



Dave Yost • Auditor of State



VILLAGE OF RAWSON  
HANCOCK COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report .....	1
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2013 .....	3
Combined Statement of Receipts, Disbursements, and Changes in Fund Balance (Cash Basis) - Proprietary Fund Type - For the Year Ended December 31, 2013 .....	4
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2012 .....	5
Combined Statement of Receipts, Disbursements, and Changes in Fund Balance (Cash Basis) - Proprietary Fund Type - For the Year Ended December 31, 2012 .....	6
Notes to the Financial Statements .....	7
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	17
Schedule of Findings .....	19
Schedule of Prior Audit Findings .....	21

**This page intentionally left blank.**



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Village of Rawson  
Hancock County  
5700 County Road 37  
P. O. Box 525  
Rawson, Ohio 45881-0525

To the Village Council:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements and related notes of the Village of Rawson, Hancock County, Ohio (the Village) as of and for the years ended December 31, 2013 and 2012.

### ***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 Section 117.38 and Ohio Administrative Code Section 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 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 opinion.

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

As described in Note 1B of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1B and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

***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, 2013 and 2012, thereof for the years then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Rawson, Hancock County, Ohio as of December 31, 2013 and 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1B.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 16, 2014, on our consideration of the Library'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.



**Dave Yost**  
Auditor of State

Columbus, Ohio

June 16, 2014

**VILLAGE OF RAWSON  
HANCOCK COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$10,956			\$10,956
Intergovernmental	31,209	\$58,941		90,150
Special Assessments		22,069		22,069
Charges for Services	275			275
Earnings on Investments	24			24
Miscellaneous	1,439			1,439
<i>Total Cash Receipts</i>	<u>43,903</u>	<u>81,010</u>		<u>124,913</u>
<b>Cash Disbursements</b>				
Current:				
Security of Persons and Property	5,624	10,960		16,584
Public Health Services	1,725			1,725
Leisure Time Activities	17,623			17,623
Community Environment		1,258		1,258
Basic Utility Services		7		7
Transportation		30,982		30,982
General Government	22,664			22,664
Capital Outlay		36,792	\$296,807	333,599
Debt Service:				
Principal Retirement		3,209		3,209
Interest and Fiscal Charges		250		250
<i>Total Cash Disbursements</i>	<u>47,636</u>	<u>83,458</u>	<u>296,807</u>	<u>427,901</u>
<i>Excess of Disbursements over Receipts</i>	<u>(3,733)</u>	<u>(2,448)</u>	<u>(296,807)</u>	<u>(302,988)</u>
<b>Other Financing Receipts</b>				
Other Debt Proceeds			318,675	318,675
<i>Net Change in Fund Cash Balances</i>	(3,733)	(2,448)	21,868	15,687
<i>Fund Cash Balances, January 1</i>	<u>88,816</u>	<u>122,141</u>	<u>45,286</u>	<u>256,243</u>
<b>Fund Cash Balances, December 31</b>				
Restricted		119,693	67,154	186,847
Unassigned	85,083			85,083
<i>Fund Cash Balances, December 31</i>	<u>\$85,083</u>	<u>\$119,693</u>	<u>\$67,154</u>	<u>\$271,930</u>

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

**VILLAGE OF RAWSON  
HANCOCK COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCE (CASH BASIS)  
PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Enterprise
<b>Operating Cash Receipts</b>	
Charges for Services	\$157,354
<b>Operating Cash Disbursements</b>	
Personal Services	29,443
Employee Fringe Benefits	4,442
Contractual Services	6,166
Supplies and Materials	58,266
Other	708
<i>Total Operating Cash Disbursements</i>	99,025
<i>Operating Income</i>	58,329
<b>Non-Operating Receipts (Disbursements)</b>	
Intergovernmental	38,572
Special Assessments	35,604
Earnings on Investments	161
Principal Retirement	(74,946)
Interest and Other Fiscal Charges	(68,416)
<i>Total Non-Operating Receipts (Disbursements)</i>	(69,025)
<i>Net Change in Fund Cash Balance</i>	(10,696)
<i>Fund Cash Balance, January 1</i>	545,712
<i>Fund Cash Balance, December 31</i>	\$535,016

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



**VILLAGE OF RAWSON  
HANCOCK COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$12,389			\$12,389
Intergovernmental	45,385	\$25,243	\$318,764	389,392
Special Assessments		22,444		22,444
Charges for Services	355			355
Earnings on Investments	110			110
Miscellaneous	674			674
<i>Total Cash Receipts</i>	<u>58,913</u>	<u>47,687</u>	<u>318,764</u>	<u>425,364</u>
<b>Cash Disbursements</b>				
Current:				
Security of Persons and Property	10,417	27,498		37,915
Public Health Services	1,749			1,749
Leisure Time Activities	10,615			10,615
Community Environment		850		850
Basic Utility Services		302		302
Transportation		6,186		6,186
General Government	40,279			40,279
Capital Outlay			399,474	399,474
Debt Service:				
Principal Retirement		2,604	257,000	259,604
Interest and Fiscal Charges		361		361
<i>Total Cash Disbursements</i>	<u>63,060</u>	<u>37,801</u>	<u>656,474</u>	<u>757,335</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(4,147)</u>	<u>9,886</u>	<u>(337,710)</u>	<u>(331,971)</u>
<b>Other Financing Receipts</b>				
Sale of Bonds			257,000	257,000
Other Debt Proceeds			119,844	119,844
Other Financing Sources	23,020			23,020
<i>Total Other Financing Receipts</i>	<u>23,020</u>		<u>376,844</u>	<u>399,864</u>
<i>Net Change in Fund Cash Balances</i>	18,873	9,886	39,134	67,893
<i>Fund Cash Balances, January 1</i>	<u>69,943</u>	<u>112,255</u>	<u>6,152</u>	<u>188,350</u>
<b>Fund Cash Balances, December 31</b>				
Restricted		122,141	45,286	167,427
Unassigned	88,816			88,816
<i>Fund Cash Balances, December 31</i>	<u>\$88,816</u>	<u>\$122,141</u>	<u>\$45,286</u>	<u>\$256,243</u>

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

**VILLAGE OF RAWSON  
HANCOCK COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCE (CASH BASIS)  
PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Enterprise
<b>Operating Cash Receipts</b>	
Charges for Services	\$158,449
<b>Operating Cash Disbursements</b>	
Personal Services	28,187
Employee Fringe Benefits	4,788
Contractual Services	14,838
Supplies and Materials	45,833
Other	1,034
<i>Total Operating Cash Disbursements</i>	94,680
<i>Operating Income</i>	63,769
<b>Non-Operating Receipts (Disbursements)</b>	
Intergovernmental	30,187
Special Assessments	39,132
Earnings on Investments	107
Capital Outlay	(70,521)
Principal Retirement	(60,578)
Interest and Other Fiscal Charges	(57,598)
<i>Total Non-Operating Receipts (Disbursements)</i>	(119,271)
<i>Net Change in Fund Cash Balance</i>	(55,502)
<i>Fund Cash Balance, January 1</i>	601,214
<i>Fund Cash Balance, December 31</i>	\$545,712

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

**VILLAGE OF RAWSON  
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012**

**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 Rawson, Hancock County, Ohio (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities and park operations. The Village appropriates general fund money and has a special assessment in the special revenue fund to support a volunteer fire department.

The Village participates in a public entity risk pool. Note 7 to the financial statements provides additional information for these entities. This organization is:

Public Entity Risk Pool:

Public Entities Pool of Ohio (PEP) provides property and casualty coverage for its members.

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. 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.

The Village values certificates of deposit at cost.

**D. Fund Accounting**

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

**1. General Fund**

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

**VILLAGE OF RAWSON  
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**2. 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 Fund:

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

**3. Capital Project Funds**

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant Capital Project Funds:

Sewer Lagoon Grant Construction Fund – This fund receives grants and bond proceeds from the United States Department of Agriculture for the expansion of the wastewater lagoon for the Village.

OPWC Fund – This fund receives Ohio Public Works Commission and Ohio Water Development Authority grants and loan proceeds to erect a new water tower and improve the Village's waterlines.

**4. Enterprise Funds**

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

Water Fund - This fund receives charges for services from residents to cover water service costs.

Sewer Fund - This fund receives charges for services from residents to cover sewer service costs.

Special Assessment Debt Service Fund - This fund receives assessments for sewer tap in fees and funds from Mt. Cory and Benton Ridge to pay for the sewer construction loan and a sewer plant expansion.

**E. Budgetary Process**

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

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not

**VILLAGE OF RAWSON  
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

**2. Estimated Resources**

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

**3. Encumbrances**

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2013 and 2012 budgetary activity appears in Note 3.

**F. 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:

**1. Nonspendable**

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

**2. 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.

**3. 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.

**4. 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.

**VILLAGE OF RAWSON  
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**5. 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.

**G. 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 Deposits**

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

	2013	2012
Demand deposits	\$252,117	\$219,788
Certificates of deposit	80,000	70,000
Other time deposits (savings and NOW accounts)	474,866	512,167
Total deposits	\$806,983	\$801,955

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

**3. Budgetary Activity**

Budgetary activity for the years ending December 31, 2013 and 2012 follows:

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$33,377	\$43,903	\$10,526
Special Revenue	81,292	81,010	(282)
Capital Projects	318,675	318,675	0
Enterprise	200,400	231,691	31,291
Total	\$633,744	\$675,279	\$41,535

**VILLAGE OF RAWSON  
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

2013 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$78,139	\$47,636	\$30,503
Special Revenue	198,675	83,458	115,217
Capital Projects	331,677	296,807	34,870
Enterprise	746,554	242,387	504,167
Total	<u>\$1,355,045</u>	<u>\$670,288</u>	<u>\$684,757</u>

2012 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$81,466	\$81,933	\$467
Special Revenue	45,308	47,687	2,379
Capital Projects	652,982	695,608	42,626
Enterprise	208,000	227,875	19,875
Total	<u>\$987,756</u>	<u>\$1,053,103</u>	<u>\$65,347</u>

2012 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$103,464	\$63,060	\$40,404
Special Revenue	152,167	37,803	114,364
Capital Projects	695,608	656,474	39,134
Enterprise	806,997	283,377	523,620
Total	<u>\$1,758,236</u>	<u>\$1,040,714</u>	<u>\$717,522</u>

**4. Property Tax**

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

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

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, 2013 was as follows:

**VILLAGE OF RAWSON  
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

	Principal	Interest Rate
Ohio Water Development Authority Loan #2852	\$120,094	2%
Ohio Water Development Authority Loan #2853	8,439	2%
Ohio Water Development Authority Loan #6303	117,587	3.24%
Ohio Public Works Commission Loan #CM02C	45,000	0%
Ohio Public Works Commission Loan #CT31B	131,741	0%
Ohio Public Works Commission Loan #CM04N	310,242	0%
Mortgage Revenue Bonds	1,162,000	4.5%
Mortgage Revenue Bonds	254,000	2.75%
Loan	4,486	5.19%
Total	\$2,153,589	

The Ohio Water Development Authority (OWDA) loans 2852 and 2853 were issued to finance utility construction and improvements within the Village. Water receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Water Development Authority (OWDA) loan 6303 and Ohio Public Works Commission (OPWC) loan CM04N were issued to finance a new water tower and improvements to the Village's water lines. Water receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA and OPWC debt service requirements.

Ohio Public Works Commission Loan CM02C was approved for \$100,000 for improvements due to sewer line installation. Sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements.

Ohio Public Works Commission Loan CT31B was approved for \$277,350 for improvements due to sewer line installation. Sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements.

Ohio Public Works Commission Loan CM04N was approved for \$315,500 for waterline improvements and a new water tower. Water receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements.

Mortgage Revenue Bonds were issued in 2004 to finance construction of a wastewater treatment plant. An addendum to the bonds was issued in 2012 to finance the expansion of the sewer lagoon. Sewer receipts collateralize both loans. The Village has agreed to set utility rates sufficient to meet the debt covenant requirements of the bonds. The mortgage revenue bond covenant requires the Village to establish and fund a debt service reserve fund, included as a debt service fund. The balance of the fund at December 31, 2013 is \$84,146.

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



**VILLAGE OF RAWSON  
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

Year ending December 31:	OWDA Loan #2852	OWDA Loan #2853	OWDA Loan #6303	OPWC Loan #CM02C	OPWC Loan #CT31B
2014	\$25,478	\$1,090	\$10,249	\$5,000	\$13,868
2015	25,478	1,090	10,249	5,000	13,868
2016	25,478	1,090	10,249	5,000	13,868
2017	25,478	1,090	10,249	5,000	13,868
2018	25,478	1,090	10,249	5,000	13,868
2019-2023		3,813	51,246	20,000	62,401
2024-2028			51,246		
2029-3033			45,472		
Total	<u>\$127,390</u>	<u>\$9,263</u>	<u>\$199,209</u>	<u>\$45,000</u>	<u>\$131,741</u>

Year ending December 31:	OPWC Loan #CM04N	Mortgage Revenue Bonds	Mortgage Revenue Bonds	Loan
2014	\$10,517	\$70,290	\$9,985	\$4,602
2015	10,517	70,480	10,903	
2016	10,517	70,625	13,792	
2017	10,517	70,725	10,683	
2018	10,517	69,780	11,572	
2019-2023	52,584	351,690	53,048	
2024-2028	52,584	350,405	52,774	
2029-2033	52,582	350,920	54,063	
2034-2038	52,583	350,300	53,772	
2039-2043	47,324	351,070	53,823	
2044-2048		70,015	53,185	
2049-2052			42,750	
Total	<u>\$310,242</u>	<u>\$2,176,300</u>	<u>\$420,350</u>	<u>\$4,602</u>

**6. Retirement System**

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

The Ohio Revised Code also prescribes contribution rates. For 2013 and 2012, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2013.

**7. Risk Management**

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

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

**VILLAGE OF RAWSON  
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. York Risk Pooling Services, Inc. (formerly known as American Risk Pooling Consultants, Inc.), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2012, PEP retained \$350,000 for casualty claims and \$150,000 for property claims.

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

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2012 and 2011 (the latest information available):

	<u>2012</u>	<u>2011</u>
Assets	\$34,389,569	\$33,362,404
Liabilities	<u>(14,208,353)</u>	<u>(14,187,273)</u>
Net Position	<u>\$20,181,216</u>	<u>\$19,175,131</u>

At December 31, 2012 and 2011, respectively, the liabilities above include approximately \$13.1 million and \$13.0 million of estimated incurred claims payable. The assets above also include approximately \$12.6 million and \$12.1 million of unpaid claims to be billed to approximately 466 and 455 member governments in the future, as of December 31, 2012 and 2011, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2012, the Village's share of these unpaid claims collectible in future years is approximately \$7,000.

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

VILLAGE OF RAWSON  
HANCOCK COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)

<u>Contributions to PEP</u>	
<u>2013</u>	<u>2012</u>
\$7,979	\$7,455

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

**8. Contingent Liabilities**

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

**9. Subsequent Events**

On April 14, 2014, the Village expanded the OWDA loan #6303 for the new water tower and waterline improvements by \$50,000.

**This page intentionally left blank**



# Dave Yost • Auditor of State

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

Village of Rawson  
Hancock County  
5700 County Road 37  
P. O. Box 525  
Rawson, Ohio 45881-0525

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 Village of Rawson, Hancock County, (the Village) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, and have issued our report thereon dated June 16, 2014 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit.

### ***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 opinion 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.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of 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. We consider

findings 2013-001 and 2013-002 described in the accompanying schedule of findings 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***Entity's Response to Findings***

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

***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 communication is not suitable for any other purpose.



**Dave Yost**  
Auditor of State

Columbus, Ohio

June 16, 2014

**VILLAGE OF RAWSON  
HANCOCK COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2013 AND 2012**

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

**FINDING NUMBER 2013-001**

**Material Weakness**

**Recording "On Behalf of" Grants/Loans**

The Village benefited from \$232,971 in Ohio Public Works Commission (OPWC) funding in 2013 and \$369,321 in 2012. However, the Clerk/Treasurer did not record the related receipts and disbursements in the Village's accounting system or on the accompanying financial statements or notes to the financial statements. Auditor of State Bulletins 2000-008 and 2002-004 prescribes recording these transactions as receipts and disbursements when the Village applies for a project and has administrative responsibilities.

This resulted in a material understatement of financial statements in the Capital Projects and Special Revenue fund type for 2013 and the Capital Projects fund type in 2012. The financial statements and notes to the financial statements have been adjusted to correct these misstatements.

In order to properly account for OPWC funding, the Clerk/Treasurer should record the monies as a receipt and disbursement in the Village's accounting system. This will help ensure financial activity is not understated on the Village's financial statements. In addition, Village management should review Auditor of State Bulletins 2000-008 and 2002-004.

**FINDING NUMBER 2013-002**

**Material Weakness**

**Financial Reporting**

The small size of the Village's staff does not allow for an adequate segregation of duties; the Clerk/Treasurer must perform all accounting functions. It is therefore important Village Council or another committee, monitor financial activity closely. Errors were noted in the posting of revenues and expenditures to the financial statements that required audit reclassifications and adjustments ranging in amounts \$523 to \$257,000 including:

- USDA loan proceeds of \$257,000 were classified as intergovernmental revenue and the corresponding expenditure as capital outlay in 2012 instead of loan proceeds and principal payment.
- Ohio Water Development Authority (OWDA) revenue of \$94,282 was posted to charges for services and \$28,214 was posted to intergovernmental revenue in the Enterprise Fund instead of loan proceeds in 2013.
- \$23,020 in insurance money received in 2012 for storm damage was posted to miscellaneous revenue instead of other financing sources in the General Fund.
- \$70,521 was posted to principal and interest in the Capital Projects fund in 2012 instead of capital outlay.
- In 2013, \$20,570 and in 2012 \$16,915 was posted to special assessments instead of intergovernmental revenue.

To help ensure the financial position of the funds presented to Village Council are complete and accurate we recommend the Clerk/Treasurer post all transactions in accordance with the guidance established by the Ohio Village Officers' Handbook issued by the Auditor of State. Further, Council should adopt procedures where it or other committees, review the financial statements for accuracy.

**Officials' Response:** We will work on correcting these errors.



VILLAGE OF RAWSON  
HANCOCK COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2013 AND 2012

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2011-001	Material weakness for incorrect posting of transactions.	No	Not corrected and repeated in this report as finding number 2013-002.

**This page intentionally left blank.**



# Dave Yost • Auditor of State

**VILLAGE OF RAWSON**

**HANCOCK 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  
JULY 1, 2014**