



**Auditor of State
Betty Montgomery**

VILLAGE OF RUTLAND
MEIGS COUNTY

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**Auditor of State
Betty Montgomery**

Village of Rutland
Meigs County
P.O. Box 420
337 Main Street
Rutland, Ohio 45775

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in cursive script that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

August 17, 2006

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Village of Rutland
Meigs County
P.O. Box 420
337 Main Street

To the Village Council:

We have audited the accompanying financial statements of the Village of Rutland, Meigs County, (the Village) as of and for the years ended December 31, 2005 and 2004. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2005 and 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2005 and 2004. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since this Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2005 and 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2005 and 2004, or its changes in financial position or cash flows of its proprietary funds for the years then ended.

The basis of accounting prescribed by the Auditor of State requires the Village to report outstanding encumbrances at year end as budgetary expenditures. The Village did not record encumbrances for the years ended December 31, 2005 and 2004. Accordingly, budgetary expenditures in Note 3 do not include encumbrances. It was not practical for us to determine the amount of unrecorded encumbrances for the years ended December 31, 2005 and 2004. In addition, the Village did not maintain sufficient supporting documentation for all of the disbursements for 2005 and 2004, to ensure proper Village obligations and proper classification of expenditures.

Also, in our opinion, except for the effects of such adjustment, if any, as might have been determined to be necessary had we been able to examine sufficient evidence supporting all disbursements and had we performed a search for unrecorded year end outstanding encumbrances as discussed in paragraph six above, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Rutland, Meigs County, as of December 31, 2005 and 2004, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As discussed in Note 9 to the financial statements, the Village has reported a December 31, 2005 General Fund cash deficit of \$57,776. Management's actions are also described in Note 9.

Further, the Auditor of State has billed the Village for audit services and non-audit services provided for the year ended December 31, 2003. As of the date of this report, the Village has an outstanding balance of \$51,656.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the years ended December 31, 2005 and 2004. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 17, 2006, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Betty Montgomery
Auditor of State

August 17, 2006

**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, 2005**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash Receipts:				
Property Tax and Other Local Taxes	\$9,826	\$2,282	\$	\$12,108
Intergovernmental Receipts	19,785	131,461		151,246
Charges for Services		816		816
Fines, Licenses, and Permits	11,163	1,287		12,450
Earnings on Investments	1,356			1,356
Miscellaneous	579			579
Total Cash Receipts	42,709	135,846	0	178,555
Cash Disbursements:				
Current:				
Security of Persons and Property	12,548	744		13,292
Community Environment		1,352		1,352
Transportation		25,711		25,711
General Government	49,395		527	49,922
Debt Service:				
Principal Payments	1,867	797	265	2,929
Interest Payments	281	995	305	1,581
Capital Outlay		73,526		73,526
Total Cash Disbursements	64,091	103,125	1,097	168,313
Total Cash Receipts Over/(Under) Cash Disbursements	(21,382)	32,721	(1,097)	10,242
Other Financing Receipts/(Disbursements):				
Other Financing Sources	509			509
Total Other Financing Receipts/(Disbursements)	509	0	0	509
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(20,873)	32,721	(1,097)	10,751
Fund Cash Balances, January 1	(36,903)	20,397	10,877	(5,629)
Fund Cash Balances, December 31	(\$57,776)	\$53,118	\$9,780	\$5,122

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 SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Proprietary Fund Types	Fiduciary Fund Types	Totals (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts:			
Charges for Services	\$174,473	\$	\$174,473
Miscellaneous	81		81
Total Operating Cash Receipts	174,554	0	174,554
Operating Cash Disbursements:			
Personal Services	39,507		39,507
Contractual Services	75,884		75,884
Other	7,270		7,270
Capital Outlay	700		700
Total Operating Cash Disbursements	123,361	0	123,361
Operating Income/(Loss)	51,193	0	51,193
Non-Operating Cash Receipts:			
Other Non-Operating Receipts		10,513	10,513
Total Non-Operating Cash Receipts	0	10,513	10,513
Non-Operating Cash Disbursements:			
Debt Service:			
Principal Payments	21,023		21,023
Interest Payments	29,349		29,349
Other Non-Operating Cash Disbursements		12,744	12,744
Total Non-Operating Cash Disbursements	50,372	12,744	63,116
Net Receipts Over/(Under) Disbursements	821	(2,231)	(1,410)
Fund Cash Balances, January 1	61,060	2,740	63,800
Fund Cash Balances, December 31	\$61,881	\$509	\$62,390

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, 2004**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$11,762	\$	\$2,283	\$14,045
Intergovernmental Receipts	26,277	314,002		340,279
Fines, Licenses, and Permits	16,726			16,726
Earnings on Investments	84			84
Miscellaneous	4,895	887		5,782
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	59,744	314,889	2,283	376,916
	<hr/>	<hr/>	<hr/>	<hr/>
Cash Disbursements:				
Current:				
Security of Persons and Property	20,893	14,377		35,270
Leisure Time Activities	13,400			13,400
Transportation		5,290		5,290
General Government	50,057	1,063		51,120
Debt Service:				
Principal Payments	1,056	242	987	2,285
Interest Payments	192	348	845	1,385
Capital Outlay	12,800	272,488	3,947	289,235
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	98,398	293,808	5,779	397,985
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts Over/(Under) Cash Disbursements	(38,654)	21,081	(3,496)	(21,069)
	<hr/>	<hr/>	<hr/>	<hr/>
Other Financing Receipts/(Disbursements):				
Sale of Bonds or Notes	9,800			9,800
	<hr/>	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts/(Disbursements)	9,800	0	0	9,800
	<hr/>	<hr/>	<hr/>	<hr/>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(28,854)	21,081	(3,496)	(11,269)
	<hr/>	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	(8,049)	(684)	14,373	5,640
	<hr/>	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	<u>(\$36,903)</u>	<u>\$20,397</u>	<u>\$10,877</u>	<u>(\$5,629)</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 SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$167,269	\$	\$167,269
Miscellaneous	406		406
	<u>167,675</u>	<u>0</u>	<u>167,675</u>
Total Operating Cash Receipts			
Operating Cash Disbursements:			
Personal Services	56,841		56,841
Fringe Benefits			0
Contractual Services	50,905		50,905
Supplies and Materials	16,929		16,929
Other	12,150		12,150
	<u>136,825</u>	<u>0</u>	<u>136,825</u>
Total Operating Cash Disbursements			
Operating Income/(Loss)	<u>30,850</u>	<u>0</u>	<u>30,850</u>
Non-Operating Cash Receipts:			
Other Non-Operating Receipts		19,094	19,094
	<u>0</u>	<u>19,094</u>	<u>19,094</u>
Total Non-Operating Cash Receipts			
Non-Operating Cash Disbursements:			
Debt Service:			
Principal Payments	19,590		19,590
Interest Payments	30,258		30,258
Other Non-Operating Cash Disbursements	7,047	20,044	27,091
	<u>56,895</u>	<u>20,044</u>	<u>76,939</u>
Total Non-Operating Cash Disbursements			
Net Receipts Over/(Under) Disbursements	(26,045)	(950)	(26,995)
Fund Cash Balances, January 1	<u>87,105</u>	<u>3,690</u>	<u>90,795</u>
Fund Cash Balances, December 31	<u>\$61,060</u>	<u>\$2,740</u>	<u>\$63,800</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, 2005 AND 2004**

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 governs the Village. The Village provides water and sewer utilities and police services.

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

B. Basis of Accounting

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. This basis 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 adequately disclose material matters the Auditor of State prescribes.

C. Cash and Investments

The Village values certificates of deposit at cost.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

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

Natureworks Grant Fund -This fund receives grant money to purchase playground equipment for the Village parks.

**VILLAGE OF RUTLAND
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

Miscellaneous Grant Fund - This fund receives grant money and on-behalf grant payments for various Village projects.

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 receives real estate tax money for purposes of making debt payments related to prior year debt.

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 receives charges for services from residents to cover water service costs.

Sewer Fund - This fund receives charges for services from residents to cover sewer service costs.

Sewer Debt Fund - This fund receives a portion of the charges for services from residents to cover the debt payments of the water and sewer plants.

5. Fiduciary Funds (Agency Funds)

Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant fiduciary funds:

Mayor's Court Fund - This fund accounts for the activity of the Village's Mayor's Court. This fund was classified as an Agency Fund.

E. Budgetary Process

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

**VILLAGE OF RUTLAND
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2005 and 2004 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

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

G. 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. EQUITY IN POOLED CASH

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

	<u>2005</u>	<u>2004</u>
Demand deposits	\$57,512	\$23,171
Certificates of deposit	10,000	35,000
Total deposits	<u>\$67,512</u>	<u>\$58,171</u>

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

**VILLAGE OF RUTLAND
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2005 and 2004 follows:

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$34,465	\$43,218	\$8,753
Special Revenue	21,582	135,846	114,264
Capital Projects	0	0	0
Enterprise	144,360	174,554	30,194
Total	\$200,407	\$353,618	\$153,211

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$69,377	\$64,091	\$5,286
Special Revenue	20,082	103,125	(83,043)
Capital Projects	20,816	1,097	19,719
Enterprise	159,000	173,733	(14,733)
Total	\$269,275	\$342,046	(\$72,771)

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$0	\$69,544	\$69,544
Special Revenue	0	314,889	314,889
Capital Projects	0	2,283	2,283
Enterprise	0	167,675	167,675
Total	\$0	\$554,391	\$554,391

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$98,398	(\$98,398)
Special Revenue	0	293,808	(293,808)
Capital Projects	0	5,779	(5,779)
Enterprise	0	193,720	(193,720)
Total	\$0	\$591,705	(\$591,705)

**VILLAGE OF RUTLAND
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

Contrary to Ohio law, the following funds had negative fund balances at December 31:

Fund	2005	2004
General	\$ (57,776)	\$ (36,903)
Natureworks Grant	(6,993)	
Cabin		(365)
Sewer	(77,861)	(65,973)

Contrary to Ohio law, expenditures exceeded appropriations in the Street Construction, Maintenance, and Repair Fund by \$7,095, in the State Highway Improvement Fund by \$816, in the Civic Center Fund by \$1,352, in the Law Enforcement Trust Fund by \$744, in the Miscellaneous Grant Fund by \$46,168, in the Natureworks Grant Fund by \$27,358, in the Sewer Fund by \$20,486 and Utility Deposit Fund by \$116 for the year ended December 31, 2005. Additionally, expenditures exceeded appropriations by 100% in all funds for the year ended December 31, 2004.

Contrary to Ohio law, total appropriations exceeded estimated resources in the General Fund by \$70,987, in the Cabin Fund by \$365, in the Capital Improvement Fund by \$10,510 and in the Sewer Fund by \$68,613 for the year ended December 31, 2005. Additionally, appropriations exceeded actual resources in the General Fund by \$62,743 for the year ended December 31, 2005.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Village Council adopts 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 State pays the Village amounts equaling these deductions. The Village includes these with Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half payment is due December 31. The second half payment is due the following June 20.

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

Property owners assess tangible personal property tax. They must file a list of tangible 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 the Village's behalf.

5. DEBT

Debt outstanding at December 31, 2005 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan #1858	\$363,408	7.50%
Ohio Water Development Authority Loan #1859	2,045	7.00%
Ohio Water Development Authority Loan #3068	31,423	6.02%
Cabin Loan	26,948	4.46%
Tractor Loan	6,886	3.45%
Total	<u>\$430,710</u>	

**VILLAGE OF RUTLAND
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

5. DEBT (Continued)

The Ohio Water Development Authority (OWDA) loans #1858 and #1859 relate to a sewer plant improvement project. The OWDA approved loans in previous years of \$523,533 and \$2,881, respectively for this project. These loans will be repaid in semiannual installments of \$23,483 and \$132, respectively. Revenues from sewer receipts will be used to repay this debt.

The Ohio Water Development Authority (OWDA) loan #3068 relates to a water line replacement project. The OWDA approved a loan in previous years of \$52,928 for this project. This loan will be repaid in semiannual installments of \$2,311. Revenues from water receipts will be used to repay this debt.

The cabin note was obtained during 2002 to pay for capital improvements with the cabin pledged as collateral. However, the funds were used to meet general operating expenditures in the year the loan was obtained and no subsequent capital improvements or reimbursements to the Capital Improvement Fund were made. The Village approved a \$30,000 loan 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. Contrary to Ohio Revised Code Section 133.03 (D), the Village entered into a twenty year note to meet current operating expenditures.

The tractor loan was obtained during 2004 to purchase a tractor which is also pledged as collateral. The Village approved a \$9,800 loan for five years. This loan will be repaid in monthly installments.

Amortization of the above debt, including interest, follows:

Year ending December 31:	OWDA Loan #1858	OWDA Loan #1859	OWDA Loan #3068	Cabin Loan	Tractor Loan
2006	\$46,967	\$264	\$4,622	\$2,282	\$2,139
2007	46,967	264	4,622	2,282	2139
2008	46,967	264	4,622	2,282	2139
2009	46,967	264	4,622	2,282	891
2010	46,967	264	4,622	2,282	
2011-2015	234,833	1,322	18,488	11,410	
2016-2020	93,933	528		11,410	
2021-2022				4,374	
Total	<u>\$563,601</u>	<u>\$3,170</u>	<u>\$41,598</u>	<u>\$38,604</u>	<u>\$7,308</u>

Amortization of the Cabin Loan was calculated based on the rate as of December 31, 2005.

6. RETIREMENT SYSTEMS

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 8.5 percent of their wages. The Village contributed an amount equal to 13.55 percent of participants' gross salaries.

Effective July 1, 1991, all employees not otherwise covered by a state retirement system have an option to choose Social Security or the appropriate state system. During 2005 and 2004 the Village had two employees who paid into Social Security. The Village's liability is 6.2% of wages paid.

**VILLAGE OF RUTLAND
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

7. RISK MANAGEMENT

Risk Pool Membership

The Village belongs 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. PEP is a member of the American Public Entity Excess Pool (APEEP). 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 Coverage

PEP retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000 from the General Reinsurance Corporation.

If losses exhaust PEP's retained earnings, APEEP covers PEP losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

PEP retains property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsures losses exceeding \$100,000 up to \$500,000,000 per occurrence. APEEP's Guarantee Fund pays losses and loss adjustment expenses exceeding operating contributions.

The aforementioned casualty and property reinsurance agreements do not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective local 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, 2004 and 2003 (the latest information available):

<u>Casualty Coverage</u>	<u>2004</u>	<u>2003</u>
Assets	\$30,547,049	\$25,288,098
Liabilities	<u>(16,989,918)</u>	<u>(12,872,985)</u>
Retained earnings	<u>\$13,557,131</u>	<u>\$12,415,113</u>

<u>Property Coverage</u>	<u>2004</u>	<u>2003</u>
Assets	\$3,652,970	\$3,158,813
Liabilities	<u>(544,771)</u>	<u>(792,061)</u>
Retained earnings	<u>\$3,108,199</u>	<u>\$2,366,752</u>

**VILLAGE OF RUTLAND
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

8. CONTINGENT LIABILITIES

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

9. DEFICIT FUND BALANCES

As of December 31, 2005 the Village had deficit fund balances of \$57,776 in the General Fund, \$6,993 in the Natureworks Grant Fund and \$77,861 in the Sewer Fund. As of July 31, 2006, the Village had unaudited deficit fund balances of \$50,782 in the General Fund, \$300 in the Nature Works Fund, \$158 in the Log Cabin Fund, \$19,807 in the Water Fund and \$62,019 in the Sewer Fund. As of August 17, 2006, the Village had outstanding audit fee obligations to the Auditor of State in the amount of \$70,834 of which includes obligations for prior audit fees that were past due by more than 90 days in the amount of \$51,656. The Village has agreed to make payments to the Auditor of State in the amount of \$500 per month. The Village is also behind on payments to the Bureau of Workers Compensation. As of May 25, 2006, the Village owed BWC \$8,161. No payment plan has been set up concerning this balance. The Village did not track any other outstanding obligations and was unable to determine the balance of any other outstanding obligations as of August 17, 2006. The Village has not taken any steps to reduce the negative fund balances.



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' 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 420
337 Main Street
Rutland, Ohio 45775

To the Village Council:

We have audited the financial statements of the Village of Rutland, Meigs County, Ohio (the Village), as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated August 17, 2006, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted we were unable to obtain sufficient evidential matter for all disbursements and the Village did not properly record encumbrances in its budgetary presentation. Except regarding the lack of evidential matter for some disbursements, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings as items 2005-007 through 2005-009, 2005-012, and 2005-017 through 2005-025.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. We consider reportable conditions 2005-007 through 2005-009, 2005-012, 2005-017 through 2005-022, and 2005-024 listed above to be material weaknesses. In a separate letter to the Village's management dated August 17, 2006, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

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Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2005-001 through 2005-021. In a separate letter to the Village's management dated August 17, 2006, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the audit committee, management, and the Village Council. It is not intended for anyone other than these specified parties.



Betty Montgomery
Auditor of State

August 17, 2006

**VILLAGE OF RUTLAND
MEIGS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004**

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

FINDING NUMBER 2005-001

Finding for Recovery

Ohio Rev. Code Section 731.13 states that the legislative authority of a village shall fix the compensation and bonds of all officers, clerks, and employees of the village except as otherwise prohibited by law. The legislative authority shall, in the case of elective officers, fix their compensation for the ensuing term of office at a meeting held not later than five days prior to the last day fixed by law for filing as a candidate for such office. All bonds shall be made with sureties subject to the approval of the mayor. The compensation so fixed shall not be increased or diminished during the term for which any officer is elected or appointed.

On December 9, 1997, Village Council approved to raise the salary of the Village Mayor by \$150 per year, resulting in a total salary of \$300 per year with an additional \$20 paid for each Village Council meeting attended. Per review of the Village Council minute record, Ordinance Number 2004-3 was approved on March 9, 2004 stating the salary of the Mayor's office be set at the amount of \$500 per year payable no later than the 31st day of December in the year so served. Since the current Mayor took office in January 2004, she was not entitled to this in-term increase and would fall under the 1997 policy as explained in the first sentence. Per review of the Village Council minute record, April Burke attended 10 council meetings in 2004 and 13 council meetings in 2005. This resulted in earnings as follows:

Year	Salary	# Meetings Attended	Rate per Meeting	Meeting Pay	Total Pay
2004	\$ 300	10	\$ 20	\$ 200	\$ 500
2005	300	13	\$ 20	260	560
					\$ 1,060

Per review of canceled checks signed by April Burke, Mayor, and Deborah Whitlatch, Fiscal Officer, April Burke was compensated for all Village related meetings in 2004 (Council meetings or otherwise) and she was given the salary of \$500 per year for 2004 and 2005 based on Ordinance Number 2004-3 adopted during 2004, resulting in payments as follows:

Year	Salary	# Meetings Attended	Rate per Meeting	Meeting Pay	Total Pay
2004	\$ 500	20	\$ 20	\$ 400	\$ 900
2005	500	13	20	260	760
					\$ 1,660

This resulted in an overpayment as follows:

Year	Earnings	Payments	Overpayment
2004	\$ 500	\$ 900	\$ (400)
2005	560	760	(200)
			\$ (600)

On May 9, 2006, Mayor April Burke brought it to our attention that she was overcompensated \$200 in 2004 for attending Village related meetings that were not Council meetings. On June 20, 2006, Village Council approved withholding the overpayment related to attending extra meetings from her 2006 salary.

**VILLAGE OF RUTLAND
MEIGS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2005-001 (Continued)

Finding for Recovery (Continued)

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 April Burke, Mayor, and Deborah Whitlatch, Fiscal Officer, jointly and severally, in the amount of \$600 in favor of the Village's General Fund.

Officials Response:

The Mayor will ask permission of Council to forego her salary for the present year and reimburse the Village for the balance.

FINDING NUMBER 2005-002

Finding for Recovery

Ohio Rev. Code Section 731.13 states that the legislative authority of a village shall fix the compensation and bonds of all officers, clerks, and employees of the village except as otherwise prohibited by law.

Deborah Whitlatch was employed as the Village Office Manager at \$7.00 per hour up to 60 hours per pay period. The Village Office Manager pay rate was increased to \$7.25 per hour on March 9, 2004. During the March 9, 2004 meeting, Deborah Whitlatch was approved to be the Fiscal Officer at \$8.25 per hour up to 70 hours per pay period. On pay date March 25, 2004 for pay period ending March 21, 2004, Ms. Whitlatch was compensated \$7.25 per hour (Office Manager rate) for 60 hours rather than \$8.25 per hour (Fiscal Officer rate), resulting in an underpayment of \$60. However, on March 31, 2004, Deborah Whitlatch received an additional check for 24.25 hours at \$12.50 per hour, with the check stub notation that it was payment for clerk's duties. There is no documentation supporting these hours worked or this rate of pay, resulting in an overpayment of \$303.13. The net overpayment of these two transactions is \$243.13. Per review of canceled checks, these checks were signed by Deborah Whitlatch, Fiscal Officer, and April Burke, Mayor.

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 Deborah Whitlatch, Fiscal Officer, and April Burke, Mayor, jointly and severally, in the amount of \$243.13 in favor of the Village's General Fund.

Officials Response:

The Village will proceed with collection procedures to recover these funds.

**VILLAGE OF RUTLAND
MEIGS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004
(Continued)**

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

FINDING NUMBER 2005-003

Finding for Recovery

Ohio Rev. Code Section 731.13 states that the legislative authority of a village shall fix the compensation and bonds of all officers, clerks, and employees of the village except as otherwise prohibited by law. The legislative authority shall, in the case of elective officers, fix their compensation for the ensuing term of office at a meeting held not later than five days prior to the last day fixed by law for filing as a candidate for such office. All bonds shall be made with sureties subject to the approval of the mayor. The compensation so fixed shall not be increased or diminished during the term for which any officer is elected or appointed.

Village Council established the Village Fiscal Officer's salary at \$250 per month on June 15, 1999. Suzanne Johnson held the position of Village Fiscal Officer through March 17, 2004. Suzanne Johnson received the full payment of \$250 on check number 20741 for the period March 1, 2004 through March 31, 2004 although she did not work the full month. This resulted in 14 days' overpayment, which is calculated as \$112.90 ($\$250/31\text{days} \times 14\text{ days}$). This check was signed by Deborah Whitlatch, Fiscal Officer, and April Burke, Mayor.

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 Suzanne Johnson, former Fiscal Officer, Deborah Whitlatch, Fiscal Officer, and April Burke, Mayor, jointly and severally, in the amount of \$112.90 in favor of the Village's General Fund.

Officials Response:

The Village will proceed with collection procedures to recover these funds.

FINDING NUMBER 2005-004

Finding for Recovery

Ohio Rev. Code Section 731.13 states that the legislative authority of a village shall fix the compensation and bonds of all officers, clerks, and employees of the village except as otherwise prohibited by law.

Village Council approved hiring Gary Freeman as Waste Water Operator on September 21, 2004 for the amount of \$500 per month to be divided into two biweekly payments of \$250. This rate of pay was again approved in the minutes of August 2, 2005 when personnel pay rates were clarified. Gary Freeman was paid on the same biweekly schedule as all other employees. During months where three payments were issued to other Village employees, Gary Freeman also received three bi-weekly payments of \$250 rather than the approved two bi-weekly payments. These three bi-weekly payments of \$250 were received in December 2004, June 2005, and December 2005. This resulted in a total overpayment of \$750. The additional checks issued to Gary Freeman were signed by Deborah Whitlatch, Fiscal Officer, and April Burke, Mayor, with two of these checks being paid from the Water Fund and one being paid from the Sewer Fund.

VILLAGE OF RUTLAND
MEIGS COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004
(Continued)

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

FINDING NUMBER 2005-004(Continued)

Finding for Recovery (Continued)

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 Gary Freeman, Waste Water Operator, Deborah Whitlatch, Fiscal Officer, and April Burke, Mayor, jointly and severally, in the amount of \$500 in favor of the Village's Water Fund and in the amount of \$250 in favor of the Village's Sewer Fund.

Officials Response:

The Village will proceed with collection procedures to recover these funds.

FINDING NUMBER 2005-005

Finding for Recovery

On August 2, 2005 Village Council approved the purchase and use of cell phones and signal enhancing equipment for the police department, Mayor, and one Village employee so they could be reached in an emergency. Prior to that date, the Village paid for several monthly cellular phone service bills throughout 2004 and 2005. We are aware that without special cellular phone equipment, a cellular phone signal is not available within the Village limits for this cellular phone service, and the Village did not have the special equipment for the cellular phones until August, 2005. In addition, the Village paid for pager service which provided an alternative method of communication for Village employees which assumedly made cellular phones unnecessary for Village operations. We were unable to determine which employees were responsible for the cellular phone charges; however, all checks were signed by the Village Fiscal Officer and Village Mayor. The following payments were made during 2005 and 2004:

Check #	Date	Amount	Check Signed By
20689	2/9/2004	\$91.61	Suzanne Johnson, April Burke
20726	3/11/2004	37.99	Suzanne Johnson, April Burke
20753	4/6/2004	34.90	Deborah Whitlatch, April Burke
20810	5/12/2004	34.90	Deborah Whitlatch, April Burke
20864	6/7/2004	35.08	Deborah Whitlatch, April Burke
20912	7/13/2004	35.08	Deborah Whitlatch, April Burke
20954	8/5/2004	35.10	Deborah Whitlatch, April Burke
21028	9/29/2004	52.14	Deborah Whitlatch, April Burke
21082	10/27/2004	75.31	Deborah Whitlatch, April Burke
21179	12/7/2004	557.81	Deborah Whitlatch, April Burke
		<u>\$989.92</u>	

VILLAGE OF RUTLAND
MEIGS COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004
(Continued)

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

FINDING NUMBER 2005-005 (Continued)

Finding for Recovery (Continued)

Check #	Date	Amount	Check Signed By
21258	2/8/2005	\$88.14	Deborah Whitlatch, April Burke
21303	3/17/2005	136.64	Deborah Whitlatch, April Burke
21334	4/4/2005	131.98	Deborah Whitlatch, April Burke
21405	5/20/2005	129.53	Deborah Whitlatch, April Burke
21426	6/8/2005	133.82	Deborah Whitlatch, April Burke
21476	7/8/2005	130.56	Deborah Whitlatch, April Burke
21521	8/15/2005	133.22	Deborah Whitlatch, April Burke
		<u>\$883.89</u>	

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 Suzanne Johnson, former Village Fiscal Officer, and April Burke, Village Mayor, jointly and severally, in the amount of \$129.60, in favor of the Village's General Fund.

Additionally, in accordance with Ohio Rev. Code Section 117.28, a finding for recovery is hereby issued for public monies illegally expended against Deborah Whitlatch, Village Fiscal Officer, and April Burke, Village Mayor, jointly and severally, in the amount of \$1,744.21, in favor of the Village's General Fund.

Officials Response:

On August 2, 2005 Village Council voted to amend the minutes of January 2004 through August 2005 retroactively to include information about cell phone use that was inadvertently omitted from minutes during that period. The amendment was worded: "To approve the purchase and use of cell phones and signal enhancing cell phone equipment for the Village police dept, the Mayor and Village employee Ray DeWitt so that he may be reached for water/sewer emergencies if needed."

Auditor of State's Analysis:

As stated in AOS Bulletin 2003-005: "Ohio Attorney General Opinion 82-006 addresses the expenditure of funds for public purposes. This opinion, citing the Ohio Supreme Court case of State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951), provides guidance as to what may be construed as a public purpose. There are two criteria that demonstrate whether expenditures are for a public purpose. First, the expenditure is required for the general good of all inhabitants. Second, the primary objective of the expenditure is to further a public purpose, even if an incidental private end is advanced.

The determination of what constitutes a public purpose is primarily a legislative function. As such, the decision to expend public funds "...must be made in accordance with the procedural formalities governing the exercise of legislative power. Specifically, the decision must be memorialized by a duly enacted ordinance or resolution and may have prospective effect only." 1982 Op. Atty. Gen No. 82-006."

In our review of the minutes of Village Council, we did not note a Council approved policy governing obtaining prior authorization by Council for these types of expenditures. An ordinance or resolution should be adopted by the Council **with prospective effect only** indicating its approval and the reasons the expenditure(s) constitute a proper public purpose.

VILLAGE OF RUTLAND
MEIGS COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004
(Continued)

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

FINDING NUMBER 2005-006

Finding for Recovery

Ohio Rev. Code Section 2949.091(A)(1) states the court in which any person is convicted of or pleads guilty to any offense other than a traffic offense that is not a moving violation, shall impose the sum of fifteen dollars as costs in the case in addition to any other court costs that the court is required by law to impose upon the offender. All such moneys collected during a month shall be transmitted on or before the twentieth day of the following month by the clerk of the court to the treasurer or state and deposited by the treasurer of state into the general revenue fund.

The Village assessed the appropriate fines; however, not all monies were remitted to the Treasurer of State. These amounts were instead paid into the Village General Fund. Fines collected and disbursed were as follows:

	2004	2005	Total
Total Fines Collected Due to the Treasurer of State	\$ 3,528	\$ 2,280	\$ 5,808
Total Fines Distributed to the Treasurer of State	3,122	2,016	5,138
Amount Remaining Due to the Treasurer of State	\$ 406	\$ 264	\$ 670

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 due but not collected, against the Village of Rutland General Fund, in the amount of \$670, in favor of the Treasurer of State of Ohio.

Officials Response:

The Village will reimburse the Treasurer of the State for these charges.

FINDING NUMBER 2005-007

Noncompliance Citation/Material Weakness

Ohio Rev. Code Section 118.021, states a municipal corporation, county or township may undergo a fiscal watch review to determine whether it is approaching a state of fiscal emergency. The review may be initiated by a written request to the Auditor of State from the mayor of the municipal corporation or by the presiding officer of the legislative authority, when authorized by a majority of the members of the legislative authority, or initiated by the Auditor of State.

Pursuant to Section 118.03, any one or more of the following are conditions of a fiscal emergency:

- (1) The existence, at the time of the determination by the AOS under Ohio Rev. Code §118.04 of a default on any debt obligation for more than thirty days.

OR

**VILLAGE OF RUTLAND
MEIGS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2005-007 (Continued)

Noncompliance Citation/Material Weakness - Ohio Rev. Code Section 118.021 (Continued)

- (2) The existence, at the time of the determination by the AOS under Ohio Rev. Code §118.04 of a failure for lack of cash in the funds to make payment of all payroll to the employees of a municipal corporation, county, or township in the amounts and at the times required by law, ordinances, resolutions, or agreements, which failure of payment has continued:
- (a) For more than thirty days after such time for payment, or
 - (b) Beyond a period of extension, or beyond the expiration of ninety days from the original time for payment, whichever occurs first, if the time for payment has been extended for more than thirty days by the written consent of at least two-thirds of the employees affected by such failure to pay, acting individually or by their duly authorized representatives. The failure of one county office, board, or commission to meet payroll does not in itself constitute a fiscal emergency.

OR

- (3) An increase, by action of the county budget commission pursuant to Ohio Rev. Code §5705.31(D) in the minimum levy of the municipal corporation, county, or township for the current or next fiscal year which results in a reduction in the minimum levies for one or more other subdivisions or taxing districts.

OR

- (4) The existence of a condition in which all accounts that, at the end of its preceding fiscal year, were due and payable from the general fund and that either had been due and payable for at least thirty days at the end of the fiscal year or to which a penalty has been added for failure to pay by the end of the fiscal year, including, but not limited to, final judgments, fringe benefits payments due and payable, and amounts due and payable to persons and other governmental entities and including any interest and penalties thereon, less the year-end balance in the general fund, exceeded one-sixth of the general fund budget for that year, or in which all accounts that, at the end of its preceding fiscal year, were due and payable from all funds of the municipal corporation, county, or township and that either had been due and payable for at least thirty days at the end of that fiscal year or to which a penalty has been added for failure to pay by the end of the fiscal year, less the year-end balance in the general fund and in the respective special funds lawfully available to pay such accounts, exceeded one-sixth of the available revenues during the preceding fiscal year, excluding nonrecurring receipts, of the general fund and of all special funds from which such accounts lawfully are payable. Accounts due and payable shall not include any account, or portion thereof, that is being contested in good faith.

OR

- (5) The existence of a condition in which the aggregate of deficit amounts of all deficit funds at the end of its preceding fiscal year, less the total of any year-end balance in the general fund and in any special fund that may be transferred as provided in Ohio Rev. Code § 5705.14 to meet such deficit, exceeded one-sixth of the total of the general fund budget for that year and the receipts to those deficit funds during that year other than from transfers from the general fund.

OR

**VILLAGE OF RUTLAND
MEIGS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2005-007 (Continued)

Noncompliance Citation/Material Weakness - Ohio Rev. Code Section 118.021 (Continued)

- (6) The existence of a condition in which, at the end of the preceding fiscal year, moneys and marketable investments in or held for the unsegregated treasury of the municipal corporation, county or township, minus outstanding checks and warrants, were less in amount than the aggregate of the positive balances of the general fund and those special funds the purposes of which the unsegregated treasury is held to meet, and such deficiency exceeded one-sixth of the total amount received into the unsegregated treasury during the preceding fiscal year.

As of December 31, 2005, the Village met condition (5) listed above.

We recommend the Village Mayor and Council consider contacting the Local Government Services division of the Auditor of State's Office to determine if a written declaration of fiscal emergency is necessary based on the Village's current financial condition. In addition, the Village should develop and implement a financial plan for corrective action.

Officials Response:

The Mayor has contacted and met with a representative of Local Government Services (LGS) regarding fiscal emergency and will implement a plan for corrective action.

FINDING NUMBER 2005-008

Noncompliance Citation/Material Weakness

Ohio Rev. Code Section 149.351(A) requires all records which are the property of the public office shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commissions provided under section 149.38 to 149.42 of the Ohio Rev. Code.

During 2005, 16% of expenditures had no supporting documentation, 32% of expenditures could not be determined whether paid from a reasonable fund, 29% of expenditures could not be determined whether a proper public purpose due to lack of supporting documentation and 29% of vouchers tested had invoice copies attached rather than original invoices.

During 2004, 21% of expenditures had no supporting documentation, 28% of expenditures could not be determined whether paid from a reasonable fund due to either no supporting documentation or lack of detailed supporting documentation, 26% of expenditures could not be determined whether a proper public purpose due to lack of supporting documentation and 49% of vouchers tested had invoice copies attached rather than original invoices. This could result in inaccurate and/or inappropriate expenditures.

During utility testing, Deposit Summary reports for the month of August, 2005 could not be located for testing. However, review of Customer Balance Detail reports indicated that bills were sent for the month of August and payments were made. This could result in daily deposit information not being available if needed for reconciliation purposes.

VILLAGE OF RUTLAND
MEIGS COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004
(Continued)

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

FINDING NUMBER 2005-008
(Continued)

Noncompliance Citation/Material Weakness - Ohio Rev. Code Section 149.351(A) (Continued)

During testing of Mayor's Court, 7% of tickets tested could not be located. This could result in docket/case file information being inaccurate.

We recommend the Village require all supporting documentation be maintained in order for the Village to ensure that all expenditures are accurate and appropriate. We also recommend the Fiscal Officer maintain all Daily Summary reports and the Mayor/Police Department maintain all tickets.

Officials Response:

The Village has corrected its methods of record keeping and now maintains all supporting documentation for all transactions.

FINDING NUMBER 2005-009

Noncompliance Citation/Material Weakness

Ohio Rev. Code Section 703.20 states, in pertinent part, that Villages may surrender their corporate powers upon the petition to the legislative authority of the Village of at least forty percent of the electors in the Village, and by an affirmative vote of a majority of such electors at a special election. If the result of the election is in favor of such surrender, the village clerk shall certify the results to the Secretary of State and the County Recorder, and thereupon the corporate powers of such Village shall cease.

The Village's General Fund cash balance as of December 31 for the last eight years was as follows:

1998	\$9,071
1999	\$13,482
2000	\$20,871
2001	\$15,977
2002	\$10,010
2003	(\$8,049)
2004	(\$36,903)
2005	(\$57,776)

The Village has not developed a financial plan or taken corrective action as outlined in previous audit reports. The position of Village Clerk-Treasurer has been an elected position; however, due to an extremely high turnover and inability to fill the position, Village Council adopted an ordinance in 2004, making it an appointed position rather than elected.

**VILLAGE OF RUTLAND
MEIGS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004
(Continued)**

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

FINDING NUMBER 2005-009 (Continued)

Noncompliance Citation/Material Weakness - Ohio Rev. Code Section 703.20 (Continued)

The "Independent Accountants' Report" for the year ended December 31, 2000 was qualified due to omission of receipt and disbursement classifications. The Independent Accountants' Report for the years ended December 31, 2003 and 2002, "disclaimed an opinion" on all Village financial statements. The Independent Accountants' Report included in this report for the years ended December 31, 2005 and 2004, was qualified due to lack of support for expenditures. Audit reports from 1998 to 2005 consistently reported material weaknesses regarding record keeping and other significant internal control weaknesses. These weaknesses also underscore the Village's difficulty obtaining the resources necessary to make significant renovations or improvements to the water and/or sewer infrastructure system, as the Village's financial reports and condition discloses that funds have not been set aside for emergency repairs or enhancements to the infrastructure system.

With the conditions noted above, and the ongoing financial concerns and constraints that the Village is operating under, we recommend that the Village Council consider circulating a petition for the surrender of corporate power as outlined in Ohio Rev. Code Section 703.20.

Officials Response:

The Village has corrected many of its policies regarding spending and is taking steps to increase revenue where possible and curtail spending. The Village plans to work with Local Government Services (LGS) and follow recommendations. The Village realizes that it will take years to improve the financial outlook for the Village but Village Council plans to make every effort to make this happen.

FINDING NUMBER 2005-010

Noncompliance Citation

Ohio Rev. Code Section 731.14 provides that generally, all contracts made by the legislative authority of a municipal government for material and labor which exceed \$25,000 are subject to competitive bidding procedures. Competitive bidding procedures require that a contract be entered into in writing with the lowest and best bidder after advertisement of the proposal for bids for not less than two nor more than four consecutive weeks in a newspaper of general circulation within the municipality. Contracts for used equipment, supplies at a public auction, or emergencies can be entered into without following competitive bidding procedures.

A contract was entered into with Jeffers Coal, Trucking and Excavating, Inc. in the amount of \$46,000 to perform sewer/water line relocation project. There was no indication in the minutes of requests for bids for the project, declaration of an emergency, or legislative approval for the project. The Village did not advertise for bids in the local newspaper. A copy of the contract could not be located. The Village did not retain a complete copy of the invoice. A copy of the invoice provided by the Ohio Department of Transportation did not include adequate information as to work performed or materials used. This could result in inaccurate and/or inappropriate expenditures.

**VILLAGE OF RUTLAND
MEIGS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004
(Continued)**

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

**FINDING NUMBER 2005-010
(Continued)**

Noncompliance Citation - Ohio Rev. Code Section 731.14 (Continued)

We recommend the Village Council approve all solicitations for bids as well as approval of all contracts awarded in the minutes. We also recommend Council review Ohio Revised Code requirements prior to solicitation of bids for any project which will exceed the \$25,000 threshold. The Village should also maintain all documentation related to any project in the event that questions or concerns arise regarding the work performed or materials used.

Officials Response:

The Village will comply with all regulations regarding contracts and/or bidding.

FINDING NUMBER 2005-011

Noncompliance Citation

Ohio Rev. Code Section 733.27(A) states in part that the village clerk shall attend all meetings of the legislative authority of the village, and keep a record of its proceedings and of all rules, bylaws, resolutions, and ordinances passed or adopted, which shall be subjected to the inspection of all persons interested.

During review of the Village minutes, we noted several deficiencies. These included: the minute record did not contain sufficient detail of all official actions of the Village including, but not limited to, approval of employee pay rates and rate increases, approval of required budgetary documents, approval of expenditures, and documentation of financial information reviewed. Executive sessions were held to discuss the Village financial situation which should be discussed in open session. This resulted in the lack of a permanent document of all official actions of the Village Council and could result in unauthorized changes taking place and going undetected for an extended period of time.

We recommend that all official actions of the Village be recorded in sufficient detail in the minutes, to include the information noted above.

Officials Response:

The Fiscal Officer has been instructed to improve the written minutes of Village Council Meetings to include all necessary information.

**VILLAGE OF RUTLAND
MEIGS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2005-012

Noncompliance Citation/Material Weakness

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

Ohio Admin. Code Section 117-2-02(A) requires public offices to maintain an accounting system and accounting records sufficient 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. Per Ohio Admin. Code Section 117-2-02(D), accounting records that can help achieve these objectives include:

1. Cash journal, which typically includes the amount, date, receipt number, check number, account code, purchase order number, and any other information necessary to properly classify the transaction.
2. Receipts ledger, which typically assembles and classifies receipts into separate accounts for each type of receipt of each fund.
3. Appropriation ledger, which assembles and classifies disbursements into separate accounts, for at a minimum, each account listed in the appropriation resolution.
4. In addition, all local public offices should maintain or provide a report similar to the following accounting records:
 - a. Payroll records including:
 - i. W-2's, W-4's and other withholding records and authorizations;
 - ii. Payroll journal that records, assembles and classifies by pay period the name of employee, social security number, hours worked, wage rates, pay date, withholdings by type, net pay, and other compensation paid to an employee (such as a termination payment), and the fund and account charged for the payments;
 - iii. Check register that includes, in numerical sequence, the check number, payee, net amount, and the date;
 - iv. Information regarding non monetary benefits such as car usage and life insurance Information, by employee, regarding leave balances and usage.

Ohio Admin. Code Section 117-9-01 provides suggested account classifications. The accounts classify receipts by source (taxes or charges for services, for example) and classify disbursements by program (security of persons and property, for example) or object (personal services, for example). Using these classifications and the aforementioned accounting records will provide the Village with information required to monitor compliance with the budget and prepare annual reports in the format required by the Auditor of State.

The Village Clerk did not maintain a receipt ledger, appropriation ledger, cash journal, payroll register, or documentation of leave usage. Although the Village utilized QuickBooks Pro to track the financial activity of the Village, the software was not set up for fund accounting and did not provide the Village with sufficient information to identify, assemble, analyze, etc., the financial condition of the Village.

**VILLAGE OF RUTLAND
MEIGS COUNTY**
**SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2005-012 (Continued)

Noncompliance Citation/Material Weakness - Ohio Rev. Code Section 733.28 (Continued)

The Village hired a consultant during 2005 to prepare financial statements for the upcoming audit; however, they did not provide her with adequate information to prepare the financial statements. A cashbook for 2004 was prepared by the consultant in 2005 with information she was able to obtain from the utility and mayor's court receipt books, bank statements, and check register. The consultant also used the same procedures to prepare a cashbook for 2005.

We recommend the Village maintain a receipt ledger, appropriations ledger, cash journal, and a payroll register as well as a system for tracking employee leave usage.

Officials Response:

The Village began using the Uniform Accounting Network (UAN) system in January of 2006. This will assist in all proper fund accounting and record keeping.

FINDING NUMBER 2005-013

Noncompliance Citation

Ohio Rev. Code Section 5705.10 states that money paid into a fund must be used only for the purpose for which such fund has been established. A negative fund balance indicates that money from one fund was used to cover the expenses of another fund.

As of December 31, 2005, the following funds had negative ending balances: General Fund (\$57,776), Nature Works Fund (\$6,993), and Sewer Fund (\$77,861). As of December 31, 2004, the following funds had negative ending balances: General Fund (\$36,903), Cabin Fund (\$365), and Sewer Fund (\$65,973).

We recommend the Village Fiscal Officer review funds balances carefully to ensure that expenses are only covered by monies from that particular fund.

Officials Response:

The Fiscal Officer has corrected this situation.

**VILLAGE OF RUTLAND
MEIGS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004
(Continued)**

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

FINDING NUMBER 2005-014

Noncompliance Citation

Ohio Rev. Code Section 5705.36(A)(2) allows all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon the determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources. Ohio Rev. Code Section 5705.36(A)(3) provides that an increased amended certificate must be obtained from the budget commission if the legislative authority intends to appropriate and expend the excess revenue. Ohio Rev. Code Section 5705.36 (A)(4) provides that a reduced amended certificate must be obtained if the amount of the deficiency will reduce available resources below the current level of appropriation.

The Village had total appropriations that exceeded the available resources (actual receipts plus beginning unencumbered fund balance), at December 31, 2005, as follows:

Fund	Total Appropriations	Actual Revenue Plus Unencumbered Balance	Variance
General	\$69,377	\$6,634	\$62,743

This resulted in the Village expending monies which were not available (See also Finding Number 2005-013).

We recommend the Village closely monitor estimated resources versus appropriations and obtain amendments when necessary.

Officials Response:

The Fiscal Officer will closely monitor these figures and amend our certificate as necessary.

FINDING NUMBER 2005-015

Noncompliance Citation

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

For 2005, Appropriations exceeded estimated resources at year-end in the following funds:

Fund	Estimated Resources	Appropriation	Variance
General	(\$1,610)	\$69,377	(\$70,987)
Cabin	1,917	2,282	(365)
Capitol Improvements	10,306	20,816	(10,510)
Sewer	(38,613)	30,000	(68,613)

**VILLAGE OF RUTLAND
MEIGS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004
(Continued)**

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

**FINDING NUMBER 2005-015
(Continued)**

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

This resulted in the Village expending monies which were not available (See also Finding Number 2005-013).

We recommend the Village closely monitor estimated resources versus appropriations and obtain amendments when necessary.

Officials Response:

The Fiscal Officer will closely monitor these figures and amend our certificate as necessary.

FINDING NUMBER 2005-016

Noncompliance Citation

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

During 2004, no appropriation resolution was adopted. This resulted in 100% of expenditures exceeding appropriations. During 2005, expenditures exceeded appropriations at year-end as follows:

Fund	Appropriations	Expenditures	Variance	Percent Variance
Special Revenue Funds:				
Street	\$16,400	\$23,495	(\$7,095)	-43%
State Highway	1,400	2,216	(816)	-58%
Civic Center	0	1,352	(1,352)	-100%
LETF	0	744	(744)	-100%
Grant Fund	0	46,168	(46,168)	-100%
Nature Works	0	27,358	(27,358)	-100%
	\$17,800	\$101,333	(\$83,533)	
Enterprise Funds:				
Sewer	\$30,000	\$50,486	(\$20,486)	-68%
Utility Deposit	500	616	(116)	-23%
	\$30,500	\$51,102	(\$20,602)	

VILLAGE OF RUTLAND
MEIGS COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004
(Continued)

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

FINDING NUMBER 2005-016 (Continued)

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

This resulted in the Village expending monies which were not available (See also Finding Number 2005-013).

We recommend that the Village review budgetary information on a regular basis to ensure disbursements have not exceeded appropriations at the legal level of control and seek amendments as needed from the Village Council.

Officials Response:

The Fiscal Officer will provide Village Council with the necessary information to correct this and seek amendments as necessary.

FINDING NUMBER 2005-017

Noncompliance Citation/Material Weakness

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.

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.

VILLAGE OF RUTLAND
MEIGS COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004
(Continued)

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

FINDING NUMBER 2005-017 (Continued)

Noncompliance Citation/Material Weakness - Ohio Rev. Code Section 5705.41(D)(1) (Continued)

2. Blanket Certificate – Fiscal officers may prepare “blanket” certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

3. Super Blanket Certificate – The 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.

One hundred percent of the transactions tested during 2005 and 2004 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 resulted 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 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 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.

Officials Response:

The Fiscal Officer now uses the Uniform Accounting Network (UAN) system to create Purchase Orders and Then and Now Purchase Orders.

**VILLAGE OF RUTLAND
MEIGS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004
(Continued)**

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

FINDING NUMBER 2005-018

Noncompliance Citation/Material Weakness

Ohio Admin. Code Sections 117-2-01(D)(3) and (5) state, in part, that when designing the public office's system of internal control and the specific control activities, management should ensure adequate security of assets and records, and verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.

The Village had several Village bank accounts; however bank reconciliations were not performed by the Village Fiscal Officer in 2005 or 2004. As a result, the Village contracted with a consultant to perform this procedure.

We recommend the Village implement adequate procedures over the various cash collection points to safeguard cash received, which would include providing receipts (where applicable) to the payee, proper segregation of duties for the receipting, depositing, recording and reporting of cash, and ensuring bank reconciliations are completed in a timely manner to identify any unreconciled differences which may occur.

Officials Response:

The Fiscal Officer now performs bank reconciliations on a regular basis and receipts are written for monies received.

FINDING NUMBER 2005-019

Noncompliance Citation/Material Weakness

Ohio Admin. Code Section 117-2-01(D)(4) states, in part, when designing the public office's system of internal control and the specific control activities, management should plan for adequate segregation of duties or compensating controls.

The size of the Village's staff did not allow for an adequate segregation of duties. The Village's Fiscal Officer was responsible for performing all accounting functions, including receipting, depositing, disbursing, and reconciling. It is therefore important that the Village Council monitor financial activity closely. The Council minutes reflected Council's approval of the Fiscal Officer's monthly financial report; however, this information was not maintained and no documentation existed as to what was actually reviewed. No ledgers were printed during the audit period. There was no process in place to identify unusual fluctuations between accounts or between fiscal years. In addition, monthly bank reconciliations were not prepared. This could result in errors and/or irregularities occurring and remaining undetected for an extended period of time.

**VILLAGE OF RUTLAND
MEIGS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2005-019 (Continued)

**Noncompliance Citation/Material Weakness - Ohio Admin. Code Section 117-2-01(D)(4)
(Continued)**

We recommend Council review financial reports and bank reconciliations 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 and reconciliations by an individual other than the preparer. This should be indicated by initialing and dating the reports and reconciliations. We also recommend 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.

Officials Response:

The Fiscal Officer now provides Village Council with financial reports showing all receipts, disbursements and budget versus actual figures.

FINDING NUMBER 2005-020

Noncompliance Citation/Material Weakness

Ohio Admin. Code Section 117-2-02 (D)(4)(a)(ii) states that all local public offices should maintain or provide payroll records including a payroll journal that records, assembles and classifies by pay period the name of employee, social security number, hours worked, wage rates, pay date, withholdings by type, net pay, and other compensation paid to an employee (such as a termination payment), and the fund and account charged for the payments.

In addition, the Village of Rutland Employee Handbook states exempt employees will not receive paid overtime. Employees will instead receive "comp" time if taken within two weeks of the overtime. All overtime must be approved by the Mayor. If not available it may be approved by the Village Clerk or a council member. All approval must be accompanied by a signature of approving supervisor to be valid. Violation of this will result in overtime not being received in "comp" time.

There was no payroll journal by pay period. The only payroll journal was a monthly employee earnings summary which totaled all earnings for each employee for the month, rather than by pay period. The check stubs were used to obtain the hours worked, wage rates, pay dates, withholding types and amounts, and net pay. The fund charged was determined by the posting in the cashbook. The lack of a payroll journal that details employee information by pay period could result in errors in employee earnings, including hours worked, wage rates, withholdings or in funds charged.

**VILLAGE OF RUTLAND
MEIGS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2005-020 (Continued)

**Noncompliance Citation/Material Weakness - Ohio Admin. Code Section 117-2-02 (D)(4)(a)(ii)
(Continued)**

Timesheets were not available for all employees for the entire audit period. The Village Clerk did not maintain leave records. Employees maintained their own leave records which included "comp" time balances in excess of what was earned in the prior two weeks. The majority of the timesheets were not signed by the Mayor, Village Clerk, or a council member to indicate approval of the overtime.

We recommend the Village maintain a payroll journal listing by pay period, which includes the employee name, social security number, hours worked, wage rates, pay date, withholding by type, net pay, any other compensation, and the fund charged for the payments. This report should be printed and reviewed by someone other than the preparer. We further recommend the Village establish a system for tracking employee leave usage. Also, we recommend the Mayor sign all timesheets to indicate her approval.

Officials Response:

The Village now uses the Uniform Accounting Network (UAN) system for payroll which allows for the creation of all necessary reports which are given to Village Council. The Mayor now signs all timesheets.

FINDING NUMBER 2005-021

Noncompliance Citation/Material Weakness

Ordinance 2004-1 Section 13(d) establishes water rates as \$19.00 for the first 2000 gallons used and forty-five cents per one hundred gallons of water usage thereafter.

Ordinance 2004-1 Section 13(e) establishes sewer rates as \$14.25 for the first 2000 gallons used and \$4.50 per one thousand gallons of water usage thereafter. A \$7.75 replacement fee per month also applies to all sewer customers.

During the audit of the Village for the period January 1, 2004 through December 31, 2005, we noted that there was an error in the calculation of the utility bill on Account # for the month of December, 2004. This bill was for the reading performed in November, 2004 and was due on December 15, 2004. According to the invoice, the usage on the account for the period was 11,300 gallons. However, due to an error in the calculation, the account was only billed for 4200 gallons. Therefore, 7100 gallons remained to be billed on the account. The total due to correct the discrepancy was \$63.90. This amount was paid under audit when brought to the customer's attention.

We also noted there was no indication of issuance of a water bill on Account #176 for the month of January, 2004. This bill was for the reading performed in December, 2003 and was due on January 15, 2004. According to the meter book, the usage on the account for the period was 22,300 gallons which resulted in a water and sewer charge of \$241.70. This amount was also paid under audit when brought to the customer's attention.

We recommend the Village establish policies and procedures to ensure all accounts are billed and billings are checked for accuracy.

Officials Response:

The Village has implemented a new system of utility billing and reporting.

**VILLAGE OF RUTLAND
MEIGS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2005-022

Material Weakness

When designing the public office's system of internal control and the specific control activities, management should ensure adequate security of assets and records, and verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.

Expenditures, as posted in the Cashbook, cannot be relied upon as being accurate. We noted the following errors during our testing of expenditures:

During 2005:

- 16% of expenditures had no supporting documentation;
- 31.5% of expenditures had no supporting documentation to verify whether payment allocation was correct;
- 29% of expenditures could not be determined whether a proper public purpose due to lack of supporting documentation; and
- 29% of vouchers tested had invoice copies attached, not original invoices.

During 2004:

- 21% of expenditures had no supporting documentation;
- 28% of expenditures had no supporting documentation to verify whether payment allocation was correct;
- 25.5% of expenditures could not be determined whether a proper public purpose due to lack of supporting documentation; and
- 49% of vouchers tested had invoice copies attached, not original invoices.

Additionally during 2005 and 2004, the Village had various bank accounts. Those other than the Village's main account only required one signature. The Village did not obtain optical images of the reverse side of canceled checks for any account held by the Village other than the Village's general bank account. Also, check dates were not posted to the Cashbook. Per review of vouchers, checks were not always issued in sequential order. Per a scan of voucher packets and canceled checks, we noted various checks which had the payee and amounts handwritten on them. This indicated checks were given to employees with no payee and/or amounts completed. We also noted numerous items which were purchased by individuals and subsequently reimbursed by the Village. These items resulted in lack of adequate supporting documentation to support the expenditures reported on the financial statements.

**VILLAGE OF RUTLAND
MEIGS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2005-022 (Continued)

Material Weakness (Continued)

In order to ensure that all expenditures are accurately and timely posted as well as properly approved, we recommend the following procedures be implemented:

- The Village should require all supporting documentation to be maintained in order to ensure that all expenditures are accurate and appropriate.
- Checks for the Village expenditures should be signed by the Village Clerk and the Mayor or Village Council President.
- The Village should consult with the bank to have the bank provide images of both the front and reverse side of each canceled check. As an alternative, the bank could send the original canceled checks back to the Village.
- Check dates should be posted to the Cashbook.
- Checks should be issued in sequential order.
- All items on checks should be completed by the Fiscal Officer.

Officials Response:

The Village now maintains all support documentation for all transactions. Checks are now written correctly using Uniform Accounting Network (UAN) system and are in correct sequential order. The bank now supplies both front and back images of checks.

FINDING NUMBER 2005-023

Reportable Condition

When designing the public office's system of internal control and the specific control activities, management should ensure adequate security of assets and records, and verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.

Annual appropriations and amendments should be approved in the minutes. A review of budget versus actual information should be performed monthly to properly monitor activity. During 2004, no budgetary information was documented in the minute record. Also, budget versus actual reports were not maintained by the Village for 2004 or 2005. This does not make it possible for the Village to monitor budget versus actual information.

We recommend all budgetary information be documented in the minute record. Also, the Village should maintain reports which show budget versus actual information. These reports should be reviewed monthly. Indication of review should be shown on the reports, such as initials and date. Also, these reports should be presented to Council for review on a monthly basis. This should be documented in the minute record.

Officials Response:

The Fiscal Officer provides Village Council budget versus actual information monthly for review and signatures and has improved minute taking to record the information.

**VILLAGE OF RUTLAND
MEIGS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2005-024

Material Weakness

When designing the public office's system of internal control and the specific control activities, management should ensure adequate security of assets and records, and verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.

Monthly utility department reports to council should include amounts billed, amounts collected, an itemized list of delinquent accounts, and an itemized list of adjustments. There was no indication of council review of utility department reports during the audit period. This could allow discrepancies between billed and collected amounts to remain undetected. Council could possibly grant extensions to delinquent customers without adequate information on their account history. Unauthorized adjustments could be made to customer accounts without council knowledge. The Clerk did not present reports because the QuickBooks system which the Village used during the audit period was inaccurate and unreliable.

We recommend the Village implement an accounting system which will allow them to run monthly reports for presentation to Council which include amounts billed, amounts collected, an itemized list of delinquent accounts, and an itemized list of adjustments.

Officials Response:

The Water/Sewer Clerk has implemented a new system of billing that allows for proper record keeping which is presented to Village Council monthly.

FINDING NUMBER 2005-025

Reportable Condition

The Village should maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions. Payroll expenditures should be charged to the funds for which services were provided.

Employees David Davis, Raymond DeWitt and Lee Morris perform work for the Street, Water and Sewer Funds, but there is no allocation plan in place to determine which funds to charge their salaries to. Due to the deficit Sewer Fund balance, most of their salaries were being paid from the Street Fund and Water Fund even though a significant amount of their time is spent on Sewer functions. This resulted in expenditures in the Sewer Fund being understated and expenditures in the Water and Street Funds being overstated by an undeterminable amount.

We recommend the Village charge salaries to the funds for which services were provided. In the case of employees assigned to multiple functions, the Village can either charge the actual portion of each pay check to the various funds based on actual services performed during the pay period or the Village can do a time study to determine a reasonable percentage to apply to each fund each pay period.

Officials Response:

The Village now uses Uniform Accounting Network (UAN) system for payroll and now allocates employees pay to the proper funds.

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**VILLAGE OF RUTLAND
MEIGS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2005 AND 2004**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2003-001	A finding for recovery was issued under Ohio Rev. Code Section 731.13 for overpayment of the Mayor	No	Finding not repaid Additionally, same finding issued against Mayor for 2004-2005 - See Finding Number 2005-001 in the accompanying Schedule of Findings
2003-002	A finding for recovery was issued under Ohio Rev. Code Section 731.13 for overpayment of the Clerk-Treasurer, Amanda Ramage	No	Finding not repaid
2003-003	A finding for recovery was issued under Ohio Rev. Code Section 731.13 for overpayment of the office manager, Amanda Ramage	No	Finding not repaid
2003-004	A finding for recovery was issued under Ohio Rev. Code Section 731.13 for overpayment of office manager, Anna Farley	No.	Finding not repaid
2003-005	A finding for recovery was issued against Dave Davis for overpayment for medical insurance	No	Finding not repaid
2003-006	A finding for recovery was issued against the office manager, Anna Farley, for receipts not deposited to the bank	No	Finding not repaid
2003-007	A finding for recovery was issued for petty cash activity not recorded and no supporting documentation	No	Finding not repaid
2003-008	A finding for recovery was issued for long distance and calling card phone calls not for Village purposes	No	Finding not repaid

**VILLAGE OF RUTLAND
MEIGS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2005 AND 2004
(Continued)**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2003-009	A finding for recovery was issued for the Village's reimbursement of the Mayor's cellular phone	No	Finding not repaid
2003-010	A finding for recovery was issued for payment of cellular phones and accessories. These items were not approved by Council	No	Finding not repaid Additionally, similar finding issued for 2004-2005 - See Finding Number 2005-005 in the accompanying Schedule of Findings
2003-011	A finding for recovery was issued for payment of Sam's Club membership for various individuals	No	Finding not repaid
2003-012	A noncompliance citation was issued under Ohio Rev. Code Section 149.351(A) for destruction of records	No	Not Corrected Repeated in current year schedule of findings number 2005-008
2003-013	A noncompliance citation was issued under Ohio Rev. Code Section 733.27(A) for deficiencies noted in the minutes	No	Not Corrected Repeated in current year schedule of findings number 2005-011
2003-014	A noncompliance citation was issued under Ohio Rev. Code Section 733.28 for not maintaining appropriate ledgers	No	Not Corrected Repeated in current year schedule of findings number 2005-012
2003-015	A noncompliance citation was issued under Ohio Rev. Code Section 5705.10 for negative fund balances	No	Not Corrected Repeated in current year schedule of findings number 2005-013
2003-016	A noncompliance citation was issued under Ohio Rev. Code Section 5705.36(A)(2) for appropriations exceeding available resources	No	Not Corrected Repeated in current year schedule of findings number 2005-014

**VILLAGE OF RUTLAND
MEIGS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2005 AND 2004
(Continued)**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2003-017	A noncompliance citation was issued under Ohio Rev. Code Section 5705.41(B) for disbursements exceeding appropriations	No	Not Corrected This has been repeated in the Schedule of Findings as item 2005-016
2003-018	A noncompliance citation was issued under Ohio Rev. Code Section 5705.41(D)(1) for not encumbering	No	Not Corrected This has been repeated in the current year Schedule of Findings as item 2005-017
2003-019	A noncompliance citation was issued under Ohio Admin. Code Section 117-2-01(D)(4) for not an adequate segregation of duties and not performing all accounting functions	No	Not Corrected This has been repeated in the current year Schedule of Findings as item 2005-019
2003-020	A noncompliance citation was issued under Ohio Admin. Code Section 117-2-01(D)(3) and (5) for not performing bank reconciliations	No	Not Corrected This has been repeated in the current year Schedule of Findings as item 2005-018
2003-021	A noncompliance citation was issued under Ohio Admin. Code Section 117-2-02(B)(2) for not including outside bank account for the Civic Center in the books of the Village	Yes	Fully Corrected
2003-022	A noncompliance citation was issued under Ohio Rev. Code Section 118.021 for fiscal watch conditions	No	Not Corrected This has been repeated in the current year Schedule of Findings as item 2005-007
2003-023	A noncompliance citation was issued under Ohio Rev. Code Section 703.20 for General Fund deficit balances	No	Not Corrected This has been repeated in the current year Schedule of Findings number 2005-009



**Auditor of State
Betty Montgomery**

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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
OCTOBER 10, 2006**