



Mary Taylor, CPA
Auditor of State

VILLAGE OF RUSHSYLVANIA
LOGAN COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2009.....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – Enterprise Funds - For the Year Ended December 31, 2009.....	6
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2008.....	7
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – Enterprise Funds - For the Year Ended December 31, 2008.....	8
Notes to the Financial Statements	9
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	15
Schedule of Findings.....	17
Schedule of Prior Audit Findings.....	20

This page intentionally left blank.



Mary Taylor, CPA
Auditor of State

Village of Rushsylvania
Logan County
111 N. Sandusky Street
PO Box 204
Rushsylvania, Ohio 43347

To the Members of Council:

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

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

Mary Taylor, CPA
Auditor of State

September 8, 2010

This page intentionally left blank.



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Rushsylvania
Logan County
111 N. Sandusky Street
PO Box 204
Rushsylvania, Ohio 43347

To the Members of Council:

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

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

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 8, 2010, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Mary Taylor, CPA
Auditor of State

September 8, 2010

**VILLAGE OF RUSHSYLVANIA
LOGAN COUNTY**

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

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Local Taxes	\$53,565	\$6,928	\$60,493
Intergovernmental	68,874	24,699	93,573
Fines, Licenses and Permits	3,177		3,177
Earnings on Investments	2,499	393	2,892
Miscellaneous	5,397	30	5,427
Total Cash Receipts	<u>133,512</u>	<u>32,050</u>	<u>165,562</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	2,860	5,014	7,874
Leisure Time Activities	14,407		14,407
Community Environment	347		347
Transportation	54,372	22,724	77,096
General Government	50,734	19,274	70,008
Total Cash Disbursements	<u>122,720</u>	<u>47,012</u>	<u>169,732</u>
Total Receipts Over (Under) Disbursements	10,792	(14,962)	(4,170)
Fund Cash Balances, January 1	<u>68,955</u>	<u>100,830</u>	<u>169,785</u>
Fund Cash Balances, December 31	<u><u>\$79,747</u></u>	<u><u>\$85,868</u></u>	<u><u>\$165,615</u></u>

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

**VILLAGE OF RUSHSYLVANIA
LOGAN COUNTY**

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

Operating Cash Receipts:	
Charges for Services	<u>\$141,565</u>
Operating Cash Disbursements:	
Personal Services	35,291
Employee Fringe Benefits	2,555
Contractual Services	79,990
Supplies and Materials	1,080
Total Operating Cash Disbursements	<u>118,916</u>
Operating Income	<u>22,649</u>
Non-Operating Cash Receipts:	
Special Assessments	7,715
Earnings on Investments	141
Other Debt Proceeds	50,330
Total Non-Operating Cash Receipts	<u>58,186</u>
Non-Operating Cash Disbursements:	
Capital Outlay	62,432
Redemption of Principal	39,479
Interest and Other Fiscal Charges	1,652
Total Non-Operating Cash Disbursements	<u>103,563</u>
Net Receipts (Under) Disbursements	(22,728)
Fund Cash Balances, January 1	<u>195,741</u>
Fund Cash Balances, December 31	<u><u>\$173,013</u></u>

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

**VILLAGE OF RUSHSYLVANIA
LOGAN COUNTY**

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

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Local Taxes	\$52,870	\$15,196	\$68,066
Intergovernmental	80,176	25,354	105,530
Fines, Licenses and Permits	2,771		2,771
Earnings on Investments	7,487	1,345	8,832
Miscellaneous	10,369	61	10,430
Total Cash Receipts	<u>153,673</u>	<u>41,956</u>	<u>195,629</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	10,157		10,157
Leisure Time Activities	11,742		11,742
Community Environment	346		346
Transportation	67,228	35,935	103,163
General Government	85,543	5,023	90,566
Total Cash Disbursements	<u>175,016</u>	<u>40,958</u>	<u>215,974</u>
Total Receipts Over/(Under) Disbursements	(21,343)	998	(20,345)
Fund Cash Balances, January 1	<u>90,298</u>	<u>99,832</u>	<u>190,130</u>
Fund Cash Balances, December 31	<u><u>\$68,955</u></u>	<u><u>\$100,830</u></u>	<u><u>\$169,785</u></u>

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

**VILLAGE OF RUSHSYLVANIA
LOGAN COUNTY**

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

Operating Cash Receipts:	
Charges for Services	<u>\$153,201</u>
Operating Cash Disbursements:	
Personal Services	34,121
Employee Fringe Benefits	2,613
Contractual Services	75,005
Total Operating Cash Disbursements	<u>111,739</u>
Operating Income	<u>41,462</u>
Non-Operating Cash Receipts:	
Special Assessments	3,328
Earnings on Investments	321
Other Debt Proceeds	105,088
Other Financing Sources	17
Total Non-Operating Cash Receipts	<u>108,754</u>
Non-Operating Cash Disbursements:	
Capital Outlay	118,245
Redemption of Principal	39,308
Interest and Other Fiscal Charges	1,812
Other Financing Uses	2,325
Total Non-Operating Cash Disbursements	<u>161,690</u>
Net Receipts (Under) Disbursements	(11,474)
Fund Cash Balances, January 1	<u>207,215</u>
Fund Cash Balances, December 31	<u><u>\$195,741</u></u>

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

**VILLAGE OF RUSHSYLVANIA
LOGAN COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Rushsylvania, Logan 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; park operations; and construction, maintenance, and repair of streets. The Village contracts with the Logan County Sheriff's department to provide security of persons and property.

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

B. Accounting Basis

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

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

C. Cash and Investments

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

The Village values certificates of deposit at cost.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

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

**VILLAGE OF RUSHSYLVANIA
LOGAN COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Enterprise Funds

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

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

Sewer Replacement and Improvement Fund – This fund receives charges for services from residents for sewer replacement and improvements. This fund receives loan proceeds from the Ohio Water Development Authority to finance a utility plant expansion. A utility surcharge recorded in this fund will repay this Wastewater Treatment Plant and Collection System Improvements Project loan.

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. A summary of 2009 and 2008 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

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

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

**VILLAGE OF RUSHSYLVANIA
LOGAN COUNTY**

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Village maintains a cash and investments pool which 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:

	2009	2008
Demand deposits	\$328,628	\$355,526
Certificates of deposit	10,000	10,000
Total deposits	\$338,628	\$365,526

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation; or (2) collateralized by the financial institution's public entity deposit pool.

3. BUDGETARY ACTIVITY

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

2009 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$154,609	\$133,512	(\$21,097)
Special Revenue	41,017	32,050	(8,967)
Enterprise	197,968	199,751	1,783
Total	\$393,594	\$365,313	(\$28,281)

2009 Budgeted vs. Actual Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$224,501	\$122,720	\$101,781
Special Revenue	140,909	47,012	93,897
Enterprise	393,709	222,479	171,230
Total	\$759,119	\$392,211	\$366,908

2008 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$171,873	\$153,673	(\$18,200)
Special Revenue	43,462	41,956	(1,506)
Enterprise	173,200	261,955	88,755
Total	\$388,535	\$457,584	\$69,049

2008 Budgeted vs. Actual Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$262,171	\$175,016	\$ 87,155
Special Revenue	143,294	40,958	102,336
Enterprise	383,415	273,429	109,986
Total	\$788,880	\$489,403	\$299,477

**VILLAGE OF RUSHSYLVANIA
LOGAN COUNTY**

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

4. NONCOMPLIANCE

The Village recorded some restricted revenues in the wrong fund which violated Ohio Rev. Code Section 5705.10(D). The Village recorded some payroll expenditures in funds without supporting documentation which violated Ohio Rev. Code Section 5705.10(H).

5. PROPERTY TAX

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

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

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

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

6. DEBT

Debt outstanding at December 31, 2009 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan #1852	\$ 21,125	7.54%
Ohio Water Development Authority Loan #4646	610,013	0.00%
Total	<u>\$631,138</u>	

The Ohio Water Development Authority (OWDA) #1852 loan was received to pay for wastewater treatment plant improvements. Per a Cooperative Agreement dated July 11, 1991, the original loan was for \$47,040 to be repaid over 25 years at 7.54% interest. This debt is serviced with revenues from the utility.

The Ohio Water Development Authority (OWDA) #4646 loan was received to pay for wastewater treatment plant collection system improvements. Per a Cooperative Agreement dated December 14, 2008, the original loan approved was for \$740,497 to be repaid over 20 years at 0% interest. The Village only borrowed \$610,013 as of December 31, 2009. This amount includes \$100,860 from the balances of loans #4148 and #4488. This debt is serviced with revenues from the water utility.

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

**VILLAGE OF RUSHSYLVANIA
LOGAN COUNTY**

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

6. DEBT (CONTINUED)

<u>Year ending December 31:</u>	<u>Ohio Water Development Authority Loan #1852</u>	<u>Ohio Water Development Authority Loan #4646</u>
2010	\$ 4,235	\$ 37,024
2011	4,235	37,024
2012	4,235	37,024
2013	4,235	37,024
2014	4,235	37,024
2015-2019	8,469	185,120
2020-2024		185,120
2025-2027		54,653
Total	<u>\$29,644</u>	<u>\$610,013</u>

7. RETIREMENT SYSTEM

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

The Ohio Revised Code also prescribes contribution rates. For 2009 and 2008, OPERS members contributed 10 percent of their gross salaries and the Village contributed an amount equaling 14 percent, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2009.

8. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

This page intentionally left blank.



Mary Taylor, CPA

Auditor of State

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

Village of Rushsylvania
Logan County
111 N. Sandusky Street
PO Box 204
Rushsylvania, Ohio 43347

To the Members of Council:

We have audited the financial statements of the Village of Rushsylvania, Logan County (the Village), as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated September 8, 2010, wherein we noted the Village prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We also noted the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2009-001 through 2009-003 described in the accompanying schedule of findings to be material weaknesses.

One First National Plaza / 130 W. Second St. / Suite 2040 / Dayton, OH 45402
Telephone: (937) 285-6677 (800) 443-9274 Fax: (937) 285-6688
www.auditor.state.oh.us

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as items 2009-002 and 2009-003.

We also noted a certain matter not requiring inclusion in this report that we reported to the Village's management in a separate letter dated September 8, 2010.

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

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



Mary Taylor, CPA
Auditor of State

September 8, 2010

**VILLAGE OF RUSHSYLVANIA
LOGAN COUNTY**

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

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

FINDING NUMBER 2009-001

Material Weakness

Recording of Financial Activity

The Village should have procedures in place to help assure the proper recording of financial activity in the accounting records and financial statements to assist in the effective management and reporting of financial resources. The following errors were noted in the recording of the Village's transactions for 2009 and 2008:

2009

- General Fund intergovernmental receipts in the amount of \$8,457 were recorded as property tax receipts;
- Debt proceeds and the related capital outlay, in the amount of \$9,229, spent on behalf of the Village by the Ohio Water Development Authority was not recorded in the Enterprise Sewer Replacement and Improvement Fund;
- Principal payments in the amount of \$39,479 paid from the Enterprise Sewer Operating Fund were recorded as interest expense;
- Loan proceeds in the amount of \$41,101 were reported in the Enterprise Sewer Replacement and Improvement Fund as other financing sources instead of debt proceeds.

2008

- General Fund intergovernmental receipts in the amount of \$8,257 were recorded as property tax receipts;
- Debt proceeds and the related capital outlay, in the amount of \$105,088, spent on behalf of the Village by the Ohio Water Development Authority was not recorded in the Enterprise Sewer Replacement and Improvement Fund;
- Principal payments in the amount of \$2,284 paid from the Enterprise Sewer Operating Fund were recorded as interest expense;
- Principal payments in the amount of \$37,024 recorded in the Enterprise Sewer Replacement and Improvement Fund were recorded as Contractual Services.

The failure to correctly record receipts and expenditures may not only impact any users' understanding of the financial operations, it may also inhibit the Village Council and management's ability to make sound financial decisions, may impact the Village's ability to comply with budgetary laws, and may result in the material misstatement of the financial statements. The accounting records and accompanying financial statements have been adjusted to correctly reflect this financial activity.

The Village Fiscal Officer should review the Ohio Village Manual, the UAN Manual, and Auditor of State Audit Bulletins 2000-008 and 2002-004 for guidance in the recording of financial activity. The Village's Fiscal Officer and Council Members should also perform a periodic review of the financial records and financial statements to help identify and correct financial recording errors.

OFFICIALS' RESPONSE:

See response at Finding 2009-003.

FINDING NUMBER 2009-002

Material Weakness / Noncompliance Citation

Ohio Rev. Code Section 5705.10(D) requires that all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose is to be paid into a special fund for such purpose. In 2009 and 2008, the following receipts were recorded in the wrong fund:

- In 2008, Local Government revenue in the amount of \$1,418 was recorded in the Special Revenue Street and State Highway Funds instead of the General Fund.
- In 2008, Auto License revenue in the amount of \$418 was recorded in the General Fund instead of being allocated to the Special Revenue Street and State Highway Funds.
- In 2008, Homestead and Rollback revenue in the amount of \$1,937 belonging in the Special Revenue Storm Sewer Fund was recorded in the General Fund.
- In 2009, Homestead and Rollback revenue in the amount of \$2,895 belonging in the Special Revenue Storm Sewer Fund was recorded in the General Fund.

The accounting records and accompanying financial statements have been adjusted to correct these recording errors. The correction of these errors had the following impact on fund balances at December 31:

	<u>Street Fund</u>	<u>State Highway Fund</u>	<u>Storm Sewer Fund</u>	<u>General Fund</u>
2009			\$2,895	(\$2,895)
2008	(\$904)	(\$96)	1,937	(937)

The failure to record revenues may not only impact the users' understanding of the financial operations, it may also inhibit the Village Council and management's ability to make sound financial decisions, may impact the Village's ability to comply with budgetary laws, and may result in the material misstatement of the financial statements. The failure to record revenues in correct fund could result in the illegal expenditure of restricted revenue, the material misstatement of the financial statements, the violation of budgetary laws, and may impact the Village's ability to make sound financial decisions.

Village Council should periodically perform a detailed review of the accounting records to identify receipts recorded in the wrong funds.

OFFICIALS' RESPONSE:

See response at Finding 2009-003.

FINDING NUMBER 2009-003

Material Weakness / Noncompliance Citation

Ohio Rev. Code Section 5705.10 (H) states money paid into any fund shall be used only for the purposes for which such fund is established. In 2009, the Village allocated employee wages to the Special Revenue Street Fund, Special Revenue State Highway Fund, Special Revenue Permissive Fund and Special Revenue Storm Sewer Fund for employees and/or officials whose job descriptions were not reflective of the purposes for which these funds were established. In addition, the wages of one employee were not allocated to the Enterprise Water and Sewer Fund according to the job description

The accounting records and accompanying financial statements have been adjusted to correct the recording of these wages. The following table identifies wages which were not charged to the appropriate funds and the total impact on fund balances:

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

2009	Street Fund	State Highway Fund	Permissive Fund	Storm Sewer Fund	Water	Sewer	Sewer Replacement And Improvement Fund	General Fund
Wastewater Supt.	\$6,374	\$2,338	\$2,338	\$2,570	(\$2,159)	(\$2,159)		(\$ 9,302)
Clerk-Treasurer	1,788	1,445	1,445	1,445				(6,123)
Mayor	640	377	377	377	640		\$ 640	(3,051)
Village Solicitor	399	200	200	200	400		400	(1,799)
Totals	<u>\$9,201</u>	<u>\$4,360</u>	<u>\$4,360</u>	<u>\$4,592</u>	<u>(\$1,119)</u>	<u>(\$2,159)</u>	<u>\$1,040</u>	<u>(\$20,275)</u>

The failure to record payroll disbursements in the appropriate funds increases the risk that restricted money will be illegally spent, may impact compliance with budgetary laws, inhibits the users understanding of the financial statements, and impacts the Village's ability to make sound financial decisions.

The Village Council should periodically perform a detailed review of the accounting records to help identify wages or other disbursements made from the incorrect funds. The Village Council should annually review wage allocations to determine if the amounts allocated to each fund are consistent with the duties performed by employees. Detailed timesheets should be maintained for employees whose wages are allocated to funds other than the General Fund to support the allocations. The failure to identify and correct these errors could result in the fund balances being materially misstated and the improper use of restricted funds.

OFFICIALS' RESPONSE:

I added General Fund Revenue Code 1000-490, Intergovernmental Revenue; Sewer Replacement and Improvement Fund Revenue Code 5701-971, Other Debt Proceeds and Appropriation Code 5701-850-710, Principal Payment, to be used in the future for receipts and warrants. I did Payment Reallocations for salaries of our: Water/Wastewater Superintendent in the Water and Sewer Funds only, Street Superintendent in the General and Street Construction & Maintenance Funds only, and will continue using only these Funds for their salaries. I checked to make sure our mayor and Solicitor were and will only be paid from the General Fund.

**VILLAGE OF RUSHSYLVANIA
LOGAN COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2007-001	Financial Reporting	No	Repeated as finding 2009-001
2007-002	Ohio Rev. Code Section 5705.36(A)(3)- Failure to obtain an amended certificate.	Yes	
2007-003	Ohio Rev. Code Section 5705.39- Appropriations greater than estimated resources.	Yes	
2007-004	Ohio Rev. Code Section 5705.41(B)- Expenditures greater than appropriations.	Yes	



Mary Taylor, CPA
Auditor of State

VILLAGE OF RUSHSYLVANIA

LOGAN 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 7, 2010