



OHIO AUDITOR OF STATE
KEITH FABER



**VILLAGE OF RUTLAND
MEIGS COUNTY
DECEMBER 31, 2018 AND 2017**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Rutland, Meigs County, Ohio (the Village), as of and for the years ended December 31, 2018 and 2017.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 2 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2018 and 2017, and the respective changes in financial position thereof for the years then ended.

Basis for Disclaimer of Opinion on Fiduciary Fund Receipts on the Regulatory Basis of Accounting

Fines, Licenses and Permits receipts are reported at \$23,681 and \$44,894 for the years ended December 31, 2018 and 2017, respectively, which is 100% of Fiduciary Fund receipts for the years ended December 31, 2018 and 2017. We were unable to obtain sufficient appropriate audit evidence supporting the amounts recorded as Fines, Licenses and Permits receipts.

Disclaimer of Opinion on Fiduciary Fund Receipts on the Regulatory Basis of Accounting

Because of the significance of Fines, Licenses and Permits receipts 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 Fiduciary Fund Type of the Village of Rutland, Meigs County, Ohio, for the years ended December 31, 2018 and 2017.

Basis for Qualification of Opinion on General Fund Fines, Licenses, and Permits Receipts on the Regulatory Basis of Accounting

General Fund Fines, Licenses, and Permits receipts were reported at \$19,479 and \$44,665 for the years ended December 31, 2018 and 2017, respectively, which was 13.6 percent and 44.6 percent of total General Fund cash receipts for the years ended December 31, 2018 and 2017, respectively. We were unable to obtain sufficient appropriate audit evidence supporting the amounts recorded as Fines, Licenses, and Permits receipts in the General Fund. Consequently, we were unable to determine whether any adjustments to this amount were necessary.

Qualification of Opinion on General Fund Fines, Licenses, and Permits Receipts on the Regulatory Basis of Accounting

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 2018 and 2017 Fines, Licenses, and Permits receipts in the General Fund, the financial statements referred to above present fairly, in all material respects, the fund cash balances of the General Fund of the Village of Rutland, Meigs County,

Ohio, as of December 31, 2018 and 2017, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03 permit, described in Note 2.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Special Revenue funds of the Village of Rutland, Meigs County, Ohio, as of December 31, 2018 and 2017, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2020, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

January 30, 2020

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**Village of Rutland
Meigs County**

*Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2018*

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$14,476	\$0	\$14,476
Intergovernmental	20,648	17,008	37,656
Charges for Services	0	8,031	8,031
Fines, Licenses and Permits	19,479	0	19,479
Earnings on Investments	6	0	6
Miscellaneous	2,581	600	3,181
	<u>57,190</u>	<u>25,639</u>	<u>82,829</u>
Cash Disbursements			
Current:			
Security of Persons and Property	44,359	0	44,359
Leisure Time Activities	0	4,930	4,930
Transportation	0	1,977	1,977
General Government	54,423	7,374	61,797
Debt Service:			
Principal Retirement	25,979	10,241	36,220
Interest and Fiscal Charges	357	169	526
	<u>125,118</u>	<u>24,691</u>	<u>149,809</u>
<i>Total Cash Disbursements</i>	<u>125,118</u>	<u>24,691</u>	<u>149,809</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(67,928)</u>	<u>948</u>	<u>(66,980)</u>
Other Financing Receipts (Disbursements)			
Sale of Capital Assets	85,821	0	85,821
	<u>85,821</u>	<u>0</u>	<u>85,821</u>
<i>Total Other Financing Receipts (Disbursements)</i>	<u>85,821</u>	<u>0</u>	<u>85,821</u>
<i>Net Change in Fund Cash Balances</i>	17,893	948	18,841
<i>Fund Cash Balances, January 1</i>	<u>(74,437)</u>	<u>84,728</u>	<u>10,291</u>
Fund Cash Balances, December 31			
Restricted	0	85,013	85,013
Committed	0	663	663
Unassigned (Deficit)	(56,544)	0	(56,544)
	<u>(\$56,544)</u>	<u>\$85,676</u>	<u>\$29,132</u>
<i>Fund Cash Balances, December 31</i>	<u>(\$56,544)</u>	<u>\$85,676</u>	<u>\$29,132</u>

See accompanying notes to the basic financial statements.

**Village of Rutland
Meigs County**

*Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
Fiduciary Fund Type
For the Year Ended December 31, 2018*

	<u>Agency</u>
Operating Cash Receipts	
Fines, Licenses and Permits	<u>\$23,681</u>
<i>Total Operating Cash Receipts</i>	<u>23,681</u>
Operating Cash Disbursements	
Other	<u>31,865</u>
<i>Total Operating Cash Disbursements</i>	<u>31,865</u>
<i>Net Change in Fund Cash Balances</i>	(8,184)
<i>Fund Cash Balances, January 1</i>	<u>12,600</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$4,416</u></u>

See accompanying notes to the basic financial statements.

Village of Rutland, Ohio
Meigs County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 1 – Reporting Entity

The Village of Rutland, Meigs County, Ohio (the Village), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides park operations, street maintenance, and police.

Public Entity Risk Pools

The Village participates in Ohio Plan Risk Management, Inc. (OPRM) a public entity risk pool. Note 7 to the financial statements provide additional information for this entity.

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

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for the fiduciary fund type which are organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The General Fund accounts for and reports all financial resources not accounted for and reported in another fund. The General Fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

Log Cabin Fund This fund accounts for and reports the rental of the Log Cabin that is owned by the Village and related expenditures.

Fiduciary Funds Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs. The Village has no trust funds. Agency funds are purely custodial in nature and are used to report fiduciary activity that is not required to be reported in a trust fund. The Village's agency fund accounts for Mayor's Court fines and forfeitures.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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).

Village of Rutland, Ohio
Meigs County
Notes to the Financial Statements
For the Year Ended December 31, 2018
(Continued)

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit.

Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) 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. Unencumbered appropriations lapse at year end.

Estimated Resources Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must 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 carried over, and need not be reappropriated.

A summary of 2018 budgetary activity appears in Note 4.

Deposits 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.

Capital Assets

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

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

Nonspendable The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

Restricted Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Committed Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the General Fund report all fund balances as *assigned* unless they are restricted or committed. In the General Fund, *assigned*

Village of Rutland, Ohio
Meigs County
Notes to the Financial Statements
For the Year Ended December 31, 2018
(Continued)

amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

Unassigned Unassigned fund balance is the residual classification for the General Fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Note 3 – Compliance

The Village's General Fund had a negative fund balance of \$56,544 December 31, 2018. Further, expenditures exceeded appropriations in the General Fund by \$87,597, Street Construction, Maintenance and Repair Fund by \$291, State Highway Fund by \$150, James Vennari Park Fund by \$236, and Log Cabin Fund by \$16,884. At December 31, 2018, appropriations exceeded estimated resources in the General Fund by \$71,015 and in the Civic Center Fund by \$3,539. Also Contrary to Ohio law, the Fiscal Officer did not complete purchase orders for April 2018 and did not certify purchase orders in January, March, and May 2018, which resulted in disbursements being improperly encumbered. Currently, management is taking steps to reduce spending and has implemented a system of accounting that will facilitate in the monitoring of the Village's finances.

Note 4 – Budgetary Activity

Budgetary activity for the year ending December 31, 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$43,005	\$143,011	\$100,006
Special Revenue	15,035	25,639	10,604
Total	\$58,040	\$168,650	\$110,610

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$42,958	\$130,555	(\$87,597)
Special Revenue	10,200	24,980	(14,780)
Total	\$53,158	\$155,535	(\$102,377)

Village of Rutland, Ohio
Meigs County
Notes to the Financial Statements
For the Year Ended December 31, 2018
(Continued)

Note 5 – Deposits and Investments

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

	<u>2018</u>
Demand Deposits	\$28,167
Certificates of Deposit	5,381
Total Deposits	<u>\$33,548</u>

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation.

Note 6 – Taxes

Property Taxes

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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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.

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

Note 7 – Risk Management

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to § 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Effective November 1, 2018, the OPRM the property retention remained unchanged, however, the Plan assumed 100% of the first \$250,000 casualty treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 774 members as of December 31, 2018.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2018.

Village of Rutland, Ohio
Meigs County
Notes to the Financial Statements
For the Year Ended December 31, 2018
(Continued)

Assets	\$15,065,412
Liabilities	<u>(10,734,623)</u>
Members' Equity	<u>\$ 4,330,789</u>

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

Workers' Compensation

Workers' Compensation coverage is provided by the State of Ohio. The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

Note 8 – Defined Benefit Pension Plan

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the Village contributed an amount equaling 14 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2018.

Note 9 – Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2018. The portion of employer contribution allocated to healthcare for OPERS members in the Member Directed Plan was 4% during calendar year 2018.

Note 10 – Contingent Liabilities

Additionally, as of December 31, 2018, the Village owes Meigs County \$15,447 collected by the Village as a result of restitution collected on the 2012 audit findings for recovery against former Fiscal Officer Laura Curtis and in favor of the Water and Sewer Funds, equally. On April 1, 2013, subsequent to the issuance of the finding for recovery, the Village transferred the water and sewer operations to Meigs County.

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**Village of Rutland
Meigs County**

*Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2017*

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$13,867	\$0	\$13,867
Intergovernmental	20,599	17,941	38,540
Charges for Services	0	1,020	1,020
Fines, Licenses and Permits	44,665	1,015	45,680
Earnings on Investments	9	2	11
Miscellaneous	21,084	300	21,384
	<u>100,224</u>	<u>20,278</u>	<u>120,502</u>
Cash Disbursements			
Current:			
Security of Persons and Property	88,227	475	88,702
Leisure Time Activities	0	7,281	7,281
Transportation	0	9,408	9,408
General Government	79,396	0	79,396
Debt Service:			
Principal Retirement	573	2,710	3,283
Interest and Fiscal Charges	77	0	77
	<u>168,273</u>	<u>19,874</u>	<u>188,147</u>
<i>Total Cash Disbursements</i>	<u>168,273</u>	<u>19,874</u>	<u>188,147</u>
<i>Net Change in Fund Cash Balances</i>	(68,049)	404	(67,645)
<i>Fund Cash Balances, January 1</i>	<u>(6,388)</u>	<u>84,324</u>	<u>77,936</u>
Fund Cash Balances, December 31			
Restricted	0	71,655	71,655
Committed	0	13,073	13,073
Unassigned (Deficit)	<u>(74,437)</u>	<u>0</u>	<u>(74,437)</u>
<i>Fund Cash Balances, December 31</i>	<u><u>(\$74,437)</u></u>	<u><u>\$84,728</u></u>	<u><u>\$10,291</u></u>

See accompanying notes to the basic financial statements.

**Village of Rutland
Meigs County**

*Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
Fiduciary Fund Type
For the Year Ended December 31, 2017*

	<u>Agency</u>
Operating Cash Receipts	
Fines, Licenses and Permits	<u>\$44,894</u>
<i>Total Operating Cash Receipts</i>	<u>44,894</u>
Operating Cash Disbursements	
Other	<u>38,611</u>
<i>Total Operating Cash Disbursements</i>	<u>38,611</u>
<i>Net Change in Fund Cash Balances</i>	6,283
<i>Fund Cash Balances, January 1</i>	<u>6,317</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$12,600</u></u>

See accompanying notes to the basic financial statements.

Village of Rutland, Ohio
Meigs County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 1 – Reporting Entity

The Village of Rutland, Meigs County, Ohio (the Village), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides park operations, street maintenance, and police.

Public Entity Risk Pools

The Village participates in Ohio Plan Risk Management, Inc. (OPRM) a public entity risk pool. Note 7 to the financial statements provide additional information for this entity.

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

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for the fiduciary fund type which are organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The General Fund accounts for and reports all financial resources not accounted for and reported in another fund. The General Fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

Street Construction Maintenance and Repair The Street Construction Maintenance and Repair Fund accounts for and reports that portion of the state gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

Log Cabin Fund This fund accounts for and reports the rental of the Log Cabin that is owned by the Village and related expenditures.

Fiduciary Funds Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs. The Village has no trust funds. Agency funds are purely custodial in nature and are used to report fiduciary activity that is not required to be reported in a trust fund. The Village's agency fund accounts for Mayor's Court fines and forfeitures.

Village of Rutland, Ohio
Meigs County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit.

Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) 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. Unencumbered appropriations lapse at year end.

Estimated Resources Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must 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 carried over, and need not be reappropriated.

A summary of 2017 budgetary activity appears in Note 4.

Deposits 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.

Capital Assets

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

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

Nonspendable The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

Restricted Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Village of Rutland, Ohio
Meigs County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Committed Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the General Fund report all fund balances as *assigned* unless they are restricted or committed. In the General Fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

Unassigned Unassigned fund balance is the residual classification for the General Fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Note 3 – Compliance

Contrary to Ohio law, the Village's General Fund had a negative fund balance of \$74,437 at December 31, 2017. Further, expenditures exceeded appropriations in the General Fund by \$120,607 and appropriations exceeded estimated resources in all funds as the Council did not obtain the required Certificate of Estimated Resources. Finally, contrary to Ohio law, the Fiscal Officer did not complete valid purchase orders for February-December 2017. Currently, management is taking steps to reduce spending and has implemented a system of accounting that will facilitate in the monitoring of the Village's finances.

Note 4 – Budgetary Activity

Budgetary activity for the year ending December 31, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$0	\$100,224	\$100,224
Special Revenue	0	20,278	20,278
Total	\$0	\$120,502	\$120,502

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$51,482	\$172,090	(\$120,608)
Special Revenue	88,243	19,874	68,369
Total	\$139,725	\$191,964	(\$52,239)

Village of Rutland, Ohio
Meigs County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 5 – Deposits and Investments

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

	<u>2017</u>
Demand Deposits	\$17,558
Certificates of Deposit	5,333
Total Deposits	<u><u>\$22,891</u></u>

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation.

Note 6 – Taxes

Property Taxes

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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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.

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

Note 7 – Risk Management

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 764 members as of December 31, 2017.

Village of Rutland, Ohio
Meigs County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2017.

Assets	\$14,853,620
Liabilities	<u>(9,561,108)</u>
Members' Equity	<u>\$ 5,292,512</u>

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

Workers' Compensation

Workers' Compensation coverage is provided by the State of Ohio. The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

Note 8 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the Village contributed an amount equaling 14 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2017.

Social Security

One Village employee contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2017.

Note 9 – Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 1 percent during calendar year 2017.

Village of Rutland, Ohio
Meigs County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 10 – Debt

Debt outstanding at December 31, 2017, was as follows:

	Principal	Interest Rate
Cabin Loan	\$9,940	4.46%
Police Cruiser Loan	\$25,979	2.70%
Total	\$35,919	

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.

In 2016, the Village obtained a loan to purchase a 2016 Ford Explorer police cruiser. The loan was for \$36,393 at a 2.7% interest rate. This loan is to be paid in monthly installments of \$650 for a term of 5 years.

Amortization

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

Year Ending December 31:	Cabin Loan	Police Cruiser Loan
2018	\$2,710	\$7,797
2019	2,710	7,797
2020	2,710	7,797
2021	2,710	3,898
Total	\$10,840	\$27,289

Note 11 – Contingent Liabilities

The Village is defendant in several lawsuits. Although management cannot presently determine the outcome of these suits, management believes that the resolution of these matters will not materially adversely affect the Village's financial condition.

At December 31, 2017, the Village owes the Ohio Bureau of Workers' Compensation \$3,003

Additionally, as of December 31, 2017, the Village owes Meigs County \$15,447 collected by the Village as a result of restitution collected on the 2012 audit findings for recovery against former Fiscal Officer Laura Curtis and in favor of the Water and Sewer Funds, equally. On April 1, 2013, subsequent to the issuance of the finding for recovery, the Village transferred the water and sewer operations to Meigs County.

OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S 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
Rutland, Ohio 45775

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Village of Rutland, Meigs County, Ohio (the Village), as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements and have issued our report thereon dated January 30, 2020 wherein we noted the Village followed financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit. We did not express an opinion on the Fiduciary Fund Type. We also qualified our opinion on Fines, Licenses and Permits in the General Fund.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings that we consider material weaknesses. We consider findings 2018-003, 2018-007 and 2018-010 through 2018-013 to be material weaknesses.

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, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2018-001 through 2018-009.

Village's Response to Findings

The Village's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. We did not subject the Village's responses to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

January 30, 2020

**VILLAGE OF RUTLAND
MEIGS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2018 AND 2017**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2018-001

Noncompliance

Ohio Rev. Code § 9.38 provides public money must be deposited by a public official other than a state officer, employee, or agency, with the treasurer of public office or to a designated depository on the business day following the day of receipt if the total amount received exceeds one thousand dollars. Public money collected for other public officials must be deposited by the first business day following the date of receipt. If the amount of daily receipts does not exceed \$1,000 and the receipts can be safeguarded, public offices may adopt a policy permitting their officials who receive this 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 public office is governed by legislative authority (i.e., counties, municipalities, townships, and school districts), only the legislative authority may adopt the policy. The policy must include provisions and procedures to safeguard the money during the intervening period.

Mayor's court receipts were not deposited in a timely manner for 19 percent of the 2018 receipts and 62 percent of the 2017 receipts. No policy was in place to extend the time period beyond 24 hours and no method to safeguard the deposits held until deposit existed. This increases the risk of loss or theft of cash.

Council should develop and implement policies that would provide for the deposit of monies received in a timely manner.

Official's Response: We will attempt to correct this in the future.

FINDING NUMBER 2018-002

Noncompliance

Ohio Rev. Code § 733.40 requires that all fines, forfeitures, and costs in ordinance cases and all fees that are collected by the mayor, that in any manner come into the mayor's hands, or that are due to the mayor, and all money received by the mayor for the use of the municipal corporation shall be paid by the mayor into the treasury of the municipal corporation on the first Monday of each month. At the first regular meeting of the legislative authority each month, the mayor shall submit a full statement of all money received, from who and for what purposes received, and when paid into the treasury.

During 2018 and 2017, the Village Mayor did not remit monies collected to the Village by the first Monday of each month. The failure to properly remit monies collected through Mayor's Court can result in difficulty in determining what portion of fund balance held should be remitted to whom.

The Village Mayor should distribute fines collected by the Village's Mayor's Court to the Village by the first Monday of the following month.

Official's Response: We will attempt to correct this in the future.

VILLAGE OF RUTLAND
MEIGS COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2018 AND 2017
(Continued)

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

FINDING NUMBER 2018-003

Noncompliance and Material Weakness

Ohio Rev. Code § 1905.21 provides that the mayor of a municipal corporation and a mayor's court magistrate shall keep a docket. The mayor or mayor's court magistrate shall account for and dispose of all such fines, forfeitures, fees and costs collected.

Ohio Admin. Code § 117-2-02(A) provides that, when designing the public office's system of internal control and the specific control activities, management should consider ensuring that accounting records are properly designed, verifying the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records, and performing analytical procedures to determine the reasonableness of financial data.

- The Mayor did not maintained a docket for 2017 and for some cases in 2018.
- The Village did not reconcile tickets to determine completeness. As a result, tickets were not issued in sequential order, ticket numbers overlapped and some tickets issued were not numbered at all. Failure to properly maintain the accountability of all tickets could result in a misappropriation of funds without timely detection.

As such, we were we unable to satisfy ourselves as to the completeness of Fines, Licenses and Permits receipts recorded in the General Fund in 2018 and 2017 and Fines, Licenses and Permits in the Fiduciary Fund Type in 2018 and 2017. We have modified the opinion in the Independent Auditor's Report accordingly. These receipts represent and 13.6 and 44.5 percent, respectively, of receipts of the General Fund for the years ended December 31, 2018 and 2017 and 100 percent of receipts of the Fiduciary Fund Type for the years ended December 31, 2018 and 2017.

The Mayor should ensure a complete docket is maintained for all cases handled by the court and that the Mayor's Court accounting system (Baldwin Group) includes all transactions so that case files are accurately updated. Proper control should be maintained over issued and unissued tickets by the Police Chief or Mayor by ensuring:

- Unissued ticket books are stored in a secure location.
- Tickets are issued in sequential order.
- All tickets are accounted for before the next book is issued.
- Any discrepancies are investigated promptly.
- A periodic (perhaps yearly) inventory is taken to determine the status of the issued tickets.
- All parts of a voided ticket are retained and stored in sequence with the other tickets

Official's Response: We will attempt to correct this in the future.

FINDING NUMBER 2018-004

Noncompliance Citation

Ohio Rev. Code § 2949.091 requires the court, in which any person is convicted of or pleads guilty to any offense, to impose on the following sums as costs in the case in addition to any other court costs that the court is required by law to impose upon the offender:

**VILLAGE OF RUTLAND
MEIGS COUNTY**
**SCHEDULE OF FINDINGS
DECEMBER 31, 2018 AND 2017
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2018-004 (Continued)

Noncompliance Citation - Ohio Rev. Code § 2949.091 (Continued)

- Thirty dollars if the offense is a felony;
- Twenty dollars if the offense is a misdemeanor other than a traffic offense that is not a moving violation; or
- Ten dollars if the offense is a traffic offense that is not a moving violation, excluding parking violations.

All such moneys collected during the month shall be transmitted on or before the twentieth of the following month by the clerk of the courts to the Treasurer of State.

The Village consistently did not remit the amounts due to the State on or before the twentieth day of the following month throughout 2018 and 2017. In addition, at December 31, 2018, the Village still held \$3,055, which should have been remitted to the state.

The Village should remit the State portion of Mayor's Court fines and fees collected to the State on or before the twentieth day of the following month and submit all reports as required timely.

Official's Response: We will attempt to correct this in the future.

FINDING NUMBER 2018-005

Noncompliance

Ohio Rev. Code § 5705.10(I) provides that money paid into a fund must be used only for the purpose for which such fund has been established.

The Village's General Fund had a negative fund balance of \$56,544 and \$74,437 at December 31, 2018 and 2017, respectively. A negative fund balance indicates money from one fund was used to cover the expenses of another fund. Overspending was due to a lack of budgetary oversight by the Village officials and leads to financial difficulties.

The Village should 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.

Official's Response: We will attempt to correct this in the future.

FINDING NUMBER 2018-006

Noncompliance

Ohio Rev. Code § 5705.36(A)(1) provides that on or about the first day of each fiscal year, the fiscal officer of each subdivision and other taxing unit shall certify to the county auditor the total amount from all sources available for expenditures from each fund set up in the tax budget or, if adoption of a tax budget was waived under § 5705.281 of the Revised Code, from each fund created by or on behalf of the taxing authority. The amount certified shall include any unencumbered balances that existed at the end of the preceding year with certain exclusions.

**VILLAGE OF RUTLAND
MEIGS COUNTY**
**SCHEDULE OF FINDINGS
DECEMBER 31, 2018 AND 2017
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2018-006 (Continued)

Noncompliance - Ohio Rev. Code § 5705.36(A)(1) (Continued)

The Village Council and Fiscal Officer did not obtain a certificate of estimated resources for 2017. This was an oversight partially due to turnover in those positions. The failure to certify estimated resources prevents proper monitoring of expected amounts and prevents the approval of valid appropriations.

The Village Fiscal Officer and Council should obtain the required certificate of estimated resources annually.

Official's Response: We will attempt to correct this in the future.

FINDING NUMBER 2018-007

Noncompliance and Material Weakness

Ohio Rev. Code §5705.39 provides, in part, that total appropriations from each fund shall not exceed the total estimated resources. No appropriation measure is effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

At December 31, 2018, appropriations exceeded estimated resources in the General Fund by \$71,015 and in the Civic Center Fund by \$3,539. At December 31, 2017, appropriations exceeded estimated resources in all funds as the Council did not obtain the required Certificate of Estimated Resources. The failure to limit appropriations by estimated resources can result in negative fund balances and overspending.

Council should limit appropriations by total estimated resources as approved by the Budget Commission.

Official's Response: We will attempt to correct this in the future.

FINDING NUMBER 2018-008

Noncompliance

Ohio Rev. Code § 5705.41(B) prohibits subdivisions or taxing authorities from expending money unless it is appropriated.

At December 31, 2018, expenditures exceeded appropriations in the General Fund by \$87,597, Street Construction, Maintenance and Repair Fund by \$291, State Highway Fund by \$150, James Vennari Park Fund by \$236, and Log Cabin Fund by \$16,884. At December 31, 2017, expenditures exceeded appropriations in the General Fund by \$120,607.

The failure to spend within appropriated amounts was primarily due to insufficient monitoring of approved appropriation amounts. The practice of allowing expenditures to exceed appropriations could result in negative fund balances for the Village.

The Fiscal Officer should compare expenditures to appropriations on a monthly basis. If appropriations in addition to those already adopted will be needed, Council should adopt appropriations, if possible, to prevent expenditures from exceeding appropriations or reduce spending. The Fiscal Officer should also deny requests for payment when appropriations are not available.

**VILLAGE OF RUTLAND
MEIGS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2018 AND 2017
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2018-008 (Continued)

Noncompliance - Ohio Rev. Code § 5705.41(B) (Continued)

Official's Response: We will attempt to correct this in the future.

FINDING NUMBER 2018-009

Noncompliance

Ohio Rev. Code § 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The Fiscal Officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

The Fiscal Officer did not complete purchase orders for February-December in 2017 and April 2018 and did not certify purchase orders in January, March, and May 2018, which resulted in disbursements being improperly encumbered. Failure to certify the availability of funds properly can result in overspending funds and negative cash fund balances. Prior certification is not only required by statute but is also a key control in the disbursement process to assure that purchase commitments receive prior approval.

Village officials and employees should obtain the Fiscal Officer'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 certificate language of Ohio Rev. Code § 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification at the time the Village incurs the commitment, and only when the requirements of Ohio Rev. Code § 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase orders to the proper appropriation code to reduce the available appropriation.

Official's Response: We will attempt to correct this in the future.

FINDING NUMBER 2018-010

Material Weakness - Segregation of Duties

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 Council monitor financial activity closely.

Council reviews financial reports; however, this was not always documented in the minutes and there are no sign-offs to indicate which reports have been reviewed. There was no indication Mayor's court reports were being reviewed monthly. No processes exist to identify unusual fluctuations between accounts or between fiscal years. Additionally, bank reconciliations were available for all months, however, there were no sign-offs to indicate who prepared the reconciliations and who reviewed. 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, 2018 AND 2017
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2018-010 (Continued)

Material Weakness - Segregation of Duties (Continued)

Council should review financial reports and bank reconciliations on a monthly basis. Additionally, the Council should approve all items relating to payroll. This should be documented in the minute record. In addition, the Village should 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 and unusual fluctuations would be identified.

Additionally, Council should 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.

Official's Response: We will attempt to correct this in the future.

FINDING NUMBER 2018-011

Material Weakness- Estimated Receipts and Appropriations

Sound accounting practices require accurately posting estimated receipts and appropriations to the ledgers to provide information for budget versus actual comparison and to allow the Council to make informed decisions regarding budgetary matters.

The Appropriation resolution establishes the legal spending authority of the Village and the appropriation ledger provides the process by which the Village controls spending, it is therefore necessary the amounts appropriated by the Council are precisely stated and accurately posted to the appropriation ledger.

The original certificate establishes the amounts available for expenditures for the Village and the receipts ledger provides the process by which the Village controls what is available, it is therefore necessary the amounts estimated by the County Budget Commission are posted accurately to the receipts ledger.

The Village did not have procedures in place to accurately post authorized budgetary measures to the accounting system. The appropriations approved by Council were not properly posted to the accounting system. Additionally, the approved Certificate of Estimated Resources was not properly posted to the accounting system.

**VILLAGE OF RUTLAND
MEIGS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2018 AND 2017
(Continued)**

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

FINDING NUMBER 2018-011 (Continued)

Material Weakness- Estimated Receipts and Appropriations (Continued)

Estimated receipts as approved by the Budget Commission varied from the accounting system at December 31, 2018 as follows:

	Estimated Receipts in System	Approved Estimated Receipts	Variance
General Fund	\$ 83,005	\$ 43,005	\$ (40,000)

Estimated receipts as approved by the Budget Commission varied from the accounting system at December 31, 2017 as follows:

	Estimated Receipts in System	Approved Estimated Receipts	Variance
General Fund	\$ 50,020	\$ 0	\$ (50,020)
Street Construction and Maintenance	12,000	0	(12,000)
State Highway	1,300	0	(1,300)
Log Cabin Fund	2,000	0	(2,000)

Formal appropriations as approved by Council varied from the accounting system at December 31, 2018 as follows:

	Appropriations per System	Approved Appropriations per Resolution	Variance
General	\$ 74,158	\$ 42,958	\$ (31,200)
Log Cabin	7,657	900	(6,757)

Formal appropriations as approved by Council varied from the accounting system at December 31, 2017 as follows:

	Appropriations per System	Approved Appropriations per Resolution	Variance
General	\$ 195,057	\$ 51,482	\$ (143,575)
Street Construction and Maintenance	10,120	35,744	25,624
State Highway	1,200	11,635	10,435
Civic Center	0	3,349	3,349
James Vennari Park	4,300	21,117	16,817
Law Enforcement Trust	0	4,781	4,781
Log Cabin	5,854	11,618	5,764

**VILLAGE OF RUTLAND
MEIGS COUNTY**
**SCHEDULE OF FINDINGS
DECEMBER 31, 2018 AND 2017
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2018-011 (Continued)

Material Weakness- Estimated Receipts and Appropriations (Continued)

Failure to accurately post the appropriations and estimated resources to the ledgers could result in overspending and negative cash balances. In addition, this could lead to inaccurate reporting of the budgetary information in the financial statements.

To effectively control the budgetary cycle and to maintain accountability over receipts and expenditures, the Village should post to the ledgers, on a timely basis, estimated resources as certified by the budget commission and appropriations approved by the Council. The Village should then monitor budget versus actual reports to help ensure amended certificates of resources and appropriations have been properly posted to the ledgers.

Official's Response: We will attempt to correct this in the future.

FINDING NUMBER 2018-012

Material Weakness- Financial Reporting

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16.

The Fiscal Officer classified certain transactions incorrectly resulting in material audit adjustments.

During 2018:

- The Fiscal Officer incorrectly posted debt payments in the General Fund resulting in an increase in Interest and Other Fiscal Charges of \$357, an increase in Principal Retirement of \$25,979, a decrease in Security of Persons and Property of \$27,636, and a decrease in Miscellaneous receipts of \$650.
- Various receipts were misclassified resulting in:
 - General Fund - a decrease in Fines, License, and Permits of \$14,654, a decrease in Security of Persons and Property of \$27,611, and an increase in Fund Cash Balance, January 1 of \$7,040.
 - In Special Revenue Funds:
 - Street Construction, Maintenance, and Repair Fund – a decrease in Intergovernmental receipts of \$2,309 and a decrease in miscellaneous receipts of \$1,445.
 - Civic Center Fund- an increase in Miscellaneous receipts of \$266.
 - James Vennari Park Fund- a decrease in Miscellaneous receipts of \$150.
- The Fiscal Officer reallocated some 2018 expenditures but posted this reallocation as adjustments to Fund Cash Balance, January 1 rather than adjusting the proper expenditure lines requiring:
 - Civic Center Funds – a decrease in Leisure Time Activities and Fund Cash Balance, January 1 of \$3,707.
 - Log Cabin Fund – an increase in Fund Cash Balance, January 1 and General Government of \$408.

**VILLAGE OF RUTLAND
MEIGS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2018 AND 2017
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2018-012 (Continued)

Material Weakness- Financial Reporting (Continued)

- The Fiscal Officer did not accurately maintain Mayor's Court Activity resulting in adjustments to increase to Fines, License, and Permits of \$3,340, a decrease in Other disbursements of \$8,172, and a decrease in Fund Cash Balance, January 1 of \$6,501.

During 2017:

- Various receipts were misclassified resulting in:
 - General Fund - an increase in Property and Other Local Taxes of \$2,820, a decrease to Miscellaneous receipt of \$12,256, an increase in Fines, License, and Permits of \$28,308, a decrease in General Government of \$2,117, and a decrease in Intergovernmental receipts of \$16,995.
 - In Special Revenue Funds:
 - State Highway Fund – a decrease in Intergovernmental receipts of \$1,648.
 - Street Construction, Maintenance, and Repair Fund – an increase in Intergovernmental receipts of \$3,828.
 - Log Cabin Fund – an increase in Charges for Services of \$450.
- Certain fund balances were not classified in accordance with GASB 54 and Auditor of State Bulletin 2011-004 resulting in the fund balance of the Civic Center Fund, \$1,556, and the Log Cabin Fund, \$11,067, being reclassified from Restricted to Committed.
- The Fiscal Officer reallocated some 2017 expenditures but posted this reallocation as adjustments to Fund Cash Balance, January 1 rather than adjusting the proper expenditure lines requiring:
 - Street Construction, Maintenance, and Repair Fund - an increase in Fund Cash Balance, January 1 and Transportation of \$1,040.
 - State Highway Fund - an increase in Fund Cash Balance, January 1 and Transportation of \$1,041.
 - Civic Center Fund – an increase in Fund Cash Balance, January 1 and Leisure Time Activities of 41,667.
 - James Vennari Park Fund – an increase in Fund Cash Balance, January 1 and Leisure Time Activities of \$777.
- The Fiscal Officer did not maintain Mayor's Court Activity in the annual financial report resulting in adjustments to record that activity including an increase to Fines, License, and Permits of \$44,894, an increase in Other disbursements of \$38,611, and a decrease in Fund Cash Balance, January 1 of \$2,199.

These misstatements, along with other adjustments the Village opted to post despite being immaterial, were caused by confusion over proper classifications. As a result, reclassifications/adjustments, with which the Village's management agrees, were made to the financial statements. These reclassifications/adjustments are reflected in the accompanying financial statements and affect the fund balances as follows:

**VILLAGE OF RUTLAND
MEIGS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2018 AND 2017
(Continued)**

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

FINDING NUMBER 2018-012 (Continued)

Material Weakness- Financial Reporting (Continued)

	Original Balance per Fund Status at December 31, 2018	Adjustment Needed	Adjusted Ending Balance
General Fund	-\$53,432	-\$3,112	-\$56,544
Street Construction, Maintenance, and Repair	51,055	-576	50,479
State Highway	13,813	-1,664	12,149
Civic Center	173	421	594
James Vennari Park	17,882	-150	17,732
Law Enforcement Trust	4,653	0	4,653
Log Cabin	0	69	69
Other Agency (Mayor's Court)	-596	5,012	4,416

The Fiscal Officer should review the audit adjustments for proper classification and take additional care in posting transactions to the Village's ledgers in order to ensure the financial statements reflect the appropriate classifications.

Official's Response: We will attempt to correct this in the future.

FINDING NUMBER 2018-013

Material Weakness- Mayors Court Rates

The Council approved a Fine Schedule for the Mayor's Court in 2010. On March 19, 2018, the Council approved and updated Fine, Bond, Fee Schedule that sets the various fines for violations identified. However, the new rates were not approved in the open minutes.

Mayors Court fines charged did not agree to the rates approved by the Council for 16% of tickets in 2018 and 40% of tickets in 2017. Failure to use approved rates can cause violators to be charged more or less than is due to the Village. This can result in unforeseen liabilities to the Village as well as potential loss of income. Failure to approve rates in the open minutes can cause confusion about which rates should be followed when issuing tickets.

The Council should approve all changes to the official fine, bond, and fee schedule in open meeting and document as such. Further, the Mayor and Fiscal Officer should verify ticket amounts issued agree to the formally approved fine, bond, and fee schedule.

Official's Response: We will attempt to correct this in the future.

**VILLAGE OF RUTLAND
MEIGS, OHIO**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2018 AND 2017**

Finding Number	Finding Summary	Status	Additional Information
2016-001	Finding for Recovery for public monies illegally expended issued against April Burke in the amount of \$645.	Fully Corrected	N/A
2016-002	Noncompliance [ORC § 149.351] and material weakness issued for failure to maintain adequate supporting documentation over charges for services receipts resulting in qualification of opinion.	Partially Corrected	We have made great strides in the current administration to correct the issues from the prior audit. However, some minor lack of documentation still existed during 2018 and 2017. We continue to try and make sure support is maintained for all transactions and activity of the Council.
2016-003	Noncompliance [ORC § 733.40] issued for failure to not remit monies collected to the Village Mayor's Court to the Village by the first Monday of each month.	Not Corrected	There was a lot of turnover during the audit period. We will attempt to correct this in the future.
2016-004	Noncompliance [ORC § 1905.21] and material weakness issued for failure to maintain required Mayor's Court records resulting in disclaimer of opinion.	Not Corrected	There was a lot of turnover during the audit period. We will attempt to correct this in the future.
2016-005	Noncompliance [ORC § 2949.091] issued for failure to remit the amounts due to the State on or before the twentieth day of the following month.	Not Corrected	There was a lot of turnover during the audit period. We will attempt to correct this in the future.
2016-006	Noncompliance [ORC § 5705.10(l)] for negative balance in the General Fund.	Not Corrected	There was a lot of turnover during the audit period and low fund balances. We will attempt to correct this in the future.
2016-007	Noncompliance [ORC § 5705.38)(A)] for failing to pass formal appropriations.	Partially Corrected	The Village did pass appropriation resolutions in 2018 and 2017, despite failing to meet the required deadline.
2016-008	Noncompliance [ORC § 5705.36(A)(3)] and material weakness for expenditures not properly updating approved budgetary measures in the accounting system.	Partially Corrected.	The portion of this finding relating to the amounts in the accounting system varying from the approved amounts has been repeated as a finding in the current audit. We have entered all Village activity into the Uniform Accounting System and continue to monitor the amounts to ensure approved amount are consistent with the system.

**VILLAGE OF RUTLAND
MEIGS, OHIO**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2018 AND 2017
(Continued)**

Finding Number	Finding Summary	Status	Additional Information
2016-009	Noncompliance [ORC § 5705.41(B)] for expenditures exceeding appropriations.	Not Corrected	There was a lot of turnover during the audit period and low fund balances. We will attempt to correct this in the future.
2016-010	Noncompliance [OAC § 117-2-02(A)] and Material Weakness for improper postings resulting in audit adjustments.	Not Corrected	There was a lot of turnover during the audit period. We will attempt to correct this in the future.
2016-011	Material Weakness for lack of appropriate documentation relating to Civic Center Rentals.	Partially Corrected.	The Village management has worked to monitor activities of the Village and correct prior audit findings. We note that the amount of missing documentation was insignificant in the current audit due to increased bookkeeping on the part of the Fiscal Officer and monitoring by Council.
2016-012	Material Weakness for authorized signatories failing to be timely updated.	Partially Corrected.	The Village management has worked to monitor activities of the Village and correct prior audit findings. We note that signatories have been updated currently even though they had not been during the entire audit period.
2016-013	Material Weakness for a lack of segregation of duties or compensating controls.	Not Corrected	There was a lot of turnover during the audit period. We will attempt to correct this in the future.

OHIO AUDITOR OF STATE KEITH FABER



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
FEBRUARY 11, 2020**