



**Auditor of State  
Betty Montgomery**



VILLAGE OF RUSHVILLE  
FAIRFIELD 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, 2005.....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – Proprietary Fund Type - For the Year Ended December 31, 2005.....	6
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2004.....	7
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - Proprietary Fund Type - For the Year Ended December 31, 2004.....	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> .....	17
Schedule of Findings.....	19
Schedule of Prior Audit Findings.....	21

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**Auditor of State  
Betty Montgomery**

Village of Rushville  
Fairfield County  
8620 Main Street  
Rushville, OH 43150

To the Village Council:

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

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

**Betty Montgomery  
Auditor of State**

August 23, 2006

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

Village of Rushville  
Fairfield County  
8620 Main Street  
Rushville, OH 43150

To the Village Council:

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

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 Villages. We believe our audit provides a reasonable basis for our opinion.

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

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

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Telephone: (614) 466-3340 (800) 282-0370 Fax: (614) 728-7398  
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In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2005 and 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2005 and December 31, 2004, or its changes in financial position or cash flows of its proprietary funds 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 Rushville, Fairfield County, Ohio, as of December 31, 2005 and 2004, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated August 23, 2006, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



**Betty Montgomery**  
**Auditor of State**

August 23, 2006



**VILLAGE OF RUSHVILLE  
FAIRFIELD COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Property Tax and Other Local Taxes	\$6,206	\$896	\$0	\$7,102
Intergovernmental Receipts	16,255	12,925	0	29,180
Fines, Licenses, and Permits	675	0	0	675
Earnings on Investments	939	88	0	1,027
Miscellaneous	2,575	0	11,247	13,822
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	26,650	13,909	11,247	51,806
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	1,625	0	0	1,625
Public Health Services	734	0	0	734
Community Environment	54	0	0	54
Transportation	60	21,771	0	21,831
General Government	18,933	0	0	18,933
Debt Service:				
Redemption of Principal	0	621	0	621
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	21,406	22,392	0	43,798
	<hr/>	<hr/>	<hr/>	<hr/>
Total Receipts (Under) Disbursements	5,244	(8,483)	11,247	8,008
<b>Other Financing Receipts and (Disbursements):</b>				
Transfers-Out	(407)	0	(11,429)	(11,836)
	<hr/>	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts/(Disbursements)	(407)	0	(11,429)	(11,836)
<b>Excess of Cash Receipts and Other Financing Receipts (Under) Cash Disbursements and Other Financing Disbursements</b>				
	4,837	(8,483)	(182)	(3,828)
	<hr/>	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	64,869	52,289	182	117,340
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Fund Cash Balances, December 31</b>	<b><u>\$69,706</u></b>	<b><u>\$43,806</u></b>	<b><u>\$0</u></b>	<b><u>\$113,512</u></b>

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

**VILLAGE OF RUSHVILLE  
FAIRFIELD COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<b>Proprietary Fund Type</b>
	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$196,247
Miscellaneous	100
	196,347
Total Operating Cash Receipts	196,347
<b>Operating Cash Disbursements:</b>	
Personal Services	28,588
Fringe Benefits	4,812
Contractual Services	83,550
Supplies and Materials	11,017
	127,967
Total Operating Cash Disbursements	127,967
Operating Income	68,380
<b>Non-Operating Cash Receipts:</b>	
Interest	5,972
	5,972
Total Non-Operating Cash Receipts	5,972
<b>Non-Operating Cash Disbursements:</b>	
Debt Service:	
Redemption of Principal	64,313
Interest	26,745
	91,058
Total Non-Operating Cash Disbursements	91,058
Excess of Receipts Over (Under) Disbursements Before Interfund Transfers and Advances	(16,706)
Transfers-In	11,836
Net Receipts Over (Under) Disbursements	(4,870)
Fund Cash Balances, January 1	279,219
<b>Fund Cash Balances, December 31</b>	<b>\$274,349</b>

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

**VILLAGE OF RUSHVILLE  
FAIRFIELD COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Property Tax and Other Local Taxes	\$6,141	\$973	\$0	\$7,114
Intergovernmental Receipts	11,479	12,478	137,020	160,977
Fines, Licenses, and Permits	687	0	0	687
Earnings on Investments	551	46	0	597
Miscellaneous	8,530	0	0	8,530
	<u>27,388</u>	<u>13,497</u>	<u>137,020</u>	<u>177,905</u>
<b>Total Cash Receipts</b>				
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	1,736	0	0	1,736
Public Health Services	665	0	0	665
Leisure Time Activities	607	0	0	607
Community Environment	54	0	0	54
Basic Utility Service	3,011	0	25,240	28,251
Transportation	92	1,380	0	1,472
General Government	13,313	0	0	13,313
Capital Outlay	0	0	124,201	124,201
	<u>19,478</u>	<u>1,380</u>	<u>149,441</u>	<u>170,299</u>
<b>Total Cash Disbursements</b>				
Total Receipts Over/(Under) Disbursements	<u>7,910</u>	<u>12,117</u>	<u>(12,421)</u>	<u>7,606</u>
<b>Other Financing Receipts and (Disbursements):</b>				
Debt Proceeds	2,669	0	12,421	15,090
Transfers-Out	(274)	0	0	(274)
Advances-In	328	0	328	656
Advances-Out	(328)	0	(328)	(656)
	<u>2,395</u>	<u>0</u>	<u>12,421</u>	<u>14,816</u>
<b>Total Other Financing Receipts/(Disbursements)</b>				
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	10,305	12,117	0	22,422
Fund Cash Balances, January 1	<u>54,564</u>	<u>40,172</u>	<u>182</u>	<u>94,918</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$64,869</u></b>	<b><u>\$52,289</u></b>	<b><u>\$182</u></b>	<b><u>\$117,340</u></b>

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

**VILLAGE OF RUSHVILLE  
FAIRFIELD COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<b>Proprietary Fund Type</b>
	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$209,749
Fines, Licenses and Permits	392
Miscellaneous	1,440
Total Operating Cash Receipts	211,581
<b>Operating Cash Disbursements:</b>	
Personal Services	29,597
Fringe Benefits	4,900
Contractual Services	56,656
Supplies and Materials	16,924
Total Operating Cash Disbursements	108,077
Operating Income	103,504
<b>Non-Operating Cash Receipts:</b>	
Interest	3,400
Total Non-Operating Cash Receipts	3,400
<b>Non-Operating Cash Disbursements:</b>	
Debt Service:	
Redemption of Principal	63,762
Interest	27,966
Total Non-Operating Cash Disbursements	91,728
Excess of Receipts Over (Under) Disbursements Before Interfund Transfers	15,176
Transfers-In	274
Net Receipts Over (Under) Disbursements	15,450
Fund Cash Balances, January 1	263,769
<b>Fund Cash Balances, December 31</b>	<b>\$279,219</b>

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

**VILLAGE OF RUSHVILLE  
FAIRFIELD COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Village of Rushville, Fairfield County, Ohio, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general governmental services, street maintenance, and water/sewer utilities. Police services are provided by the Fairfield County Sheriff. Fire and Emergency services are provided by Richland Township.

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

**B. Basis of Accounting**

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

These statements adequately disclose material matters the Auditor of State prescribes.

**C. Cash and Investments**

The Village values certificates of deposit at cost.

**D. Fund Accounting**

The Village uses fund accounting to segregate cash 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 are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue 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 RUSHVILLE  
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(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 which include the construction of enterprise assets. The Village had the following significant capital project funds:

*Water System Construction Fund* - This fund received a Federal Community Development Block Grant as well as loans from OWDA for the construction of the water system.

*Street Repaving Construction Fund* – This fund received grants from Ohio Public Works Commission for paving of Village streets and roadways.

**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:

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

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

*Enterprise Debt Service Fund* – This fund receives monies from fees assessed to sewer users. The monies are used to retire debt incurred to operate the sewer system.

*Enterprise Debt Service Reserve Fund* – This fund receives monies from fees assessed to water users. The monies are used to retire debt incurred to operate the water system.

**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 and object level of control and appropriations may not exceed estimated resources. The Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

**VILLAGE OF RUSHVILLE  
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(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 commitments are made. Encumbrances outstanding at year end are cancelled, and reappropriated in the subsequent year. The Village did not encumber all commitments as required by Ohio law.

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

**F. Property, Plant, and Equipment**

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

**G. Accumulated Leave**

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

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

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

	2005	2004
Demand deposits	\$287,861	\$306,559
Certificates of deposit	100,000	90,000
Total deposits	\$387,861	\$396,559

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Village.

**VILLAGE OF RUSHVILLE  
FAIRFIELD COUNTY**

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

**3. BUDGETARY ACTIVITY**

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

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$24,900	\$26,650	\$1,750
Special Revenue	12,650	13,909	1,259
Capital Projects	0	11,247	11,247
Enterprise	193,250	214,155	20,905
Total	\$230,800	\$265,961	\$35,161

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$57,137	\$21,813	\$35,324
Special Revenue	52,885	22,392	30,493
Capital Projects	0	11,429	(11,429)
Enterprise	311,225	219,025	92,200
Total	\$421,247	\$274,659	\$146,588

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$19,017	\$30,057	\$11,040
Special Revenue	11,685	13,497	1,812
Capital Projects	154,500	149,441	(5,059)
Enterprise	201,660	215,255	13,595
Total	\$386,862	\$408,250	\$21,388

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$64,556	\$19,752	\$44,804
Special Revenue	48,790	1,380	47,410
Capital Projects	49,675	149,441	(99,766)
Enterprise	273,630	199,805	73,825
Total	\$436,651	\$370,378	\$66,273



**VILLAGE OF RUSHVILLE  
FAIRFIELD COUNTY**

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

**3. BUDGETARY ACTIVITY (Continued)**

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the following funds for the years ended December 31, 2005 and December 31, 2004, respectively: General Fund, Street Construction Maintenance and Repair Fund, Water System Construction Fund, and Water Operating Fund; and General Fund, State Highway Fund, Water System Construction Fund, Street Paving Construction Fund, Water Operating Fund, Sewer Operating Fund, and Enterprise Debt Service Fund.

**4. PROPERTY TAX**

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

Property owners assess tangible personal property tax. They must file a list of tangible property to the County by each April 30.

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

**5. DEBT**

Debt outstanding at December 31, 2005 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Sewer Project Loan - OWDA	\$367,627	2.00%
Water Project Loan - OWDA	1,227,064	1.50%
Capital Projects Loan - OPWC	11,800	0.00%
Total	<u>\$1,594,691</u>	

The Sewer Project Loan was provided to the Village by the Ohio Water Development Authority (OWDA) to perform sewer plant expansion which was mandated by the Ohio Environment Protection Agency. The Village has been approved for lending up to \$733,357 for this project. The loan will be continue to be repaid in semi-annual installments, including interest, over the next 11 years. Sewer receipts collateralize the loan. The Village has agreed to set sewer rates sufficient to cover OWDA debt service requirements.

**VILLAGE OF RUSHVILLE  
FAIRFIELD COUNTY**

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

**5. DEBT (Continued)**

The Water Project Loan was provided to the Village by the Ohio Water Development Authority (OWDA) to develop and construct a water system for the Village. The loan will be repaid in semi-annual installments, including interest, over the next 28 years. Water receipts collateralize the loan. The Village has agreed to set water rates sufficient to cover OWDA debt service requirements.

The Capital Projects Loan was provided to the Village by the Ohio Public Works Commission (OPWC) for the Village to repave sections of streets. The loan will be repaid in semi-annual installments over the next 11 years. The Village has agreed to prescribe and charge such rates, fees, charges or taxes sufficient to cover OPWC debt service requirements.

Amortization of the above debt, including interest, follows:

<u>Year ending December 31:</u>	<u>Sewer Loan</u>	<u>Water Loan</u>	<u>OPWC Loan</u>
2006	\$37,563	\$53,831	\$621
2007	37,563	53,831	621
2008	37,563	53,831	621
2009	37,563	53,831	621
2010	37,563	53,831	621
2011-2015	187,815	269,155	3,105
2016-2020	37,552	269,155	3,105
2021-2025	0	269,155	2,485
2026-2030	0	269,155	0
2031-2035	0	161,493	0
Total	<u>\$413,182</u>	<u>\$1,507,268</u>	<u>\$11,800</u>

**6. RETIREMENT SYSTEMS**

The Village's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare and survivor and disability benefits, to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. OPERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2005 and 2004.

The Village has paid all contributions required through December 31, 2005.

**VILLAGE OF RUSHVILLE  
FAIRFIELD COUNTY**

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

**7. RISK MANAGEMENT**

**Commercial Insurance**

The Village has obtained commercial insurance for the following risks:

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

**8. JOINTLY GOVERNED ORGANIZATION**

The Village appoints a person to represent the Village on the 48 member board of the Fairfield County Regional Planning Commission. The Village pays a small membership fee annually. The fee is based on the per capita of the Village. There is no ongoing financial interest of responsibility by the Village.

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## Auditor of State Betty Montgomery

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

Village of Rushville  
Fairfield County  
8620 Main Street  
Rushville, OH 43150

To the Village Council:

We have audited the financial statements of the Village of Rushville, Fairfield County, Ohio (the Village), as of and for the years ended December 31, 2005 and December 31, 2004, and have issued our report thereon dated August 23, 2006 wherein we noted that the Village prepared its financial statements using accounting practices the Auditor of State established 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 because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Village's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Village's management dated August 23, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

#### **Compliance and Other Matters**

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2005-001 and 2005-002. In a separate letter to the Village's management dated August 23, 2006, we reported an other matter related to noncompliance we deemed immaterial.

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

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

**Betty Montgomery**  
**Auditor of State**

August 23, 2006

**VILLAGE OF RUSHVILLE  
FAIRFIELD COUNTY**

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

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2005-001**

Ohio Rev. Code Section 5705.41(B) states in part that no subdivision or taxing unit shall make any expenditure of money unless it has been appropriated as provided in such chapter.

The Village had expenditures in excess of appropriations at year end as follows:

Year	Fund Type / Fund	Total Appropriated	Total Expended	Variance
2005	Capital Projects - Water System Construction	\$0	\$11,429	(\$11,429)
2004	Capital Projects - Street Paving Construction	\$21,500	\$124,201	(\$102,701)

Expenditures exceeding appropriations were also noted during the year.

The Clerk/Treasurer should monitor appropriations when certifying expenditures under 5705.41(D) and should not certify proposed obligations that exceed appropriations. The Clerk/Treasurer should also ensure that all financial activity is included in the budget, including activity for which the Village does not receive cash and activity processed by others on the Village's behalf (i.e., loan proceeds and related capital outlay, CDBG funding, etc.).

*Officials Response:* We did not receive a response from Officials to this finding

**FINDING NUMBER 2005-002**

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

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

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

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

**VILLAGE OF RUSHVILLE  
FAIRFIELD COUNTY**

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

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

**FINDING NUMBER 2005-002  
(Continued)**

2. Blanket Certificates - Fiscal officers may prepare "blanket" certificates not exceeding \$5,000 against any specific line item account over a period not exceeding three months or running beyond the current year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

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

The Village did not properly certify the availability of funds prior to the purchase commitment for 1% of expenditure dollars tested in 2004 and for 40% of expenditure dollars tested in 2005. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

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

We recommend the Village officials and employees obtain the Clerk/Treasurer's certification of the availability of funds prior to the commitment being incurred. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Clerk should sign the certification at the time the Village incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The Clerk/Treasurer should post approved purchase orders to the proper appropriation code to reduce the available appropriation.

*Officials' Response:* We did not receive a response from Officials to this finding



**VILLAGE OF RUSHVILLE  
FAIRFIELD COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2003-01	ORC 5705.40 Transfer	No	Partially Corrected – see separate letter to management
2003-02	ORC 5705.41 (B)	No	Repeated as Finding 2005-001
2003-03	OMB A-133, all entities that expend over \$500,000 of federal revenue must get a single audit.	Yes	Finding not valid for audit period; not subject to OMB A-133





**Auditor of State  
Betty Montgomery**

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**VILLAGE OF RUSHVILLE**

**FAIRFIELD 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  
NOVEMBER 21, 2006**