to its use in aid of committing the offense; (2) The property or service involved is owned by this state, any other state, the United States, a county, a municipal corporation, a township, or any political subdivision, department, or agency of any of them, is owned by a political party, or is part of a political campaign fund.
(B) Whoever violates this section is guilty of theft in office.

Mista Eldridge, former Water Clerk, was responsible for collecting, recording and depositing utility receipts, and various other types of Village revenue, such as rental receipts.

Duplicate receipts were on file for cash collected but unaccounted for relating to utility receipts, cabin and civic center rentals and various other miscellaneous receipts. In 2012, there were duplicate receipts written totaling \$1,094 that were not posted to the accounting system or deposited to the bank.

Additionally, during our test of 2012 utility billing and receipts, we found the following unusual and suspicious activity:

- Ms. Eldridge had posted adjustments to several accounts to reduce the amount billed to zero with no payments recorded. We verified that the amounts deposited agreed to the amounts posted as payments received to determine whether the payment was incorrectly marked as an adjustment but found no such indication.
- We found billing stubs indicating the customers' payments were received by the Village. However, an adjustment to reduce the customers' accounts was posted instead of a payment and the amount was not included in the bank deposit. Again, we verified that the amounts deposited agreed to the amounts posted as payments received to determine whether the payment was incorrectly marked as an adjustment but found no such indication.

The activity above results in evidence that cash was collected and unaccounted for in 2012 totaling \$11,072.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for public money converted or misappropriated is hereby issued against Mista Eldridge, former Water Clerk, and the insurance company, the Public Entities Risk Pool of Ohio, jointly and severally, in the amount of \$12,166 and in favor of the Village's Water Operating Fund for \$5,873, in favor of the Sewer Operating Fund for \$5,873 and in favor of the Log Cabin Fund for \$420.

Official's Response: The Village will carefully monitor its employees' actions and will set up procedures and methods that will closely govern the handling of Village funds.

**VILLAGE OF RUTLAND
MEIGS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012, 2011 AND 2010
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2012-003

Finding for Recovery – Laura Curtis

Ohio Rev. Code Section 9.39 provides that all public officials are liable for all public money received or collected by them or by their subordinates under color of office.

Pursuant to Ohio Revised Code Section 2921.41(A) [n]o public official...shall commit any theft offense, as defined in division (K) of section 2913.01 of the Revised Code, when either of the following applies: (1) The offender uses the offender's office in aid of committing the offense or permits or assents to its use in aid of committing the offense; (2) The property or service involved is owned by this state, any other state, the United States, a county, a municipal corporation, a township, or any political subdivision, department, or agency of any of them, is owned by a political party, or is part of a political campaign fund.
(B) Whoever violates this section is guilty of theft in office.

Laura Curtis, former Village Fiscal Officer, performed the following duties with little or no monitoring by the Mayor or Council:

- Collecting and depositing of fines imposed as a result of tickets issued by the Village Police Department;
- Billing, collecting, posting and depositing utility receipts and no-cash account adjustments; and
- Collecting, posting and depositing various other types of Village revenue, such as rental receipts.

While performing all of these duties the following issues were noted:

- In 2010, receipts relating to the Mayor's Court that were deposited with the bank were \$3,007 less than amounts recorded as received per the Court records. In 2011, receipts relating to the Mayor's Court that were deposited with the bank were \$5,725 less than amounts recorded as received per the Court records.
- In 2010, receipts that were either posted to the Utility System as received on customer accounts or evidenced as being received by a duplicate receipt totaling \$25,405.44 were not subsequently included as receipts posted to the Village's Uniform Accounting Network nor were they deposited to the bank.
- In 2011, receipts that were either posted to the Utility System as received on customer accounts or evidenced as being received by a duplicate receipt totaling \$25,518.99 were not subsequently included as receipts posted to the Village's Uniform Accounting Network nor were they deposited to the bank.
- Duplicate receipts were on file for cash collected relating to cabin and civic center rentals and various other miscellaneous receipts that were never entered into the accounting system as received or deposited to the bank. The totals for 2012 and 2011 were \$2,988.76 and \$3,147.21, respectively.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for public money converted or misappropriated is hereby issued against Laura Curtis, former Village Fiscal Officer, and her bonding company, Travelers Casualty and Surety Company of America, jointly and severally, in the amount of \$65,791 and in favor of the Village of Rutland Water Operating Fund for \$25,462, the Sewer Operating Fund for \$25,462, the Log Cabin Fund for \$3,464, the Civic Center Fund for \$2,244, the General Fund for \$427 and the Mayor's Court Agency Fund for \$8,732.

Official's Response: The Village will carefully monitor its employees' actions and will set up procedures and methods that will closely govern the handling of Village funds.

VILLAGE OF RUTLAND
MEIGS COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2012, 2011 AND 2010
(Continued)

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

FINDING NUMBER 2012-004

Finding for Recovery – Laura Curtis

Ohio Rev. Code Section 102.03(D) provides that no public official or employee shall use or authorize the use of the authority or influence of office or employment to secure anything of value or the promise or offer of anything of value that is of such a character as to manifest a substantial and improper influence upon the public official or employee with respect to that person's duties.

Pursuant to Ohio Revised Code Section 2921.41(A) [n]o public official...shall commit any theft offense, as defined in division (K) of section 2913.01 of the Revised Code, when either of the following applies: (1) The offender uses the offender's office in aid of committing the offense or permits or assents to its use in aid of committing the offense; (2) The property or service involved is owned by this state, any other state, the United States, a county, a municipal corporation, a township, or any political subdivision, department, or agency of any of them, is owned by a political party, or is part of a political campaign fund. (B) Whoever violates this section is guilty of theft in office. See State v. Shannon, 2010-Ohio-6079, 191 Ohio App. 3d 8, 14, 944 N.E.2d 737, 742 (2010).

In 2010 and 2011, the former Fiscal Officer, Laura Curtis, made only one payment on her utility account (Account #10001020) and then made noncash adjustments to deduct any outstanding balances on her account. In 2010, noncash adjustments were made to her Account #10001020 in the amount of \$686.40. In 2011, three noncash adjustments were posted: \$147.83 in January, \$155.70 in April, and \$321.70 in July for a total of \$625.23. The combined total for 2010 and 2011 was \$1,311.63.

In accordance with the foregoing facts, and pursuant to the Ohio Rev. Code Section 117.28, a Finding for Recovery for public money converted or misappropriated is hereby issued against Laura Curtis, former Fiscal Officer, and her bonding company, Travelers Casualty and Surety Company of America, jointly and severally, in the amount of \$1,311 and in favor of in favor of the Village of Rutland's Water and Sewer Operating Fund in the amount of \$655 and \$656, respectively.

This matter will be referred to the Ohio Ethics Commission.

Official's Response: The Village will carefully monitor its employees' actions and will set up procedures and methods that will closely govern the handling of Village funds.

FINDING NUMBER 2012-005

Finding for Recovery – Laura Curtis

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951), provides that expenditures made by a governmental unit should serve a public purpose. Typically the determination of what constitutes a "proper public purpose" rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialize by a duly enacted ordinance or resolution and may have a prospective effect only. Auditor of State Bulletin 2003-005 Expenditure of Public Funds/Proper "Public Purpose" states that the Auditor of State's Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect. The Bulletin further states that the Auditor of State's Office does not view the expenditure of public funds for alcoholic beverages as a proper public purpose and will issue findings for recovery for such expenditures as manifestly arbitrary and incorrect.

**VILLAGE OF RUTLAND
MEIGS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012, 2011 AND 2010
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2012-005 (Continued)

Finding for Recovery – Laura Curtis (Continued)

Additionally, the Village Employee Handbook states in part that the Village of Rutland will reimburse employees for reasonable business travel expenses incurred while on assignments away from the normal work location...Expenses that will generally be reimbursed include the following: Airfare or train fare for travel in coach or economy class or the lowest available fare, car rental fees for compact or mid-size cars only, taxis, tolls, fares and parking charges. When travel is completed, employees should submit completed travel expense reports within (30) days. Reports should be accompanied by receipts for all individual expenses. Expenses will not be reimbursed without an authentic receipt.

During 2010, Laura Curtis, former Village Fiscal Officer, used Village funds to pay for the following costs:

- Alcoholic beverages costing \$11.24 were reimbursed from petty cash.
- Mileage of \$94.50 for Mayor's Court business was reimbursed without any supporting documentation and no evidence of a training event or other valid purpose for travel was found.
- Three meals were reimbursed totaling \$54.15 with no detailed receipts to evidence the expenditures were allowable and notary fees of \$46 wherein the receipt from the Notary was \$31 (\$15 unsupported)

During 2010, Laura Curtis, former Village Fiscal Officer, used Village funds to pay for two nights at the Embassy Suites of Columbus for a total of \$236.70 which was properly supported. Subsequently, the hotel issued a refund check in the amount of \$133.30. Per review of the receipts ledger and bank statements, this money was never credited back to the Village or deposited with the Village's bank.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery is hereby issued for public monies illegally expended against Laura Curtis, former Fiscal Officer, and her bonding company, Travelers Casualty and Surety Company of America, jointly and severally, in the amount of \$308 and in favor of the Village's General Fund.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is strictly liable for the amount of the expenditure. *Seward v. National Surety Corp.* (1929), 120 Ohio St. 47; 1980 Op. Att'y Gen. No. 80-074; Ohio Rev. Code Section 9.39; *State, ex. Rel. Village of Linndale v. Masten* (1985), 18 Ohio St.3d 228. Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 Op. Att'y Gen. No. 80-074.

The Village Mayor signed the warrants resulting in improper payments. Village Mayor, Lowell Vance, and his bonding company, Travelers Casualty and Surety Company of America, will be jointly and severally liable in the amount of \$308 and in favor of the Village's General Fund to the extent that recovery is not obtained from Laura Curtis.

Official's Response: The Village will carefully monitor its employees' actions and will set up procedures and methods that will closely govern the handling of Village funds.

VILLAGE OF RUTLAND
MEIGS COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2012, 2011 AND 2010
(Continued)

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

FINDING NUMBER 2012-006

Noncompliance Citation and Material Weakness

Ohio Rev. Code Section 9.38 provides public money must be deposited by a public official other than a state officer, employee or agent with the treasurer of the public office or to a designated depository on the business day following the day of receipt if the total amount exceeds \$1,000. Public money collected for other public offices must be deposited by the first business day of the week following the date of collection.

For example, an employee other than the fiscal officer collecting funds and issuing a receipt must deposit the funds with the fiscal officer on the business day following the day of receipt. As an alternative to depositing the funds with the fiscal officer, the employee instead may deposit funds with the designated depository on the business day following the day of receipt.

If the amount of daily receipts does not exceed \$1,000 and the receipts can be safeguarded, public offices may adopt a policy permitting their employees who receive this money to hold it past the next business day, but the deposit must be made no later than 3 business days after receiving it. If the public office is governed by a legislative authority (counties, municipalities, townships, and school districts), only the legislative authority may adopt the policy. The policy must include provisions and procedures to safeguard the money during the intervening period.

The former Fiscal Officer collected cash on a daily basis during 2010 and 2011 but only made deposits at the bank two or three times a month. This means significant amounts of cash were being held at the Village Hall for up to two weeks. During 2012, we also noted that 26% of the Civic Center rental receipts tested (4 to 15 days after receipt) and 70% of utility receipts (3 to 17 days after receipt) were not deposited timely.

This left cash susceptible to loss and/or theft.

We recommend the Village Council adopt a policy that is in line with the Revised Code and include provisions and procedures to safeguard the money during any intervening period, if applicable, allowed for by the policy. We further recommend the Fiscal Officer and all employees be made aware of this policy and deposit receipts in a timely manner.

Official's Response: The Village now has in place a policy that any revenue that cannot be immediately deposited into the bank is placed in a safe with only the Mayor and the Fiscal Officer having keys to the safe.

FINDING NUMBER 2012-007

Noncompliance Citation

Ohio Rev. Code Section 145.47 requires each employer to report and pay amounts withheld from all employees for contributions to the Ohio Public Employees Retirement System (OPERS) within thirty days of the end of the reporting period in which amounts were withheld.

**VILLAGE OF RUTLAND
MEIGS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012, 2011 AND 2010
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2012-007 (Continued)

Noncompliance Citation – Ohio Rev. Code Section 145.47 (Continued)

The Village exceeded the 30-day reporting deadline for five of the twelve months in 2010 and again in 2011. For 2012, the deadline was exceeded for two of the twelve months. As a result, late fees, penalties and interest were assessed and paid which are not considered to be a proper use of public funds.

We recommend the Village pay all withholdings in a timely manner to avoid paying late fees, penalties and interest.

Official's Response: The Village is determined to meet all withholding filing deadlines.

FINDING NUMBER 2012-008

Noncompliance Citation and Material Weakness

Ohio Rev. Code Section 149.351(A) establishes guidelines against the destruction or damage of records. All records are the property of the public office and shall not be removed, destroyed, mutilated, transferred or otherwise damaged or disposed of, in whole or in part, except as provided by law.

Ohio Admin. Code Section 117-2-02(A) provides that all local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets (and liabilities, if generally accepted accounting principles apply), document compliance with finance-related legal and contractual requirements and prepare financial statements required by rule 117-2-03 of the Administrative Code.

Ohio Admin. Code Section 117-2-02(B) further provides that the management of each local public office is responsible for the assertions underlying the information in the public office's financial statements. The accounting system should assure completeness is achieved for all transaction types and account balances applicable to the local public office's operations, considering the basis of accounting applicable to it. The definition of the completeness assertion is that all account balances and transactions that should be included in the financial records are included.

We noted the following public records issues during our audit:

1. A total of \$17,735.81 (\$2,293.35 in 2010, \$2,477.41 in 2011 and \$12,965.05 in 2012) of non-payroll disbursements were made absent of any supporting documentation or adequate detail to allow management to make an informed decision as to whether the purchase was for proper public purpose. We were able to perform alternative procedures on these transactions to obtain adequate assurances as to allowability.

**VILLAGE OF RUTLAND
MEIGS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012, 2011 AND 2010
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2012-008 (Continued)

Noncompliance Citation and Material Weakness – Ohio Rev. Code Section 149.351(A) (Continued)

2. Regarding the Utility Department:
 - Customer billing stubs returned with utility payments were discarded.
 - Adjustment reports were not printed or maintained or recoverable through the system.
 - All meter reading records and billing registers were unable to be located and reports could not be pulled from the computer system.
 - Duplicate receipt books were not issued or maintained in any particular order limiting the Village's ability to gain assurance over completeness.

3. The Mayor's Court docket book was missing dockets for court dates. Also, payments were indicated on the case files that were not reflected on the Mayor's Court cashbook. In addition, ticket logs were not maintained and there was no reconciliation performed to identify and account for missing tickets. This resulted in errors and/or irregularities occurring and remaining undetected for an extended period of time. This also resulted in an incomplete cashbook and dockets and qualified the opinion for Mayor's Court receipts.

4. The Village did not consistently issue duplicate receipts from a pre-numbered duplicate receipt book to support the receipts from the Log Cabin rental. As a result, the Village was unable to determine if the renter was in arrears on rent or that the rent was received and not credited to the Village's account.

5. The Village did not use the rental forms designed to act as the contract and support for Civic Center receipts were not used or maintained for 45% of the civic center rentals tested in 2011. No such forms were maintained for 100% of the Civic Center rentals in 2010 and 2012. As a result, there was no way to determine whether all rental fees were charged at the approved rates or whether all receipts from this source were receipted to the credit of the Village.

Inadequate supporting documentation eliminates a significant control point, obscures the audit trail and provides opportunity for errors and irregularities to occur and not be detected by management in a timely manner. In addition, lack of adequate supporting documentation for disbursements could result in the Village making inappropriate disbursements for goods or services not actually received by the Village or making inappropriate disbursements to employees for time not actually received by the Village. Also, due to a lack of supporting documentation for Village utility and Mayor's Court receipts, completeness could not be determined.

In order to correct these deficiencies, we recommend:

- no payment be made from the Village treasury that is not supported by an approved voucher package that would include, at a minimum, an original invoice or receipt for expenditures;
- all duplicate receipts and other accounting records should be maintained in a manner and location which would allow Village officials to be able to locate them;
- the Fiscal Officer record Mayor's Court cash collected into the computerized cashbook; and
- the Village develop and implement ticket accountability procedures. The Police Department should keep a log of tickets issued to each officer and monitor that all tickets are either turned in or still on file with the applicable officer. A file of ticket copies should be maintained which would include all tickets issued in sequential order and any voided ticket packets. Police officers should be held strictly accountable for all tickets issued in his or her name.

Official's Response: The Village will document all payments and receipts in a proper manner and Police Officers will be required to maintain a ticket log.

VILLAGE OF RUTLAND
MEIGS COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2012, 2011 AND 2010
(Continued)

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

FINDING NUMBER 2012-009

Noncompliance Citation

Ohio Rev. Code Section 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 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 whom and for what purposes received, and when paid into the treasury.

During the period between January 1, 2010 and December 31, 2012, the Village Mayor did not present 16 of the 36 monthly reports to the Village Council. The only evidence that the remaining 20 monthly reports were submitted was the documentation in the minutes since the reports were not retained. Additionally, during that same time frame, fees and court costs due the Village's General Fund were not remitted in a timely manner by the Court or were for the incorrect amounts. The amount due for January 2012 was \$445 but the amount paid in was only \$343. As of December 31, 2012, the amount due to the General Fund from the Mayor's Court Fund totaled \$4,151.

We recommend the Mayor's Court disburse all fees and court costs collected during a month to the Village treasury on the first Monday of the following month. We also recommend the Village Mayor present reports to the Village Council monthly and retain the monthly statements.

Official's Response: The Mayor's Clerk will be required to report and pay out Mayor's Court revenue to all parties in a timely manner.

FINDING NUMBER 2012-010

Noncompliance Citation

Ohio Rev. Code Section 2949.091 requires the court, in which any person is convicted of or pleads guilty to any offense to impose one of 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 court to the treasurer of state.

The Village did not remit the amounts due to the state on or before the twentieth day of the following month. Fines attributable to 2008 and 2009 were not paid until April 2010. From January 1, 2010 through December 31, 2012, only one remittance was made timely and others were late; sometimes up to 13 months late.

**VILLAGE OF RUTLAND
MEIGS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012, 2011 AND 2010
(Continued)**

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

FINDING NUMBER 2012-010 (Continued)

Noncompliance Citation – Ohio Rev. Code Section 2949.091 (Continued)

We recommend the Village remit the 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 Mayor's Clerk will be required to report and pay out Mayor's Court revenue to all parties in a timely manner.

FINDING NUMBER 2012-011

Noncompliance Citation

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

The Village had negative fund balances as follows:

Fund	Balance at 12/31/12	Balance at 12/31/11	Balance at 12/31/10
Street Construction, Maintenance and Repair	\$ (21,371)	\$ (19,128)	\$ (17,378)
Nature Works State Grant Fund	(1,977)	(1,977)	(1,677)
Log Cabin Fund	(12,949)	(12,479)	(11,541)
Water Operating Fund	(111,659)	(94,875)	(71,022)
Sewer Operating Fund	(68,705)	(19,083)	(10,933)
Sewer Replacement Fund	(18,014)	(18,014)	(18,014)

Negative fund balances indicate 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.

We recommend the Village take the necessary steps to eliminate negative fund balances and only post disbursements into a fund for the purposes for which such fund has been established. We also recommend the Village establish a plan to curtail unnecessary spending in order to eliminate negative fund balances

Official's Response: The Village has taken steps to eliminate negative fund balances and at present has only 1 negative balance remaining. This negative amount is being improved monthly and the Village has a plan in place to improve its overall financial health.

**VILLAGE OF RUTLAND
MEIGS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012, 2011 AND 2010
(Continued)**

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

FINDING NUMBER 2012-012

Noncompliance

Ohio Rev. Code Section 5705.36(A)(4) requires obtaining a reduced amended certificate if the amount of the deficiency will reduce available resources below the current level of appropriation.

As of December 31, 2010, the following funds had appropriations exceeding actual resources as follows;

Fund	Actual Resources	Appropriation Authority	Variance
Water Operating Fund	\$ 4,550	\$ 69,064	\$ (64,514)
Sewer Operating Fund	91,585	107,528	(15,943)
Sewer Debt Service Fund	93,408	145,818	(52,410)
Sewer Replacement Fund	21,276	23,276	(2,000)

As of December 31, 2012, the following funds had appropriations exceeding actual resources as follows;

Fund	Actual Resources	Appropriation Authority	Variance
State Highway Fund	\$ 6,396	\$ 7,000	\$ (604)
Log Cabin Fund	(9,743)	4,200	(13,943)

This caused the Village to spend more than their actual resources.

We recommend the Village monitor estimated and actual revenues for all funds on a regular basis. In situations where appropriations exceed actual resources, the Village should adjust appropriations accordingly.

Official's Response: The Village will monitor revenue on a regular basis.

FINDING NUMBER 2012-013

Noncompliance Citation

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

**VILLAGE OF RUTLAND
MEIGS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012, 2011 AND 2010
(Continued)**

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

FINDING NUMBER 2012-013 (Continued)

Noncompliance Citation – Ohio Rev. Code Section 5705.38 (A) (Continued)

The Village did not pass 2010 and 2012 permanent appropriations until April 13, 2010 and March 20, 2012, respectively, and never passed 2011 permanent appropriations. In addition, the Village passed the 2010 and 2012 appropriations at the fund level, not meeting the required minimum level of budgetary control. As a result, expenditures were made absent of any legal appropriations from January 1, 2010 to April 13, 2010 and from January 2, 2012 to March 20, 2012. For 2011, 100% of expenditures were made absent of legal appropriations.

We recommend the Village adopt permanent appropriations on or around the first day of each fiscal year. We further recommend the Village pass appropriations at the required minimum legal level of budgetary control.

Official's Response: The Village will adopt permanent appropriations as early as possible each year and will closely monitor appropriations and expenditures.

FINDING NUMBER 2012-014

Noncompliance Citation

Ohio Rev. Code Section 5705.39 states, in part the total appropriations from each fund should not exceed the total estimated revenue.

As of December 31, 2010, the following funds had appropriations exceeding estimated resources as follows;

Fund	Estimated Resources	Appropriation Authority	Variance
Street Construction, Maintenance and Repair	\$ (6,158)	\$ 21,101	\$ (27,259)
State Highway Fund	(514)	5,522	(6,036)
Civic Center Fund	3,414	4,735	(1,321)
Nature Works State Grant Fund	(1,327)	18,298	(19,625)
Log Cabin Fund	(6,426)	2,374	(8,800)
Capital Improvements Fund	(6,744)	9,031	(15,775)
Water Operating Fund	16,726	69,064	(52,338)
Sewer Operating Fund	101,127	107,528	(6,401)
Sewer Debt Service Fund	107,822	145,818	(37,996)
Utility Deposit Fund	22,576	23,276	(700)
Sewer Replacement Fund	(8,914)	22,350	(31,264)

**VILLAGE OF RUTLAND
MEIGS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012, 2011 AND 2010
(Continued)**

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

FINDING NUMBER 2012-014 (Continued)

Noncompliance Citation – Ohio Rev. Code Section 5705.39 (Continued)

At December 31, 2012, the following funds had appropriations exceeding estimated resources as follows:

Fund	Estimated Resources	Appropriation Authority	Variance
Street Construction, Maintenance and Repair	\$ (11,246)	\$ 7,881	\$ (19,127)
Nature Works State Grant Fund	(1,977)	-	(1,977)
Log Cabin Fund	(8,279)	4,200	(12,479)
Water Operating Fund	(28,195)	63,860	(92,055)
Sewer Operating Fund	57,806	80,000	(22,194)
Sewer Replacement Fund	(18,014)	-	(18,014)

This resulted in overspending public funds and negative fund cash balances.

We recommend the Village closely monitor appropriations to ensure that appropriations do not exceed estimated resources.

Official's Response: The Village will adopt permanent appropriations as early as possible each year and will closely monitor appropriations and expenditures.

FINDING NUMBER 2012-015

Noncompliance Citation

Ohio Rev. Code Section 5705.41(B) prohibits a subdivision or taxing unit from making an expenditure unless it has been appropriated.

The Village's expenditures exceeded appropriations as of December 31, 2010 as follows;

Fund	Appropriation Authority	Expenditures	Variance
General Fund	\$ 22,101	\$ 22,582	\$ (481)
Street Construction, Maintenance and Repair	21,101	23,906	(2,805)
Log Cabin Fund	2,374	2,739	(365)
Water Operating Fund	69,064	96,343	(27,279)

**VILLAGE OF RUTLAND
MEIGS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012, 2011 AND 2010
(Continued)**

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

FINDING NUMBER 2012-015 (Continued)

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

The Village's expenditures exceeded appropriations as of December 31, 2011 as follows;

Fund	Appropriation Authority	Expenditures	Variance
General Fund	\$ -	\$ 27,590	\$ (27,590)
Street Construction, Maintenance and Repair	-	19,864	(19,864)
Civic Center Fund	-	5,075	(5,075)
Nature Works State Grant Fund	-	300	(300)
Log Cabin Fund	-	3,148	(3,148)
Water Operating Fund	-	112,700	(112,700)
Sewer Operating Fund	-	104,314	(104,314)
Sewer Debt Service Fund	-	631	(631)
Utility Deposit Fund	-	430	(430)

The Village's expenditures exceeded appropriations as of December 31, 2012 as follows;

Fund	Appropriation Authority	Expenditures	Variance
Street Construction, Maintenance and Repair	\$ 7,900	\$ 23,007	\$ (15,107)
Law Enforcement Trust Fund	-	100	(100)
Water Operating Fund	63,897	121,229	(57,332)
Sewer Operating Fund	80,184	153,503	(73,319)

As a result, expenditures were made absent of any legal appropriation authority.

We recommend the Village monitor appropriations and expenditures to ensure expenditures do not exceed appropriations.

Official's Response: The Village will adopt permanent appropriations as early as possible each year and will closely monitor appropriations and expenditures.

FINDING NUMBER 2012-016

Noncompliance Citation

Ohio Rev. Code Section 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The Fiscal Officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

**VILLAGE OF RUTLAND
MEIGS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012, 2011 AND 2010
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2012-016 (Continued)

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

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

1. "Then and Now" Certificate – If the Fiscal Officer can certify that both at the time that the contract or order was made ("then"), and at the time that the Fiscal Officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the Fiscal Officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.

2. Blanket Certificate – Fiscal Officer 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 Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the Fiscal Officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Seven percent of transactions tested in 2010, thirty-five percent in 2011 and twenty-nine percent in 2012 were not certified by the Fiscal Officer at the time the commitment was incurred and there was no evidence that the Village followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

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

We recommend the Village Fiscal Officer certify purchases to which Section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language Section 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification at the time the Village incurs a commitment, and only when the requirements of Section 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase commitments to the proper appropriation code to reduce the available appropriation.

**VILLAGE OF RUTLAND
MEIGS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012, 2011 AND 2010
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2012-016 (Continued)

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

Official's Response: The Fiscal Officer will properly certify the amounts required for purchases to meet expenditures.

FINDING NUMBER 2012-017

Noncompliance Citation 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 Village's monthly cash reconciliations for 2010, 2011, and 2012 did not include amounts for the Village's certificate of deposit, the Law Enforcement Trust Fund checking, and the Mayor's Court checking account. In addition the cash reconciliation had significant "other" unexplained adjusting factors as a result of not posting transactions timely and other posting errors in expenditures and receipts as listed below.

In 2010, the following adjustments were made to the financial statements:

- Reimbursement receipts of \$5,071 and \$1,293 for Summer Youth Program was posted to the General Fund and Street Construction and Maintenance Fund, respectively, instead of the Sewer Fund for \$6,364 Intergovernmental.
- Tax receipts were posted a net instead of gross, resulting in \$727 increase in General Government Expenditures to the General Fund.
- Several receipts were posted incorrectly in Taxes, Intergovernmental, and Miscellaneous in the General Fund resulting in an increase of \$3,479 in Intergovernmental, an increase of \$1,351 in Miscellaneous, and a decrease of \$4,103 in Taxes.
- Mayor's Court activity in the General Fund was not recorded, resulting in an increase of \$3,544 in Security of Persons expenditures and an increase of \$3,544 in Fines, Licenses, and Fees.
- Fees collected for Street Lights were posted to Sewer and Water Fund instead of General Fund. This resulted in an increase of \$2,482 in General Fund Charges for Services, and a decrease of \$1,241 in Charges for Services for both Water and Sewer Funds.
- In order to reconcile cash, several minor adjustments were required resulting in a decrease in General Fund balance of \$104, an increase of \$68 in Street Construction and Maintenance Fund Balance, a decrease of \$108 in Water Fund Balance, an increase of \$129 in Sewer Fund Balance, and a decrease of \$117 in Sewer Debt Service Fund Balance.
- Log Cabin receipts were posted incorrectly in the Log Cabin Fund, resulting in a decrease in Taxes of \$2,200 and an increase in Charges for Services of \$2,608.
- Log Cabin receipts were posted incorrectly to the Street Construction Fund instead of the Log Cabin Fund in the amount of \$408.
- Intergovernmental receipts totaling \$2,674 were posted inaccurately as Taxes in the Street Construction and Maintenance Fund.
- Intergovernmental receipts totaling \$1,163 were posted inaccurately to the State Highway Fund Intergovernmental instead of Street Construction and Maintenance Fund Intergovernmental.

**VILLAGE OF RUTLAND
MEIGS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012, 2011 AND 2010
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2012-017 (Continued)

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

- Debt payments for the Village Log Cabin were posted inaccurately in the Street Construction Fund causing a reduction of \$345 Principal and \$345 Interest, instead of in the Log Cabin Fund causing an increase \$341 Principal and \$349 Interest.
- Debt payments for the Village Truck Loan was posted inaccurately causing a reduction of \$330 Principal and \$182 Interest in the Log Cabin Fund, and a decrease of \$362 Interest and increase of \$362 Principal in the Street Construction and Maintenance Fund.
- Intergovernmental receipts totaling \$323 were posted inaccurately to Miscellaneous in the Sewer Fund.
- Principal payments totaling \$2,210 were inaccurately posted to Interest in the Sewer Debt Service Fund.
- Mayor's Court activity went unrecorded in the Mayor's Court fund, resulting in an increase of \$12,138 in Fines, Fees, and Permits revenue and an increase of \$16,287 in Other expenditures. Also, a beginning fund balance was required of \$8,649 for the Mayor's Court Fund.

In 2012, the following adjustments were made to the financial statements:

- Tax receipts were posted a net instead of gross, resulting in \$409 increase in General Government Expenditures to the General Fund.
- Several receipts were posted incorrectly in Taxes, Intergovernmental, Special Items, and Miscellaneous in the General Fund resulting in an increase of \$1,903 in Intergovernmental, an increase of \$7,031 in Miscellaneous, a decrease of \$1,494 in Taxes, and a decrease of \$7,031 in Special Items.
- Mayor's Court activity in the General Fund was not recorded, resulting in an increase of \$3,524 in Security of Persons expenditures and an increase of \$3,524 in Fines, Licenses, and Fees.
- Fees collected for Street Lights were posted to either General Fund Special Assessments or Sewer and Water Fund instead of General Fund Charges for Services. This resulted in an increase of \$3,723 in General Fund Charges for Services, a decrease in General Fund Special Assessments of \$1,613 and a decrease of \$1,055 in Charges for Services for both Water and Sewer Funds.
- In order to reconcile cash, several minor adjustments were required resulting in a decrease in General Fund fund balance of \$179, a decrease of \$305 in Street Construction and Maintenance Fund Balance, a decrease of \$416 in Water Fund Balance, a decrease of \$1,086 in Sewer Fund Balance, and a decrease of \$82 in Sewer Debt Service Fund Balance.
- Intergovernmental receipts totaling \$3,586 were posted inaccurately as Taxes in the Street Construction and Maintenance Fund.
- Intergovernmental receipts totaling \$500 were posted inaccurately to Taxes in the Street Construction and Maintenance Fund instead of Intergovernmental in the State Highway Fund.
- Debt payments for the Village Log Cabin were posted inaccurately in the Street Construction Fund causing a reduction of \$345 Principal and \$345 Interest. Also, incorrect classifications occurred within the Log Cabin Fund causing an increase \$1,016 in Interest and a decrease of \$326 in Principal.
- Debt payments for the Village Truck Loan were posted inaccurately causing an increase of \$639 in Principal and a decrease of \$255 in Interest in the Street Construction and Maintenance Fund, and a decrease of \$128 General Government the General Fund.
- Debt payments for the OWDA Loan totaling \$312, were posted incorrectly as Principal instead of Interest.
- Mayor's Court activity went unrecorded in the Mayor's Court fund, resulting in an increase of \$9,402 in Fines, Fees, and Permits revenue and an increase of \$6,684 in Other expenditures.

**VILLAGE OF RUTLAND
MEIGS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012, 2011 AND 2010
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2012-017 (Continued)

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

In 2012, the following adjustments were made to the financial statements:

- Reimbursements totaling \$5,569 from the Ohio Department of Job and Family Services for the Summer Year Program was incorrectly posted to Miscellaneous instead of Intergovernmental in the Road Maintenance and Construction Fund.
- Fees collected for street lights for \$2,433 were posted to Special Assessments instead of Charges for Services in the General Fund.
- We noted miscellaneous adjustments were posted to reconcile cash, this resulted in an increase of Miscellaneous revenue in the General Fund for \$72, a decrease in General Government expenditures in the General Fund for \$15.
- We noted interest payments on debt in the amount of \$968 were recorded as Principal payments instead of Interest in the Log Cabin Fund.
- Law Enforcement Trust Fund activity was not recorded in UAN, resulting in an increase of \$100 in Other expenditures, and an increase in Fines revenue of \$1,371.
- Mayor's Court activity for the Agency Fund was not recorded in UAN resulting in an increase of Fines revenue of \$14,734 and an increase in Other expenditures of \$19,869.

To ensure the Village's financial statements and notes to the financial statements are complete and accurate, we recommend the Fiscal Officer review the Village Manual for guidance on the correct line item to post various receipts and expenditures of the Village. These adjustments, with which the Village agrees, are reflected in the audited financial statements.

Official's Response: The Fiscal Officer will post receipts and expenditures correctly

FINDING NUMBER 2012-018

Noncompliance Citation and Material Weakness

Ohio Admin. Code Section 117-2-02(C)(1) provides that 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, 2010, estimated receipts as approved by the Budget Commission did not agree to the Village's ledgers for the following funds. The variances are as follows:

**VILLAGE OF RUTLAND
MEIGS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012, 2011 AND 2010
(Continued)**

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

FINDING NUMBER 2012-018 (Continued)

**Noncompliance Citation and Material Weakness – Ohio Admin. Code Section 117-2-02(C)(1)
(Continued)**

Fund	Estimated Receipts as Certified	Estimated Receipts per UAN	Variance
General Fund	\$ 49,609	\$ -	\$ (49,609)
Street Construction, Maintenance and Repair	15	-	(15)
State Highway Fund	15	-	(15)
Civic Center Fund	2,515	-	(2,515)
Water Operating Fund	81,319	-	(81,319)
Sewer Operating Fund	86,572	-	(86,572)
Sewer Debt Service Fund	55,000	-	(55,000)
Utility Deposit Fund	2,500	-	(2,500)

At December 31, 2010, approved appropriations did not agree to the Village's ledgers for the following funds. The variances are as follows:

Fund	Approved Appropriations	Appropriations per UAN	Variance
Street Construction, Maintenance and Repair	\$ 21,167	\$ 22,562	\$ 1,395
Nature Works State Grant Fund	18,298	500	(17,798)
Log Cabin Fund	2,374	3,284	910
Capital Improvements Fund	9,031	-	(9,031)
Water Operating Fund	69,064	120,041	50,977
Sewer Operating Fund	107,528	89,064	(18,464)
Sewer Debt Service Fund	145,818	56,299	(89,519)
Utility Deposit Fund	22,350	-	(22,350)

At December 31, 2011, estimated receipts as approved by the Budget Commission did not agree to the Village's ledgers for the following funds. The variances are as follows:

Fund	Estimated Receipts as Certified	Estimated Receipts per UAN	Variance
General Fund	\$ 36,423	\$ 13,812	\$ (22,611)
Civic Center Fund	4,635	-	(4,635)
Log Cabin Fund	4,200	-	(4,200)
Water Operating Fund	82,400	-	(82,400)
Sewer Operating Fund	77,250	-	(77,250)
Utility Deposit Fund	1,030	-	(1,030)

**VILLAGE OF RUTLAND
MEIGS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012, 2011 AND 2010
(Continued)**

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

FINDING NUMBER 2012-018 (Continued)

**Noncompliance Citation and Material Weakness – Ohio Admin. Code Section 117-2-02(C)(1)
(Continued)**

At December 31, 2011, approved appropriations did not agree to the Village's ledgers for the following funds. The variances are as follows:

Fund	Approved Appropriations	Appropriations per UAN	Variance
General Fund	\$ -	\$ 12,171	\$ 12,171
Street Construction, Maintenance and Repair	-	8,840	8,840
Civic Center Fund	-	5,200	5,200
Nature Works State Grant Fund	-	300	300
Log Cabin Fund	-	2,550	2,550
Water Operating Fund	-	114,166	114,166
Sewer Operating Fund	-	57,670	57,670
Sewer Debt Service Fund	-	2,000	2,000
Utility Deposit Fund	-	1,000	1,000

At December 31, 2012, estimated receipts as approved by the Budget Commission did not agree to the Village's ledgers for the following funds. The variances are as follows:

Fund	Estimated Receipts as Certified	Estimated Receipts per UAN	Variance
General Fund	\$ 33,506	\$ 37,555	\$ 4,049
Street Construction, Maintenance and Repair	7,882	15,000	7,118
State Highway Fund	9,463	1,000	(8,463)
Civic Center Fund	4,635	5,000	365
Log Cabin Fund	4,200	-	(4,200)
Water Operating Fund	63,860	87,500	23,640
Sewer Operating Fund	80,000	90,000	10,000
Sewer Debt Service Fund	-	43,000	43,000

At December 31, 2012, approved appropriations did not agree to the Village's ledgers for the following funds. The variances are as follows:

Fund	Approved Appropriations	Appropriations per UAN	Variance
General Fund	\$ 50,000	\$ 45,366	\$ (4,634)
Street Construction, Maintenance and Repair	7,881	23,686	15,805
State Highway Fund	7,000	2,000	(5,000)
Log Cabin Fund	4,200	3,251	(949)
Water Operating Fund	63,860	124,698	60,838
Sewer Operating Fund	80,000	159,018	79,018

VILLAGE OF RUTLAND
MEIGS COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2012, 2011 AND 2010
(Continued)

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

FINDING NUMBER 2012-018 (Continued)

**Noncompliance Citation and Material Weakness – Ohio Admin. Code Section 117-2-02(C)(1)
(Continued)**

Due to budgetary information being improperly entered into the system, the management of the Village was not able to effectively monitor and report its budget vs. actual status throughout the year.

We recommend the Village accurately post to their accounting system estimated receipts as certified by the County Budget Commission and appropriations as approved by the Council. This procedure will help ensure more useful comparisons of budget vs. actual activity, as well as provide management with an accurate monitoring tool throughout the year.

Official's Response: The Village will post estimated resources to its Revenue Budget per the Budget Commission.

FINDING NUMBER 2012-019

Noncompliance Citation

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951), provides that expenditures made by a governmental unit should serve a public purpose. Typically the determination of what constitutes a "proper public purpose" rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialize by a duly enacted ordinance or resolution and may have a prospective effect only. Auditor of State Bulletin 2003-005 Expenditure of Public Funds/Proper "Public Purpose" states that the Auditor of State's Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect.

During our test of expenditures relating to debt, credit cards and payroll withholding remittances, we noted the following payments for late fees and penalties:

- OPERS \$93.43 in 2010
- OPERS \$79.78 in 2011
- OPERS \$56.23 in 2012
- Farmers Bank \$120.00 in 2010 (late fees on loan payments)
- Farmers Bank \$60.00 in 2011 (late fees on loan payments)

In addition, during our substantive testing of nonpayroll-related expenditures, we noted that the Village paid late fees and penalties of \$2,537.38 in 2010, \$1,387.96 in 2011 and \$211.07 in 2012. These late fees were related to various vendors and purchases, including American Electric Power, HD Supply Waterworks, Leading Creek Conservancy District, Ohio EPA, Baum True Value Hardware, Valley Lumber and McGrath Truck and Tractor Repair. Late fees and penalties not considered to be for a proper public purpose in the operations of the Village.

We recommend the Village remit payments in a timely manner to avoid using public funds for late fees.

Official's Response: The Village will remit all payments in a timely manner.

**VILLAGE OF RUTLAND
MEIGS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012, 2011 AND 2010
(Continued)**

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

FINDING NUMBER 2012-020

Noncompliance Citation

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951), provides that expenditures made by a governmental unit should serve a public purpose. Typically, the determination of what constitutes a “proper public purpose” rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only.

Auditor of State Bulletin 2003-005: ‘Expenditure of Public Funds/Proper Public Purpose’ states that the Auditor of State’s Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect. This is particularly true where the facts clearly demonstrate the legislative authority’s intent to expend public funds in an otherwise legal manner; however, for some reason or another, they have failed to pass a resolution to support the expenditure.

The Village’s policy in effect through December 31, 2012 placed a maximum carryover of 40 hours on compensatory leave accrued from January 1 to December 31. The Village’s vacation policy in effect for that same period required leave to be used in the year it is accrued with no carryover allowed.

Employees could not always use their earned compensatory time and vacation within the time allowed due to the poor economic conditions. It became general practice to allow employees to carry over more than 40 hours. During 2010, 2011 and 2012, employees had carryover balances that exceeded the maximum 40 hours and there were significant variances in compensatory time and vacation leave per the system as compared to the amounts provided for by the policy and also with the time used per the timesheets.

Based on the written policies in effect during the audit period, the following variances were noted when comparing recalculated balances and balances per the system at December 31, 2012.

Employee	Vacation Balances			Compensatory Time Balances		
	Inaccurate Balance per System	Allowable Balance per Policy	Balance over/(under) Amount Allowed	Inaccurate Balance per System	Allowable Balance per Policy	Balance over/(under) Amount Allowed
David Davis	168.0	128.0	40.0	376.0	155.5	220.5
Raymond DeWitt	75.5	0	75.5	0	175.0	(175.0)

To address this matter, Village Council adopted a resolution on October 16, 2013 retroactively amending the Village’s Employee Handbook to include all years from 2006 forward. The amended compensatory time policy allows for employees to accrue and carryover up to 450 compensatory hours and also allows for the employees to be paid for any unused compensatory time, up to 450 hours, at the time of separation from employment. The amended language regarding vacation leave states employees may carry over up to 400 hours of unused vacation and also allows for the employees to be paid for any unused vacation, up to 400 hours, at the time of separation from employment.

VILLAGE OF RUTLAND
MEIGS COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2012, 2011 AND 2010
(Continued)

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

FINDING NUMBER 2012-020 (Continued)

Noncompliance Citation – State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951) (Continued)

As a result of this retroactive policy amendment, the Village increased its liability of termination benefits as follows:

Name	Title	Termination Benefits Owed Under New Policy
Laura Curtis	Former Fiscal Officer	\$ 1,413.30
Raymond DeWitt	Utility Worker	3,208.50
		<u>\$ 4,621.80</u>

We recommend Council review their current policy and, when considering the current financial situation of the Village, determine these policies result in using public funds to maximize the Village services for all Village residents.

Official's Response: The Village Officials did not provide a response to this finding.

FINDING NUMBER 2012-021

Noncompliance Citation and Significant Deficiency

26 U.S.C. § 3402 states that every employer making payment of wages shall deduct and withhold upon such wages a tax determined in accordance with tables or computational procedures prescribed by the Secretary of the Treasury. The employer is required to submit the employees' withholdings to the Internal Revenue Service either monthly or quarterly, depending upon the monthly gross wages.

The Village did not maintain copies of the Federal 941 Forms documenting the federal income tax liability and remittances for 2010 and 2011. Additionally, during 2010, the amount of federal taxes withheld exceeded the amount actually remitted to the IRS by \$627.25. The amounts withheld in 2011 agreed to the amounts remitted.

In the 2nd quarter of 2012, the Fiscal Officer incorrectly entered \$602.12 as the tax liability on the Federal 941 Form but then remitted \$1,931.08, which was the actual amount withheld according to UAN. Since the Village never detected the clerical error on the 941 form, the IRS applied what they assumed was an overpayment of \$1,328.96 to the outstanding 2008 Civil Penalties owed by the Village. As a result, the Village still owes the \$1,328.96 attributable to the 2nd quarter of 2012, along with possible interest and penalties.

We recommend the Village Fiscal Officer remit the Federal taxes withheld from payroll on a timely basis and properly maintain documentation concerning the remittance of Federal taxes and the required reports. We further recommend the Village file an amended Federal 941 Form for the 2nd Quarter of 2012, to accurately report wages and the amount of remittances due to the IRS.

Official's Response: The Fiscal Officer will pay all withholdings in a timely manner.

VILLAGE OF RUTLAND
MEIGS COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2012, 2011 AND 2010
(Continued)

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

FINDING NUMBER 2012-022

Noncompliance Citation

Section 4.1 of the Cooperative Agreement for Construction, Maintenance and Operation of State Water Project between the Village and the Ohio Water Development Authority (OWDA) states in part that the Village agrees to pay semi-annually on January 1 and July 1 of each year of the contract period of years. The obligation of the Village to pay the charges set forth shall not be assignable, and the Village shall not be discharged there from, without the prior written consent of the OWDA.

In 2011, the Village did not make semi-annual payments on January 1 or July 1.

Section 4.2(b) of the Cooperative Agreement for Construction, Maintenance and Operation of State Water Project between the Village and the Ohio Water Development Authority (OWDA) states that the Village will furnish to the OWDA annual reports of the operation and income of the System and also an annual report of the accounts and operations of the System and such other documents as the OWDA may reasonably request in order to respond to requests for documentation from rating agencies or providers or potential providers of credit enhancement for debt obligations of the OWDA, and the Village will permit the authorized agent of the OWDA to inspect all records, accounts and data of the System at all reasonable times.

The Village did not prepare and submit the required annual report to the OWDA in 2010 or 2011.

Section 5.6 of the Cooperative Agreement for Construction, Maintenance and Operation of State Water Project between the Village and the Ohio Water Development Authority (OWDA) states any insurance policy issued pursuant to Section 5.3 of the agreement shall be so written or endorsed as to make losses, if any, payable to the OWDA and the Village as their respective interests may appear and shall contain a provision to the effect that the insurance company shall not cancel the policy without first giving written notice to OWDA at least ten (10) days in advance of such cancellation.

The Village's insurance policy did not make OWDA payable for any losses. Also, the policy did not contain the required language in regard to a 10 day notice to OWDA prior to the cancellation of coverage.

Section 5.7 of the Cooperative Agreement for Construction, Maintenance and Operation of State Water Project between the Village and the Ohio Water Development Authority (OWDA) states that the Village shall maintain Workers' Compensation Coverage in accordance with state law.

Workers' Compensation coverage lapsed during the audit period because of nonpayment by the Village.

The Village ultimately defaulted on the debt. OWDA filed a suit against the Village and as a result, the debt was assumed by Meigs County in September of 2012.

Official's Response: The Village will take steps to restore its BWC coverage and to pay off delinquent amounts.

VILLAGE OF RUTLAND
MEIGS COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2012, 2011 AND 2010
(Continued)

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

FINDING NUMBER 2012-023

Material Weakness

The size of the Village's staff did not allow for an adequate segregation of duties; the Village Fiscal Officer and Utility Clerk performed all accounting functions, including billing, receipting, depositing, disbursing, and reconciling. It is therefore important that the Village Council monitor financial activity closely.

During the audit, we noted the following areas where Village Council and/or the Mayor did not perform reviews and approvals:

- Several of the 2010 and 2011 monthly financial reports to identify unreconciled cash balances.
- Budget vs. actual reports to identify unusual fluctuations between accounts or between fiscal years.
- Employee timesheets to prevent or detect over/underpayment of employees.
- Utility reports such as delinquency lists, penalty journals, trial balances or daily/monthly receipt details to identify unusual or unexpected customer activity.

As a result of the lack of internal controls, errors and irregularities occurred throughout the three year audit period and remained undetected by the management.

We recommend Village Council review financial reports on a monthly basis. This should be documented in the minute record. Also, we recommend the Village create and enforce policies and procedures such as review of monthly financial reports. This will ensure that transactions are posted timely and unusual fluctuations would be identified. We also recommend Village Council make appropriate inquiries to help determine the continued integrity of financial information.

Appropriate inquiries would include:

- Are current receipts sufficient to cover expenditures?
- Are receipts and expenditures in line with prior years?
- If unusual fluctuations in receipts or expenditures occur, is the reason understood?
- Are anticipated receipts being received in a timely manner?

The information obtained as a result of such reviews and inquiries will provide important data necessary to properly manage the Village.

Official's Response: Village Council will closely monitor reports and procedures created to safeguard Village finances.

FINDING NUMBER 2012-024

Material Weakness

The Village of Rutland had no resolution or ordinance regarding the approval of adjustments to utility bills nor were there any formal processes over tracking or collection of delinquent accounts.

VILLAGE OF RUTLAND
MEIGS COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2012, 2011 AND 2010
(Continued)

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

FINDING NUMBER 2012-024 (Continued)

Material Weakness – Utility Adjustments

Customer utility account adjustments were made frequently and often for large dollar amounts with no apparent review or approval by the Village Council or Mayor. These account adjustments totaled \$184,092.14 in 2010 and \$336,571.18 in 2011. The 2012 utility reports were not available for audit so the total of account adjustments could not be determined. Additionally, the Village's management did not track or review delinquency listings and follow up on delinquent accounts. Both deficiencies led to unallowable adjustments and loss of revenue for the Village.

We recommend the Village adopt a resolution or ordinance regarding utility adjustments.

Official's Response: The Village no longer manages a utility.

**VILLAGE OF RUTLAND
MEIGS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2012, 2011 AND 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2003-006	Finding for Recovery was issued against the Office Manager, Anna Farley, for receipts not deposited to the bank.	No	Finding not repaid.
2003-007	Finding for Recovery was issued for petty cash activity not recorded and no supporting documentation.	No	Finding not repaid.
2005-006	Finding for recovery in the amount of \$670 for improperly paying fines monies to the General Fund instead of the Treasurer of State.	No	Partially corrected; \$242 of this amount was repaid during a previous audit. The remaining balance due is \$428.
2007-001	Finding for recovery in the amount of \$400 for the loss of LETF monies by Jeff Miller, Police Chief.	No	Finding not repaid.
2009-001	Ohio Rev. Code Section 9.38 for holding significant amounts of cash for an unusually long period prior to deposit.	No	Repeated as Finding 2012-006
2009-002	Ohio Rev. Code Section 733.40 for failure to remit Mayor's Court Fines to the Village in a timely manner	No	Repeated as Finding 2012-009
2009-003	Ohio Rev. Code Section 2949.091 for failure to remit Mayor's Court fines due to the State in a timely manner.	No	Repeated as Finding 2012-010
2009-004	Ohio Rev. Code Section 5705.10(H) for carrying several negative fund balances at 12/31/09 and 12/31/08.	No	Repeated as Finding 2012-011
2009-005	Ohio Rev. Code Section 5705.36(A)(4) for appropriations exceeding actual resources.	No	Repeated as Finding 2012-012
2009-006	Ohio Rev. Code Section 5705.38(C) for adopted appropriations at an unallowable level.	No	Repeated as Finding 2012-013

**VILLAGE OF RUTLAND
MEIGS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2012, 2011 AND 2010
(Continued)**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2009-007	Ohio Rev. Code Section 5705.39 for appropriations exceeding estimated resources.	No	Repeated as Finding 2012-014
2009-008	Ohio Rev. Code Section 5705.41(B) for expenditures exceeding appropriations.	No	Repeated as Finding 2012-015
2009-009	Village Res. 2009/01 for charging utility customers unapproved rates.	No	Repeated as Finding 2012-008
2009-010	Significant deficiency for of segregation of financial duties and a lack of monitoring by management.	No	Repeated as Finding 2012-022
2009-011	Material Weakness for not maintaining utility records to support the amounts, billed, collected, deposited and reported.	No	Repeated as Finding 2012-008
2009-012	Material Weakness for incomplete and erroneous postings to the Mayor's Court records.	No	Repeated as Finding 2012-008
2009-013	Material Weakness for failure to track, reconcile or monitor tickets by the police department.	No	Repeated as Finding 2012-008
2009-014	Material Weakness for a significant number of material adjustments required as a result of the audit.	No	Repeated as Finding 2012-017
2009-015	Material Weakness because appropriations per the accounting system did not agree to appropriations adopted by Council.	No	Repeated as Finding 2012-018
2009-016	Material Weakness had insufficient/inadequate records.	Yes	N/A



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
MARCH 6, 2014**