



Mary Taylor, CPA
Auditor of State

VILLAGE OF RUTLAND
MEIGS COUNTY

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Mary Taylor, CPA

Auditor of State

Village of Rutland
Meigs County
P.O. Box 297
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 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.

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Mary Taylor, CPA
Auditor of State

April 13, 2010

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Rutland
Meigs County
P.O. Box 297
337 Main Street
Rutland, Ohio 45775

To the Village Council:

We have audited the accompanying financial statements of the Village of Rutland, Meigs County, Ohio (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.

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 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. Also, the Village has not fully paid the Auditor of State for services provided more than one year prior to our opinion date. AICPA Code of Professional Conduct, ET Section 191 considers this circumstance to impair an auditor's independence. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity because Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. Ohio Revised Code § 117.13 also includes provisions to collect unpaid audit fees including negotiating a schedule for payment of the amount due, seeking payment through the office of budget and management or through the county auditor of the county in which the local public office is located. 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.

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

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

The Village did not provide adequate supporting documentation for charges for services receipts recorded in the Enterprise Fund Type in 2009 and 2008, nor were we able to satisfy ourselves as to the completeness of those receipts by other auditing procedures. These charges for services receipts represent 96.6 percent of operating receipts of the Enterprise Fund Type for the year ended December 31, 2009 and 99.9 percent of the operating receipts of the Enterprise Fund Type for the year ended December 31, 2008. In addition, The Village did not provide adequate supporting documentation for fines, licenses and permits receipts to allow us to determine the completeness of fines, licenses and permits receipts recorded in the General and Fiduciary Fund Types in 2009 and 2008, nor were we able to satisfy ourselves as to the completeness of those receipts by other auditing procedures. These fines, licenses and permits receipts represent 29.7 percent of receipts of the General Fund Type and 100 percent of receipts of the Fiduciary Fund Type for the year ended December 31, 2009. These fines, licenses and permits receipts represent 1.9 percent of receipts of the General Fund Type and 100 percent of receipts of the Fiduciary Fund Type for the year ended December 31, 2008.

Because of the significance of charges for services to the combined Enterprise Fund Types, and because of the significance of fines to the Fiduciary Fund Type, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the Enterprise Fund Types or the Fiduciary Fund Type of the Village of Rutland, Meigs County, Ohio, for the years ended December 31, 2009 and 2008.

Also, in our opinion, except for such adjustments, if any, as might have been determined to be necessary had we been able to obtain sufficient competent evidential matter to support the 2009 and 2008 fines, licenses and permits receipts in the General Fund, the financial statements referred to above present fairly, in all material respects, the fund cash balance of the General Fund of the Village of Rutland, Meigs County, Ohio, 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.

Finally, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined Special Revenue Fund and Capital Project Fund cash balances of the Village of Rutland, Meigs County, Ohio, 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.

As described in Note 9 to the financial statements, the Village has reported a December 31, 2009 General Fund cash deficit of \$16,193. Management's actions are also described in Note 9.

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 April 13, 2010, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

Mary Taylor, CPA
Auditor of State

April 13, 2010

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**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, 2009**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property and Local Taxes	\$ 15,440	\$	\$	\$ 15,440
Intergovernmental	17,025	17,132		34,157
Charges for Services		4,614		4,614
Fines, Licenses and Permits	14,461			14,461
Earnings on Investments	228			228
Miscellaneous	1,606	1,656		3,262
	<u>48,760</u>	<u>23,402</u>	<u>0</u>	<u>72,162</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
Security of Persons and Property	31,469			31,469
Leisure Time Activities		23,327		23,327
Transportation		18,973		18,973
General Government	7,922			7,922
Debt Service:				
Redemption of Principal		2,889		2,889
Interest and Fiscal Charges	24	1,904		1,928
	<u>39,415</u>	<u>47,093</u>	<u>0</u>	<u>86,508</u>
Total Cash Disbursements				
Total Cash Receipts Over/(Under) Cash Disbursements	<u>9,345</u>	<u>(23,691)</u>	<u>0</u>	<u>(14,346)</u>
Fund Cash Balances, January 1	<u>(25,538)</u>	<u>25,202</u>	<u>9,780</u>	<u>9,444</u>
Fund Cash Balances, December 31	<u>\$ (16,193)</u>	<u>\$ 1,511</u>	<u>\$ 9,780</u>	<u>\$ (4,902)</u>

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

**VILLAGE OF RUTLAND
MEIGS COUNTY**

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

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$ 203,612	\$	\$ 203,612
Fines, Licenses and Permits		16,008	16,008
Miscellaneous	7,116		7,116
Total Operating Cash Receipts	<u>210,728</u>	<u>16,008</u>	<u>226,736</u>
Operating Cash Disbursements:			
Personal Services	61,750		61,750
Employee Fringe Benefits	9,075		9,075
Contractual Services	87,304		87,304
Supplies and Materials	37,769		37,769
Other	617	16,224	16,841
Total Operating Cash Disbursements	<u>196,515</u>	<u>16,224</u>	<u>212,739</u>
Operating Income/(Loss)	<u>14,213</u>	<u>(216)</u>	<u>13,997</u>
Non-Operating Cash Disbursements:			
Capital Outlay	13,500		13,500
Redemption of Principal	29,586		29,586
Interest and Other Fiscal Charges	24,828		24,828
Total Non-Operating Cash Disbursements	<u>67,914</u>	<u>0</u>	<u>67,914</u>
Net Receipts Over/(Under) Disbursements	(53,701)	(216)	(53,917)
Fund Cash Balances, January 1	<u>89,401</u>	<u>8,865</u>	<u>98,266</u>
Fund Cash Balances, December 31	<u>\$ 35,700</u>	<u>\$ 8,649</u>	<u>\$ 44,349</u>

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

**VILLAGE OF RUTLAND
MEIGS COUNTY**

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

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property and Local Taxes	\$ 16,541	\$	\$	\$ 16,541
Intergovernmental	18,255	18,416		36,671
Charges for Services		3,588		3,588
Fines, Licenses and Permits	647	350		997
Earnings on Investments	602	6		608
Miscellaneous	285	2,104		2,389
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	36,330	24,464	0	60,794
Cash Disbursements:				
Current:				
Security of Persons and Property	20,843			20,843
Leisure Time Activities		4,867		4,867
Transportation		21,419		21,419
General Government	7,826	1,073		8,899
Debt Service:				
Redemption of Principal		3,213		3,213
Interest and Fiscal Charges		1,609		1,609
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	28,669	32,181	0	60,850
Total Cash Receipts Over/(Under) Cash Disbursements	7,661	(7,717)	0	(56)
Fund Cash Balances, January 1	(33,199)	32,919	9,780	9,500
Fund Cash Balances, December 31	<u>\$ (25,538)</u>	<u>\$ 25,202</u>	<u>\$ 9,780</u>	<u>\$ 9,444</u>

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

**VILLAGE OF RUTLAND
MEIGS COUNTY**

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

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$ 213,646	\$	\$ 213,646
Fines, Licenses and Permits		9,684	9,684
Miscellaneous	269		269
	<u>213,915</u>	<u>9,684</u>	<u>223,599</u>
Operating Cash Disbursements:			
Personal Services	61,493		61,493
Employee Fringe Benefits	12,824		12,824
Contractual Services	84,511		84,511
Supplies and Materials	23,186		23,186
Other	1,100	891	1,991
	<u>183,114</u>	<u>891</u>	<u>184,005</u>
Operating Income/(Loss)	<u>30,801</u>	<u>8,793</u>	<u>39,594</u>
Non-Operating Cash Disbursements:			
Redemption of Principal	27,601		27,601
Interest and Other Fiscal Charges	26,698		26,698
	<u>54,299</u>	<u>0</u>	<u>54,299</u>
Net Receipts Over/(Under) Disbursements	(23,498)	8,793	(14,705)
Fund Cash Balances, January 1	112,899	72	112,971
Fund Cash Balances, December 31	<u>\$ 89,401</u>	<u>\$ 8,865</u>	<u>\$ 98,266</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, 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 Rutland, Meigs County (the Village), as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, park operations, and police services.

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

B. Accounting Basis

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

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

C. Cash

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 private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

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

Nature Works Grant Fund – This fund receives state monies for local parks and recreation improvement projects.

**VILLAGE OF RUTLAND
MEIGS COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

3. Capital Project Funds

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

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

4. Enterprise Funds

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

Water Fund – This fund 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 Service – This fund receives charges for services from residents to cover sewer debt payments.

5. Fiduciary Funds

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

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

E. Budgetary Process

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

1. Appropriations

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

**VILLAGE OF RUTLAND
MEIGS COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2009 and 2008 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 DEPOSITS

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

	2009	2008
Demand deposits	<u>\$27,892</u>	<u>\$96,315</u>
Certificates of deposit	11,555	11,395
Total deposits	<u><u>\$39,447</u></u>	<u><u>\$107,710</u></u>

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

**VILLAGE OF RUTLAND
MEIGS COUNTY**

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

3. BUDGETARY ACTIVITY

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

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$0	\$48,760	\$48,760
Special Revenue	0	23,402	23,402
Capital Projects	0	0	0
Enterprise	0	210,728	210,728
Total	\$0	\$282,890	\$282,890

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$22,096	\$39,415	(\$17,319)
Special Revenue	61,128	47,093	14,035
Capital Projects	0	0	0
Enterprise	349,172	264,429	84,743
Total	\$432,396	\$350,937	\$81,459

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$53,318	\$36,330	(\$16,988)
Special Revenue	29,086	24,464	(4,622)
Capital Projects	0	0	0
Enterprise	235,390	213,915	(21,475)
Total	\$317,794	\$274,709	(\$43,085)

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$22,096	\$28,669	(\$6,573)
Special Revenue	61,128	32,181	28,947
Capital Projects	0	0	0
Enterprise	359,172	237,413	121,759
Total	\$442,396	\$298,263	\$144,133

Contrary to Ohio law, the Village adopted appropriations at the fund type level for 2008 and 2009.

Contrary to Ohio law, appropriations were greater than actual resources for the General, Street Construction Maintenance & Repair, State Highway, Nature Works Grant, Log Cabin, Water Operating, Sewer Debt and Utilities Deposit Funds for the year ended December 31, 2008.

**VILLAGE OF RUTLAND
MEIGS COUNTY**

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

3. BUDGETARY ACTIVITY (Continued)

Contrary to Ohio law, expenditures exceeded appropriations for the General, Law Enforcement Trust, Log Cabin and Water Operating Funds at December 31, 2008 and the General, Nature Works Grants, Log Cabin, Water Operating and Sewer Replacement Funds at December 31, 2009.

Contrary to Ohio law, appropriations exceeded estimated resources for the General and Log Cabin Funds at December 31, 2008 and the General, Street Construction Maintenance & Repair, State Highway, Civic Center, Nature Works Grant, Log Cabin, Capital Improvements, Water Operating, Sewer Operating, Sewer Debt Service, Utilities Deposit and Sewer Replacement Funds at December 31, 2009.

4. PROPERTY TAX

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

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

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

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

5. DEBT

Debt outstanding at December 31, 2009 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan #1858	\$275,092	7.50%
Ohio Water Development Authority Loan #1859	1,547	7.50%
Ohio Water Development Authority Loan #3068	19,459	6.02%
Ohio Water Development Authority Loan #4443	46,245	4.99%
Cabin Loan	22,651	6.46%
Truck Loan	12,504	5.10%
Total	<u><u>\$377,498</u></u>	

The Ohio Water Development Authority (OWDA) loan #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 the Sewer Debt Service Fund will be used to repay this debt.

**VILLAGE OF RUTLAND
MEIGS COUNTY**

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

5. DEBT (Continued)

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 the Sewer Debt Service Fund will be used to repay this debt.

The Ohio Water Development Authority (OWDA) loan #4443 was utilized to make the semiannual installments for loan #1858, #1859 and #3068. The OWDA approved the loan in 2006 of \$51,092 for this project. This loan will be repaid in semiannual installments of \$2,034. Revenues from the Sewer Debt Service Fund will be used to repay this debt.

The cabin loan was obtained during 2002 with the cabin pledged as collateral. The Village Council approved a \$30,000 loan for capital improvements for 20 years. This loan will be repaid in monthly installments. This is a variable rate loan. The interest rate can change every five years based on the changes in an index which is the lenders prime rate; however, the change cannot exceed two percentage points each five years.

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

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

Year ending December 31:	OWDA loan #1858	OWDA loan #1859	OWDA loan #3068	OWDA loan #4443	Cabin Loan	Truck Loan
2010	\$46,967	\$264	\$4,622	\$4,067	\$2,592	\$3,071
2011	46,967	264	4,622	4,067	2,592	3,071
2012	46,967	264	4,622	4,067	2,592	3,071
2013	46,967	264	4,622	4,067	2,592	3,071
2014	46,967	264	4,622	4,067	2,592	1,791
2015-2019	140,901	792		20,335	13,005	
2020-2024				20,335	7,586	
2025-2026				8,134		
Total	<u>\$375,736</u>	<u>\$2,112</u>	<u>\$23,110</u>	<u>\$69,139</u>	<u>\$33,551</u>	<u>\$14,075</u>

Amortization for the cabin loan was calculated based on the rate as of December 31, 2009.

6. RETIREMENT SYSTEM

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

The Ohio Revised Code also prescribes contribution rates. For 2009 and 2008, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has a balance at December 31, 2009 of \$785.

**VILLAGE OF RUTLAND
MEIGS COUNTY**

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

7. RISK MANAGEMENT

Risk Pool Membership

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

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

The Government 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. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2008, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

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

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

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, 2008 and 2007 (the latest information available):

	<u>2008</u>	<u>2007</u>
Assets	\$35,769,535	\$37,560,071
Liabilities	<u>(15,310,206)</u>	<u>(17,340,825)</u>
Net Assets	<u>\$20,459,329</u>	<u>\$20,219,246</u>

At December 31, 2008 and 2007, respectively, the liabilities above include approximately \$13.8 million and \$15.9 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$12.9 million and \$15.0 million of unpaid claims to be billed to approximately 445 member governments in the future, as of December 31, 2008, and 2007, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Village's share of these unpaid claims collectible in future years is approximately \$7,000.

**VILLAGE OF RUTLAND
MEIGS COUNTY**

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

7. RISK MANAGEMENT (Continued)

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

<u>Contributions to PEP</u>	
2008	\$10,258
2009	\$ 6,926

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

8. CONTINGENT LIABILITIES

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor, principally the federal government. The grantor 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, 2009, the Village had deficit fund balances of \$16,193 in the General Fund, \$9,534 in the Street Construction, Maintenance and Repair Fund, \$1,177 in the Nature Works/State Grant, \$11,410 in the Log Cabin Fund, \$44,194 in the Water Operating Fund and \$15,714 in the Sewer Replacement Fund. As of March 30, 2010, the Village had unaudited deficit fund balances of \$12,860 in the General Fund, \$20,923 in the Street Construction, Maintenance and Repair Fund, \$1,410 in the Nature Works/State Grant, \$8,408 in the Log Cabin Fund, \$657 in the Capital Improvement Fund, \$43,128 in the Water Operating Fund and \$15,713 in the Sewer Replacement Fund. As of March 30, 2010, the Village had outstanding audit fee obligations to the Auditor of State in the amount of \$39,575 of which includes obligations for prior audit fees that were past due by more than 120 days in the amount of \$26,968. The Village has agreed to make payments to the Auditor of State in the amount of \$590 per month. The Village is also behind on payments to the Bureau of Workers Compensation (BWC). As of April 13, 2010, the Village owed BWC \$26,937. The Village has taken steps to reduce spending to help reduce deficit fund balances. The Auditor of State's Local Government Services Division monitors the Village's deficit fund balances.



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 Rutland
Meigs County
P.O. Box 297
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, 2009 and 2008, and have issued our report thereon dated April 13, 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 qualified our opinion on the 2009 and 2008 fines, licenses and permits receipts of the General Fund because we were unable to satisfy ourselves to the completeness of the receipts. We also disclaimed an opinion on the 2009 and 2008 Enterprise Fund Types statements because we were unable to satisfy ourselves regarding the completeness of charges for services receipts. We also disclaimed an opinion on the 2009 and 2008 Fiduciary Fund Type statements because we were unable to satisfy ourselves regarding the completeness of fine receipts. We noted the General Fund had a cash deficit at December 31, 2009 and 2008, and the Village has unpaid fees due to the Auditor of State for 2007 audit services. 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. Except as discussed above concerning fines, licenses and permits receipts in the General and Fiduciary Fund Types, and regarding charges for services in the Enterprise Funds, 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 expressing our opinion on the financial statements, but not to opine 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 would not necessarily 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 discussed in the accompanying Schedule of Findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect and timely correct misstatements. A material weakness is a deficiency, or 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 2009-011 through 2009-016 described in the accompanying Schedule of Findings to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2009-010 described in the accompanying Schedule of Findings to be a significant deficiency.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, 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 2009-001 through 2009-009.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated April 13, 2010.

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



Mary Taylor, CPA
Auditor of State

April 13, 2010

**VILLAGE OF RUTLAND
MEIGS COUNTY**

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

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

Noncompliance Citation

Ohio Rev. Code Section 9.38 requires public money to be deposited with the treasurer of the public office or to a designated depository on the business day following the day of receipt.

The Section also stipulates that if the amount of daily receipts does not exceed \$1,000 and the receipts can be safeguarded, public offices may adopt a policy permitting officials who receive money to hold it past the next business day, but the deposit must be made no later than 3 business days after receiving it. If the amount exceed \$1,000 or a less amount cannot be safeguarded, the public official must then deposit the money on the next business day.

Seventeen percent of the 2008 Mayor's Court receipts were not deposited timely. This resulted in \$1,908 not being deposited timely and the number of days between collections and deposits ranged from one to twenty-one days. Twelve percent of the 2009 Mayor's Court receipts were not deposited timely. This resulted in \$246 not being deposited timely and the number of days between collections and deposits ranged from five to sixty days.

Twelve percent of the 2008 Civic Center Rental receipts were not deposited timely. This resulted in \$400 not being deposited timely and the number of days between collections and deposits ranged from five to six days. Fifty percent of the 2009 Civic Center Rental receipts were not deposited timely. This resulted in \$1,905 not being deposited timely and the number of days between collections and deposits ranged from ten to thirty-four days.

Twenty-three percent of the 2009 Utility receipts tested were not deposited timely. This resulted in \$514 not being deposited timely and the number of days between collections and deposits ranged from four to nine days.

This could result in the monies being susceptible to theft.

We recommend the Village deposit receipts by the next business day. Alternatively, if the amount of the daily collection does not exceed \$1,000, Village Council could adopt a policy allowing receipts to be deposited within three business days as long as the receipts can be safeguarded.

FINDING NUMBER 2009-002

Noncompliance Citation

Ohio Rev. Code Section 733.40 requires all fines, forfeitures, court costs and fees collected by the Mayor to be paid to the Village Treasury on the first Monday of each month and to submit a full statement of all money received, listing from whom received and the purpose, to the legislative authority at the first regular meeting each month.

Payment of fines and court costs that were due from the Mayor's Court to the Village were not made timely for 2008 and 2009. A lump sum payment in the amount of \$14,027 was paid to the Village on December 31, 2009 for 2008 and 2009 fine and court costs due. As of December 31, 2009, we have calculated that the Mayor's Court still owes the General Fund approximately \$2,495 in fines and court costs. This could allow errors and/or irregularities to occur and remain undetected for an extended period of time.

**VILLAGE OF RUTLAND
MEIGS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008
(Continued)**

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

FINDING NUMBER 2009-002 (Continued)

Noncompliance Citation - Ohio Rev. Code Section 733.40 (Continued)

We recommend the Fiscal Officer submit Mayor's Court monies to the Village by the first Monday of the month. The Fiscal Officer paid the Village \$2,495 on May 11, 2010.

FINDING NUMBER 2009-003

Noncompliance Citation

Ohio Rev. Code Section 2949.091 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 the month shall be transmitted on or before the twentieth day of the following month by the clerk of the court to the treasurer of state and deposited by the treasurer of state into the general revenue fund. The court shall not waive the payment of the additional fifteen dollars court costs, unless the court determines that the offender is indigent and waives the payment of all court costs imposed upon the indigent offender.

The Fiscal Officer remitted January 2008 through June 2008 court costs to the Treasurer of State on or before the twentieth day of the following month; however, for the period of July 2008 through December 2009, no remittances were noted. We have calculated that the Mayor's Court owes the Treasurer of State approximately \$4,203 in undistributed court costs. The Fiscal Officer paid the Treasurer of State \$4,203 on April 28, 2010.

We recommend the Fiscal Officer remit all required court cost to the Treasurer of State on or before the twentieth day of the following month.

FINDING NUMBER 2009-004

Noncompliance Citation

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

The following Village funds had negative fund balances:

12/31/2008		12/31/2009	
Fund	Balance	Fund	Balance
General Fund	\$ (25,538)	General Fund	\$ (16,193)
St. Const., Maint & Repair Fund	(4,738)	St. Const., Maint & Repair Fund	(9,534)
Log Cabin Fund	(9,165)	Log Cabin Fund	(11,410)
Water Operating Fund	(32,225)	Nature Works Grant Fund	(1,177)
		Water Operating Fund	(44,194)
		Sewer Replacement Fund	(15,714)

VILLAGE OF RUTLAND
MEIGS COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008
(Continued)

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

FINDING NUMBER 2009-004 (Continued)

Noncompliance Citation - Ohio Rev. Code Section 5705.10(H) (Continued)

This is a result of years of overspending by the Village and was due to a lack of budgetary oversight by management.

We recommend the Village take the necessary steps to eliminate negative fund balances and only post disbursements into a fund for the purposes for which such fund has been established.

FINDING NUMBER 2009-005

Noncompliance Citation

Ohio Rev. Code Section 5705.36(A)(4) states that upon a determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be less than the amount included in an official certificate and that the amount of the deficiency will reduce available resources below the level of current appropriations, the fiscal officer shall certify the amount of the deficiency to the Budget Commission, and the Budget Commission shall certify an amended certificate reflecting the deficiency.

We noted appropriations were greater than actual resources in 2008 as follows:

Fund	Actual Resources	Appropriation Authority	Variance
General	\$ 2,609	\$ 22,096	(19,487)
Street Construction, Maintenance & Repair	16,673	21,167	(4,494)
State Highway	5,270	5,522	(252)
Nature Works Grant	17,673	18,298	(625)
Log Cabin	(5,941)	2,374	(8,315)
Water Operating	68,049	79,064	(11,015)
Sewer Debt	135,921	145,818	(9,897)
Utilities Deposit	22,676	23,276	(600)

This resulted in the Village expending monies which were not available and was due to a lack of budgetary oversight by management. See also Finding Number 2009-004.

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

**VILLAGE OF RUTLAND
MEIGS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008
(Continued)**

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

FINDING NUMBER 2009-006

Noncompliance Citation

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

The Village adopted appropriations at the fund level of control for 2008 and 2009. This resulted in inaccurate monitoring of appropriations by Village Council and was due to a lack of budgetary oversight by management.

We recommend the Village Council adopt appropriations for each office, department, and division, and, within each, the amount appropriated for personal services.

FINDING NUMBER 2009-007

Noncompliance Citation

Ohio Rev. Code Section 5705.39 states, in part, the total appropriation from each fund shall not exceed the total estimated revenue available for expenditure.

Appropriations exceeded estimated resources at December 31, 2008, in the following funds:

Fund	Estimated Resources	Appropriation Authority	Variance
General	\$19,596	\$22,096	(\$2,500)
Log Cabin	(3,566)	2,374	(5,940)

Appropriations exceeded estimated resources at December 31, 2009, in the following funds:

Fund	Estimated Resources	Appropriation Authority	Variance
General	\$0	\$22,096	(\$22,096)
Street Const, Maint & Repair	0	21,167	(21,167)
State Highway	0	5,522	(5,522)
Civic Center	0	4,735	(4,735)
Nature Works Grant	0	18,298	(18,298)
Log Cabin	0	2,374	(2,374)
Capital Improvements	0	9,031	(9,031)
Water Operating	0	69,064	(69,064)
Sewer Operating	0	107,528	(107,528)
Sewer Debt Service	0	145,818	(145,818)
Utilities Deposit	0	23,276	(23,276)
Sewer Replacement	0	3,486	(3,486)

**VILLAGE OF RUTLAND
MEIGS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008
(Continued)**

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

FINDING NUMBER 2009-007 (Continued)

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

This was due to a lack of budgetary oversight by management. The practice of allowing appropriations to exceed estimated resources could lead to expenditures being made for which the Village does not have adequate funds, thus leading to negative fund balances. See also Finding Number 2009-004 regarding negative fund balances.

We recommend the Village closely monitor appropriations to ensure that appropriations do not exceed estimated resources at any time throughout the year.

FINDING NUMBER 2009-008

Noncompliance Citation

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

Expenditures exceeded appropriations at the fund level of control at December 31, as follows:

Year	Fund	Appropriation Authority	Expenditures	Variance
2008	General	\$22,096	\$28,670	(\$6,575)
	Law Enforcement Trust	0	1,073	(1,073)
	Log Cabin	2,374	2,683	(309)
	Water Operating	79,064	97,198	(18,134)
2009	General	22,096	39,414	(17,319)
	Nature Works Grant	18,298	18,500	(202)
	Log Cabin	2,374	2,945	(571)
	Water Operating	69,064	96,378	(27,315)
	Sewer Replacement	3,486	16,200	(12,714)

This was due to a lack of budgetary oversight. This could result in the Village spending more than is available to spend.

The Fiscal Officer should not certify the availability of funds and should deny payment requests exceeding appropriations. The Fiscal Officer may request Village Council to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

**VILLAGE OF RUTLAND
MEIGS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2009-009

Noncompliance Citation

Village Resolution 2009/01, in effect beginning April 14, 2009, increased water rates to \$23.50 for the first 2000 gallons used and \$.90 per each 1000 gallons used thereafter, and increased sewer rates to \$17.75 for the first 2000 gallons of water usage and \$.80 for each 100 gallons thereafter that plus a surcharge of \$1.00 on each bill.

Beginning April 14, 2009, the Village was not charging the correct rates as defined in Ordinance 2009/001. This was the result of miscommunication and a lack of management oversight, and resulted in lost revenue to the Village.

We recommend the Village develop controls to monitor the rates billed to utility customers.

FINDING NUMBER 2009-010

Significant Deficiency

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 Fiscal Officer performed all accounting functions, including receipting, depositing, disbursing, and reconciling. It is therefore important that the Village Council monitor financial activity closely.

Council did not consistently review financial or operating reports. Bank reconciliations were not reviewed by anyone other than the preparer. No processes existed to identify unusual fluctuations between accounts or between fiscal years. This could allow errors and/or irregularities to occur and remain undetected for an extended period of time.

We recommend Village Council review financial reports (dealing with both revenues and expenditures) 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. This will ensure that transactions are posted timely. 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.

**VILLAGE OF RUTLAND
MEIGS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008
(Continued)**

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

FINDING NUMBER 2009-011

Material Weakness

All local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record, and report its transactions, maintain accountability for the related asset (and liabilities, if generally accepted accounting principles apply), document compliance with finance-related legal and contractual requirements and prepare financial statements.

The Village did not maintain utility records, such as a daily receipt report, that detailed what part of the payment was for water and what part was for sewer, billing journals, or customer history reports. This resulted in difficulties providing adequate support for receipt and billing amounts, account balances and assurance of completeness, resulting in disclaiming the opinion for Charges for Services in the Enterprise Fund.

We recommend the Village maintain utility records sufficient to enable the Village to identify, assemble, analyze, classify, record and report its transactions.

FINDING NUMBER 2009-012

Material Weakness

The management of each local public office is responsible for the assertions underlying the information in the public office's financial statements. The accounting system should assure completeness is achieved for all transaction types and account balances applicable to the local public office's operations, considering the basis of accounting applicable to it. The definition of the completeness assertion is that all account balances and transactions that should be included in the financial records are included.

The Village deposited more receipts in the Mayor's Court bank account than was entered into the Mayor's Court cashbook. In addition, the Mayor's Court receipts that were entered into the cashbook were not posted timely. Also, numerous payments were indicated on the case files that were not reflected on the Mayor's Court cashbook. This resulted in errors and/or irregularities occurring and remaining undetected for an extended period of time. This also resulted in an incomplete cashbook and qualifying the opinion for Mayor's Court receipts.

We recommend the Fiscal Officer record Mayor's Court cash collected into the computerized cashbook and case files.

FINDING NUMBER 2009-013

Material Weakness

The management of each local public office is responsible for the assertions underlying the information in the public office's financial statements. The accounting system should assure completeness is achieved for all transaction types and account balances applicable to the local public office's operations, considering the basis of accounting applicable to it. The definition of the completeness assertion is that all account balances and transactions that should be included in the financial records are included.

**VILLAGE OF RUTLAND
MEIGS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008
(Continued)**

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

FINDING NUMBER 2009-013 (Continued)

Material Weakness (Continued)

The Village has not developed procedures to account for Mayor’s Court tickets. A ticket log was not maintained showing what tickets had been taken to be used by the police officers or what tickets had been used. There was no reconciliation performed to identify and account for missing tickets. There was no file of ticket copies to show the sequential order of tickets used and voided. This could allow errors and/or irregularities to occur and go undetected.

We recommend the Village develop and implement ticket accountability procedures. The Police Department should keep a log of tickets issued to each officer and monitor that all tickets are either turned in or still on file with the applicable officer. A file of ticket copies should be maintained which would include all tickets issued in sequential order and any voided ticket packets. Police officers should be held strictly accountable for all tickets issued in his or her name.

FINDING NUMBER 2009-014

Material Weakness

All local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets (and liabilities, if generally accepted accounting principles apply), document compliance with finance-related legal and contractual requirements and prepare financial statements.

The Village misclassified and misposted tax receipts, intergovernmental receipts, charges for services, debt proceeds and payments, and other various receipts and disbursements, including misallocation of salaries, to the Village receipt and disbursement ledgers and to the annual financial report submitted to the Auditor of State for fiscal years 2009 and 2008. In addition, the Law Enforcement Trust Fund Special Revenue activity and the Mayor’s Court Agency Fund activity was not recorded on the books. These misstatements had the following net effect on the Village’s financial statements as of December 31, 2009:

Fund	UAN Fund Balance 12/31/09	Audited Fund Balance 12/31/09	Adjustment
General	\$ (13,577)	\$ (16,193)	\$ (2,616)
Street Construction & Maintenance	(20,012)	(9,534)	10,478
State Highway	8,204	2,486	(5,718)
Law Enforcement Trust	4,112	3,390	(722)
Log Cabin	7,909	(11,410)	(19,319)
Capital Improvement	(657)		657
Water Operating	(45,394)	(44,194)	1,200
Sewer Operating	(799)	1,094	1,893
Sewer Debt Service	69,860	69,766	(94)
Mayor's Court	72	8,650	8,578

**VILLAGE OF RUTLAND
MEIGS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008
(Continued)**

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

FINDING NUMBER 2009-014 (Continued)

Material Weakness (Continued)

These misstatements were caused by management oversight. As a result, significant adjustments and reclassifications, with which the Village's management agrees, were made to the financial statements and ledgers, and are reflected in the accompanying financial statements.

We recommend the Fiscal Officer refer to the Ohio Village Handbook for proper classification and take additional care in posting transactions to the Village's ledgers in order to ensure the Village's year-end financial statements reflect the appropriate sources of the Village's receipts and expenditures.

FINDING NUMBER 2009-015

Material Weakness

All local public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

At December 31, 2009 and December 31, 2008, appropriations as approved by Village Council did not agree to the Village's ledgers or the budgetary statements for the following funds:

**VILLAGE OF RUTLAND
MEIGS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008
(Continued)**

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

FINDING NUMBER 2009-015 (Continued)

Material Weakness (Continued)

Year	Fund	Appropriations Posted to the Accounting System	Appropriations Approved by Council	Variance
2008	General	\$ 23,237	\$ 22,096	\$ (1,141)
2008	Street, Const, Maint & Repair	21,125	21,167	42
2008	State Highway	5,000	5,522	522
2008	Nature Works	1,000	18,298	17,298
2008	Capital Improvements	6,435	9,031	2,596
2008	Water Operating	101,763	79,064	(22,699)
2008	Sewer Operating	79,964	107,528	27,564
2008	Sewer Debt Service	56,299	145,818	89,519
2008	Utilities Deposit	4,000	23,276	19,276
2008	Sewer Replacement	3,000	3,486	486
2009	General	24,051	22,096	(1,955)
2009	Street, Const, Maint & Repair	21,425	21,167	(258)
2009	State Highway	5,000	5,522	522
2009	Nature Works	18,500	18,298	(202)
2009	Log Cabin	2,574	2,374	(200)
2009	Capital Improvements	6,435	9,031	2,596
2009	Water Operating	112,813	69,064	(43,749)
2009	Sewer Operating	86,714	107,528	20,814
2009	Sewer Debt Service	83,799	145,818	62,019
2009	Utilities Deposit	4,000	23,276	19,276
2009	Sewer Replacement	16,300	3,486	(12,814)

At December 31, 2008 and December 31, 2009, estimated receipts as certified by the County Budget Commission did not agree to the Village's ledgers or the budgetary statements for the following funds:

**VILLAGE OF RUTLAND
MEIGS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008
(Continued)**

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

FINDING NUMBER 2009-015 (Continued)

Material Weakness (Continued)

Year	Fund	Estimated Receipts Posted to the Accounting System	Estimated Receipts Per the Budget Commission	Variance
2008	General	\$ 53,318	\$ 53,818	\$ (500)
2008	Water Operating	91,322	81,319	10,003
2009	General	68,648	0	68,648
2009	Street, Const, Maint & Repair	21,542	0	21,542
2009	State Highway	1,624	0	1,624
2009	Civic Center	2,515	0	2,515
2009	Log Cabin	2,374	0	2,374
2009	Water Operating	81,319	0	81,319
2009	Sewer Operating	86,572	0	86,572
2009	Sewer Debt Service	55,000	0	55,000
2009	Utilities Deposit	2,500	0	2,500

Without information properly entered into the system Village Council has lost some degree of budgetary control. This also resulted in audit adjustments to the budgetary statements.

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

FINDING NUMBER 2009-016

Material Weakness

The Mayor's Court computer system should include a breakdown of the distribution of court costs and fees collected for each case.

The computerized cashbook utilized by the Mayor's Court did not include the distribution of court costs and fees collected during the period under audit. It only included a record of disbursements made during the audit period. This complicates the audit process and could allow errors and/or irregularities to occur and remain undetected for an extended period of time.

We recommend the Mayor's Court maintain a record of the monthly distribution of fines and court costs, which includes but is not limited to the following:

- Defendant's Name.
- Case Number.
- Check Number.
- Check Date.
- Amount remitted to State of Ohio.
- Amount remitted to Village of Rutland.
- Amount remitted to Law Enforcement Trust Fund.

VILLAGE OF RUTLAND
MEIGS COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008
(Continued)

<p>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</p>
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Officials' Response: We did not receive a response from Officials to the findings reported above.

**VILLAGE OF RUTLAND
MEIGS 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; Explain
2003-001	Finding for Recovery was issued under Ohio Rev. Code Section 731.13 for overpayment of the Mayor, Richard L. Fetty.	No	Finding not repaid.
2003-002	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	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	Finding for Recovery was issued under Ohio Rev. Code Section 731.13 for overpayment of the Office Manager, Anna Farley.	No	Finding not repaid.
2003-005	Finding for Recovery was issued against Dave Davis for overpayment for medical insurance.	No	Finding not repaid.
2003-006	Finding for Recovery was issued against the Office Manager, Anna Farley, for receipts not deposited to the bank.	No	Finding not repaid.
2003-007	Finding for Recovery was issued for petty cash activity not recorded and no supporting documentation.	No	Finding not repaid.
2003-008	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, 2007 AND 2006
(Continued)**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2003-009	Finding for Recovery was issued for the Village's reimbursement of the Mayor's cellular phone.	No	Finding not repaid.
2003-010	Finding for Recovery was issued for payment of cellular phone and accessories. These items were not approved by Village Council.	No	Finding not repaid.
2003-011	Finding for Recovery was issued for the payment of Sam's Club memberships for various individuals.	No	Finding not repaid.
2005-001	Finding for Recovery in the amount of \$600 for overcompensation of prior Mayor, April Burke.	No	Finding not repaid.
2005-002	Finding for Recovery in the amount of \$243.13 for overcompensation of former Fiscal Officer, Deborah Whitlatch.	No	Finding not repaid.
2005-003	Finding for Recovery in the amount of \$112.90 for overcompensation of former fiscal officer, Suzanne Johnson.	No	Finding not repaid.
2005-004	Finding for Recovery in the amount of \$750 for overcompensation of employee Gary Freeman.	No	Finding not repaid.
2005-005	Finding for recovery in the amount of \$1,873.81 for unauthorized payments of cell phone bills.	No	Finding not repaid.
2005-006	Finding for recovery in the amount of \$670 for improperly paying fines monies to the General Fund instead of the Treasurer of State.	No	Partially corrected; \$242 of this amount was repaid during a previous audit. The remaining balance due is \$428.

**VILLAGE OF RUTLAND
MEIGS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2007 AND 2006
(Continued)**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2007-001	Finding for recovery in the amount of \$400 for the loss of LETF monies by Jeff Miller, Police Chief.	No	Finding not repaid.
2007-002	Ohio Rev. Code Section 5705.10(H) for negative fund balances.	No	Not corrected; repeated in the current audit Schedule of Findings as item 2009-004.
2007-003	Ohio Rev. Code Section 5705.36(A)(2) for budgeted revenue exceeding actual revenue and appropriations were greater than actual revenue.	Yes	
2007-004	Ohio Rev. Code Section 5705.38(C) Appropriations adopted at the fund level.	No	Not corrected; repeated in the current audit Schedule of Findings as item 2009-006.
2007-005	Ohio Rev. Code Section 5705.39 for appropriations exceeding estimated resources.	No	Not corrected; repeated in the current audit Schedule of Findings as item 2009-007.
2007-006	Ohio Rev. Code Section 5705.41(B) for expenditures exceeding appropriations at the legal level of control.	No	Not Corrected; repeated in the current audit Schedule of Findings as item 2009-008.
2007-007	Ohio Rev. Code Section 5705.41(D)(1) for not certifying expenditures properly.	No	Not corrected; repeated in the Management Letter.
2007-008	Material Weakness for inaccurate posting of estimated receipts and appropriations to the accounting system.	No	Not corrected; repeated in the current audit Schedule of Findings as item 2009-015.
2007-009	Significant Deficiency for inadequate segregation of duties.	No	Not corrected; repeated in the current audit Schedule of Findings as item 2009-010.
2007-010	Material Weakness for mispostings resulting in adjustments.	No	Not corrected; repeated in the current audit Schedule of Findings as item 2009-014

**VILLAGE OF RUTLAND
MEIGS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2007 AND 2006
(Continued)**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2007-011	Material Weakness for lack of Mayors Court ticket accountability procedures.	No	Not corrected; repeated in the current audit Schedule of Findings as item 2009-013.
2007-012	Noncompliance Citation and Significant Deficiency for not charging the correct residential utility rates in 2006.	No	Not corrected; repeated in the current audit Schedule of Findings as item 2009-009.
2007-013	Material Weakness for not maintaining a record of monthly distribution of fines and court costs.	No	Not corrected; repeated in the current audit Schedule of Findings as items 2009-016.



Mary Taylor, CPA
Auditor of State

VILLAGE OF RUTLAND

MEIGS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 25, 2010**