



**VILLAGE OF RUSHVILLE
FAIRFIELD COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2007-2006



Mary Taylor, CPA
Auditor of State

VILLAGE OF RUSHVILLE
FAIRFIELD COUNTY

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Mary Taylor, CPA
Auditor of State

Village of Rushville
Fairfield County
8620 Main Street
Rushville, Ohio 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 an 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 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

October 14, 2008

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Rushville
Fairfield County
8620 Main Street
Rushville, Ohio 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, 2007 and 2006. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

Instead of the combined funds the accompanying financial statements present, GAAP 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, 2007 and 2006 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, 2007 and 2006, or its changes in financial position or cash flows, where applicable, for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Rushville, Fairfield County, Ohio as of December 31, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2008, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Mary Taylor, CPA
Auditor of State

October 14, 2008

**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, 2007**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Local Taxes	\$ 6,662	\$ 658	\$ 7,320
Intergovernmental	15,084	13,726	28,810
Charges for Services	1,500	-	1,500
Fines, Licenses and Permits	624	-	624
Earnings on Investments	358	142	500
Miscellaneous	666	-	666
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	24,894	14,526	39,420
	<hr/>	<hr/>	<hr/>
Cash Disbursements:			
Current:			
Security of Persons and Property	1,935	-	1,935
Public Health Services	734	-	734
Community Environment	54	-	54
Transportation	831	18,429	19,260
General Government	13,792	-	13,792
Debt Service:			
Redemption of Principal	-	621	621
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	17,346	19,050	36,396
	<hr/>	<hr/>	<hr/>
Total Receipts Over/(Under) Disbursements	7,548	(4,524)	3,024
Fund Cash Balances, January 1	66,873	44,153	111,026
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	<u>\$ 74,421</u>	<u>\$ 39,629</u>	<u>\$ 114,050</u>

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, 2007**

	Enterprise
Operating Cash Receipts:	
Charges for Services	\$ 205,755
Total Operating Cash Receipts	205,755
Operating Cash Disbursements:	
Personal Services	30,457
Employee Fringe Benefits	4,702
Contractual Services	74,322
Supplies and Materials	13,603
Other	388
Total Operating Cash Disbursements	123,472
Operating Income	82,283
Non-Operating Cash Receipts:	
Earnings on Investments	9,999
OWDA Loan Proceeds	33,409
Miscellaneous Receipts	13,037
Total Non-Operating Cash Receipts	56,445
Non-Operating Cash Disbursements:	
Capital Outlay	9,036
Redemption of Principal	66,907
Interest and Other Fiscal Charges	24,486
Total Non-Operating Cash Disbursements	100,429
Net Receipts Over Disbursements	38,299
Fund Cash Balances, January 1	248,267
Fund Cash Balances, December 31	\$ 286,566

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, 2006**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Local Taxes	\$ 6,458	\$ 715	\$ 7,173
Intergovernmental	10,971	12,780	23,751
Charges for Services	1,500	-	1,500
Fines, Licenses and Permits	682	-	682
Earnings on Investments	868	98	966
Miscellaneous	35	-	35
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	20,514	13,593	34,107
	<hr/>	<hr/>	<hr/>
Cash Disbursements:			
Current:			
Security of Persons and Property	1,712	-	1,712
Public Health Services	729	-	729
Community Environment	54	-	54
Basic Utility Service	296	-	296
Transportation	-	12,625	12,625
General Government	20,156	-	20,156
Debt Service:			
Redemption of Principal	-	621	621
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	22,947	13,246	36,193
	<hr/>	<hr/>	<hr/>
Total Receipts Over/(Under) Disbursements	(2,433)	347	(2,086)
	<hr/>	<hr/>	<hr/>
Other Financing (Disbursements):			
Transfers-Out	(400)	-	(400)
	<hr/>	<hr/>	<hr/>
Total Other Financing (Disbursements)	(400)	-	(400)
	<hr/>	<hr/>	<hr/>
Excess of Cash Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(2,833)	347	(2,486)
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	69,706	43,806	113,512
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Fund Cash Balances, December 31	\$ 66,873	\$ 44,153	\$ 111,026
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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, 2006**

	<u>Enterprise</u>
Operating Cash Receipts:	
Charges for Services	\$ 232,569
Total Operating Cash Receipts	<u>232,569</u>
Operating Cash Disbursements:	
Personal Services	29,543
Employee Fringe Benefits	5,217
Contractual Services	109,933
Supplies and Materials	17,135
Other	<u>4</u>
Total Operating Cash Disbursements	<u>161,832</u>
Operating Income	<u>70,737</u>
Non-Operating Cash Receipts:	
Earnings on Investments	8,320
Miscellaneous Receipts	<u>774</u>
Total Non-Operating Cash Receipts	<u>9,094</u>
Non-Operating Cash Disbursements:	
Capital Outlay	14,917
Redemption of Principal	65,768
Interest and Other Fiscal Charges	<u>25,626</u>
Total Non-Operating Cash Disbursements	<u>106,311</u>
Excess of Receipts (Under) Disbursements Before Interfund Transfers	(26,480)
Transfers-In	<u>400</u>
Net Receipts (Under) Disbursements	(26,080)
Fund Cash Balances, January 1	<u>274,347</u>
Fund Cash Balances, December 31	<u><u>\$ 248,267</u></u>

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, 2007 AND 2006**

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 Rushville, Fairfield County, Ohio (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. 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 participates in a jointly governed organization. Note 8 to the financial statements provide additional information for this entity. This organization is:

Fairfield Regional Planning Commission

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

B. Accounting Basis

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

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

C. Cash and Investments

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

The Village values certificates of deposit at cost.

D. Fund Accounting

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

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.

**VILLAGE OF RUSHVILLE
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

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 Fund:

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

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

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

Repair and Replacement Fund - This fund receives money from the Sewer Fund to cover the cost of improving and repairing the sewer facility and pumps.

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 Services 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.

Sewer Expansion Construction Fund - This fund received loan proceeds from the Ohio Water Development Authority (OWDA) for the sewer expansion project.

E. Budgetary Process

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

Appropriations

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

**VILLAGE OF RUSHVILLE
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

E. Budgetary Process (Continued)

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.

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 re-appropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law.

A summary of 2007 and 2006 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.

2. Equity in Pooled Cash and Investments

The Village maintains a cash and investments pool all funds use, except the certificate of deposits in the Water and Sewer Funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31 was as follows:

	2007	2006
Demand deposits	\$330,616	\$299,293
Total Deposits	330,616	299,293
Certificates of deposit	70,000	60,000
Total investments	70,000	60,000
Total deposits and investments	\$400,616	\$359,293

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

**VILLAGE OF RUSHVILLE
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2007 and 2006 follows:

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$20,000	\$24,894	\$4,894
Special Revenue	13,550	14,526	976
Enterprise	445,800	262,200	(183,600)
Total	\$479,350	\$301,620	(\$177,730)

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$67,807	\$17,346	\$50,461
Special Revenue	49,520	19,050	30,470
Enterprise	507,999	223,901	284,098
Total	\$625,326	\$260,297	\$365,029

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$21,228	\$20,514	(\$714)
Special Revenue	13,550	13,593	43
Enterprise	254,350	242,063	(12,287)
Total	\$289,128	\$276,170	(\$12,958)

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$61,814	\$23,347	\$38,467
Special Revenue	50,130	13,246	36,884
Enterprise	361,010	268,143	92,867
Total	\$472,954	\$304,736	\$168,218

**VILLAGE OF RUSHVILLE
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

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.

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, 2007 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan (#2860)	\$306,603	2.00%
Ohio Water Development Authority Loan (#3670)	1,155,413	1.00%
Ohio Water Development Authority Loan (#4790)	33,831	5.11%
Ohio Public Works Commission Loan	10,557	0.00%
Total	\$1,506,404	

The Ohio Water Development Authority (OWDA) loan #2860 relates to a sewer plant expansion project the Ohio Environmental Protection Agency mandated. OWDA approved \$733,357 in a loan to the Village for this project. The Village repays the loan in semi-annual installments of \$18,781, including interest, over 15 years. Sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover future OWDA debt service requirements.

The Ohio Water Development Authority (OWDA) loan #3670 relates to the development and construction of a water system for the Village. OWDA approved \$1,296,605 in a loan to the Village for this project. The Village repays the loan in semi-annual installments of \$26,915, including interest, over 30 years. Water receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover future OWDA debt service requirements.

The Ohio Water Development Authority (OWDA) loan #4790 relates to the planning and designing of a sewer plant upgrade and expansion project the Ohio Environmental Protection Agency mandated. OWDA approved up to \$80,000 in a loan to the Village for this project. The principal amount above represents the total amount owed to date, including capitalized interest of \$21. OWDA will adjust scheduled payment to reflect any revisions in amounts the Village actually borrows. Since the loan has not been completely drawn, an amortization schedule for the loan is not available. Sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover future OWDA debt service requirements.

**VILLAGE OF RUSHVILLE
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

5. Debt (Continued)

The Ohio Public Works Commission (OPWC) relates to the Main Street Resurfacing project. OPWC approved \$12,421 in a loan for this project. The Village repays the loan in semi-annual installments of \$621, over 20 years.

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

Year ending December 31:	OWDA Loan #2860	OWDA Loan #3670	OPWC Loan
2008	\$37,562	\$53,831	\$621
2009	37,562	53,831	621
2010	37,562	53,831	621
2011	37,562	53,831	621
2012	37,562	53,831	621
2013-2017	150,248	269,154	3,105
2018-2022	0	269,154	3,105
2023-2027	0	269,154	1,242
2028-2033	0	322,985	0
Total	<u>\$338,058</u>	<u>\$1,399,602</u>	<u>\$10,557</u>

6. Retirement System

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

The Ohio Revised Code also prescribes contribution rates. For 2007 and 2006, OPERS members contributed 9% of their gross salaries for 2006 and 9.5% for 2007 and the Village contributed an amount equaling 13.7% and 13.85%, respectively of participants' gross salaries. The Village has paid all contributions required through December 31, 2007.

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.

**VILLAGE OF RUSHVILLE
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

8. Jointly Governed Organization

Fairfield Regional Planning Commission: The Village appoints a member of Council to represent the Village on the 47 member board of the Fairfield Regional Planning Commission. The Village pays a small membership fee annually based on the per capita of the Village. In 2007 and 2006, the Village's membership amount was \$54. There is no ongoing financial responsibility by the Village.

9. Subsequent Events

On January 8, 2008, the Village was notified that its grant, approved by the U.S. Department of Environmental Protection Agency, for the construction of the wastewater treatment plant expansion project, to upgrade existing lines, and installation of new sewer lines to serve Fairfield Union's Middle and High Schools was reduced. The project total was reduced to \$730,000 (\$401,500 Federal and \$328,500 Local Match).

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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 Rushville
Fairfield County
8620 Main Street
Rushville, Ohio 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, 2007 and 2006, and have issued our report thereon dated October 14, 2008, wherein we noted the Village prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We also noted the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for 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.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

We noted certain matters that we reported to the Village's management in a separate letter dated October 14, 2008.

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 an instance of noncompliance or other matter that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2007-001.

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

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



Mary Taylor, CPA
Auditor of State

October 14, 2008

**VILLAGE OF RUSHVILLE
FAIRFIELD COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2007-001

Noncompliance Citation

Certification of Funds

Ohio Rev. Code Section 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.

2. Blanket Certificates. Fiscal officers may prepare "blanket" certificates if the Village has approved their use and established maximum amounts.
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 certify the availability of funds prior to the purchase commitment for 19% of expenditures tested. For these items, the Village also did not prepare blanket certificates, super blanket certificates or then and now certificates in accordance with the Ohio Revised Code. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

In addition to the above, we noted 4 transactions where the Village issued a "Then and Now" certificates in excess of \$3,000; however, they were not approved by Council.

**VILLAGE OF RUSHVILLE
FAIRFIELD COUNTY**
**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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**FINDING NUMBER 2007-001
(Continued)**

Certification of Funds (Continued)

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

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

Officials' Response:

We will continue working on this, but sometimes we don't receive proper information to handle properly.

**VILLAGE OF RUSHVILLE
FAIRFIELD COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2005-001	Ohio Rev. Code Section 5705.41(B) - Expenditures exceeding appropriations.	Yes	
2005-002	Ohio Rev. Code Section 5705.41(D) - Certification of Funds.	No	Repeated as Finding 2007-001



Mary Taylor, CPA
Auditor of State

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
DECEMBER 9, 2008**