

**VILLAGE OF RAYLAND
JEFFERSON COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2005 - 2004



Mary Taylor, CPA

Auditor of State

Board of Trustees
Village of Rayland
195 Main St.
Rayland, OH 43943-0188

We have reviewed the *Independent Accountants' Report* of the Village of Rayland, Jefferson County, prepared by Knox & Knox, CPAs, for the audit period January 1, 2004 to December 31, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Accountants' Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Accountants' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Rayland is responsible for compliance with these laws and regulations.

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

Mary Taylor, CPA
Auditor of State

December 12, 2007

This page is intentionally left blank.

VILLAGE OF RAYLAND
JEFFERSON COUNTY

Table of Contents

<u>Title</u>	<u>Page</u>
Independent Accountants' Report.	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2005.	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances -All Proprietary and Similar Fiduciary Fund Types - For the Year Ended December 31, 2005.	4
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2004.	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Proprietary and Similar Fiduciary Fund Types - For the Year Ended December 31, 2004.	6
Notes to the Financial Statements.	7
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	14
Schedule of Findings.	16
Schedule of Prior Audit Findings.	17

This page is intentionally left blank.

KNOX & KNOX

Accountants and Consultants

Independent Accountants' Report

Village of Rayland
Jefferson County
195 Main Street
P.O. Box 188
Rayland, Ohio 43943-0188

To the Village Council

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates, if any, made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2005 and 2004. In addition to the accompanying financial statements present for 2005 and 2004, the revisions require presenting entity wide statements. While the Village does not follow GAAP, generally accepted auditing standards require us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2005 and 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2005 and 2004, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Rayland, Jefferson County, as of December 31, 2005 and 2004, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 5, 2007, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards*. You should read it in conjunction with this report in considering the results of our audit.

Knox & Knox

Orrville, Ohio
September 5, 2007

VILLAGE OF RAYLAND
JEFFERSON COUNTY

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

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
CASH RECEIPTS:					
Property Tax and Other Local Taxes	\$8,140	\$6,201	\$3,488		\$17,829
Intergovernmental Receipts	24,103	42,849		\$72,101	139,053
Fines, Licenses, and Permits	2,280				2,280
Earnings on Investments	657				657
Miscellaneous	4,970				4,970
Total Cash Receipts	40,150	49,050	3,488	72,101	164,789
CASH DISBURSEMENTS:					
Current:					
Security of Persons and Property	10,398				10,398
Public Health Services	620				620
Leisure Time Activities	9,662				9,662
Transportation		19,947			19,947
General Government	23,267	6,946			30,213
Capital Outlay				72,111	72,111
Debt Service:					
Principal Payments			3,000		3,000
Interest Payments			488		488
Total Cash Disbursements	43,947	26,893	3,488	72,111	146,439
Total Receipts Over/(Under) Disbursements	(3,797)	22,157		(10)	18,350
Fund Cash Balances, January 1	(1,445)	29,563		10	28,128
FUND CASH BALANCES, DECEMBER 31	(\$5,242)	\$51,720			\$46,478

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

VILLAGE OF RAYLAND
JEFFERSON COUNTY

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

	Proprietary Fund Types	Fiduciary Fund Types	Totals (Memorandum Only)
	Enterprise	Agency	
OPERATING CASH RECEIPTS:			
Charges for Services	\$96,954		\$96,954
Total Operating Cash Receipts	96,954		96,954
OPERATING CASH DISBURSEMENTS:			
Personal Services	8,039		8,039
Contractual Services	62,578		62,578
Supplies and Materials	9,658		9,658
Other	1,108		1,108
Total Operating Cash Disbursements	81,383		81,383
Operating Income/(Loss)	15,571		15,571
NON-OPERATING CASH RECEIPTS:			
Property Tax and Other Local Taxes		\$3,536	3,536
Total Non-Operating Cash Receipts		3,536	3,536
NON-OPERATING CASH DISBURSEMENTS:			
Other Non-Operating Cash Disbursements		3,536	3,536
Total Non-Operating Cash Disbursements		3,536	3,536
Net Receipts over/(Under) Disbursements	15,571		15,571
Fund Cash Balances, January 1	23,939		23,939
FUND CASH BALANCES, DECEMBER 31	<u>39,510</u>		<u>39,510</u>

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

VILLAGE OF RAYLAND
JEFFERSON COUNTY

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

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
CASH RECEIPTS:					
Property Tax and Other Local Taxes	\$7,151	\$5,408	\$3,730		\$16,289
Intergovernmental Receipts	17,317	27,919			45,236
Fines, Licenses, and Permits	2,593				2,593
Earnings on Investments	506				506
Miscellaneous	5,374				5,374
Total Cash Receipts	32,941	33,327	3,730		69,998
CASH DISBURSEMENTS:					
Current:					
Security of Persons and Property	16,690				16,690
Public Health Services	652				652
Leisure Time Activities	2,579				2,579
Transportation		19,321			19,321
General Government	23,213	7,521			30,734
Debt Service:					
Principal Payments			3,000		3,000
Interest Payments			730		731
Total Cash Disbursements	43,134	26,842	3,730		73,706
Total Receipts Over/(Under) Disbursements	(10,193)	6,485			(3,708)
Fund Cash Balances, January 1	8,748	23,078		10	31,836
FUND CASH BALANCES, DECEMBER 31	<u>(\$1,445)</u>	<u>\$29,563</u>	<u></u>	<u>\$10</u>	<u>\$28,128</u>

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

VILLAGE OF RAYLAND
JEFFERSON COUNTY

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

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
OPERATING CASH RECEIPTS:			
Charges for Services	<u>\$93,969</u>		<u>\$93,969</u>
Total Operating Cash Receipts	<u>93,969</u>		<u>93,969</u>
OPERATING CASH DISBURSEMENTS:			
Personal Services	6,330		6,330
Contractual Services	57,120		57,120
Supplies and Materials	<u>41,499</u>		<u>41,499</u>
Total Operating Cash Disbursements	<u>104,949</u>		<u>104,949</u>
Operating Income/(Loss)	<u>(10,980)</u>		<u>(10,980)</u>
NON-OPERATING CASH RECEIPTS:			
Property Tax and Other Local Taxes		<u>\$3,481</u>	<u>3,481</u>
Total Non-Operating Cash Receipts		<u>3,481</u>	<u>3,481</u>
NON-OPERATING CASH DISBURSEMENTS:			
Other Non-Operating Cash Disbursements		<u>3,481</u>	<u>3,481</u>
Total Non-Operating Cash Disbursements		<u>3,481</u>	<u>3,481</u>
Net Receipts over/(Under) Disbursements	(10,980)		(10,980)
Fund Cash Balances, January 1	<u>34,919</u>		<u>34,919</u>
FUND CASH BALANCES, DECEMBER 31	<u>\$23,939</u>		<u>\$23,939</u>

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

VILLAGE OF RAYLAND
JEFFERSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 and 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Rayland , Jefferson County, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general governmental services, including water and sewer utilities, park operations, and police services. The Village contracts with Rayland Volunteer Fire Department to provide fire protection services and emergency medical services.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 prescribed or permitted by the Auditor of State.

C. Cash and Investments

Investments are reported as assets. Accordingly, the purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

Certificates of deposit are valued at cost.

D. Fund Accounting

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

1. General Fund

The General fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

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

VILLAGE OF RAYLAND
JEFFERSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 and 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Fund Accounting (continued)

2. Special Revenue Funds (continued)

Fire Levy Fund - This fund receives tax monies to provide fire protection services.

3. Debt Service Fund

This fund is used to accumulate resources for the payment of bonds and note indebtedness. The Village had the following significant debt service fund:

Sewer Bond Fund - This fund is used to retire sewer bond debt.

4. Capital Projects Fund

This fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project fund:

Issue II Fund - This fund receives Issue II monies which are used for special highway projects.

5. Enterprise Fund

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

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

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

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

6. Fiduciary Fund (Agency Fund)

Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant Agency Fund:

East Ohio Regional Transit Authority (EORTA) Fund - This fund receives tax monies which are paid to East Ohio Regional Transit Authority. The Authority provides bus service for Village residents.

VILLAGE OF RAYLAND
JEFFERSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 and 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Budgetary Process

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

1. Appropriations

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

2. 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 also approve estimated resources.

3. Encumbrances

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

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

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>2005</u>	<u>2004</u>
Demand deposits	\$43,338	\$9,417
Certificates of deposit	<u>42,650</u>	<u>42,650</u>
Total deposits	<u>\$85,988</u>	<u>\$52,067</u>

VILLAGE OF RAYLAND
JEFFERSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 and 2004

2. EQUITY IN POOLED CASH AND INVESTMENTS (continued)

Deposits: Deposits are insured by the Federal Depository Insurance Corporation.

3. BUDGETARY ACTIVITY

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

Fund Type	2005 Budgeted vs. Actual Receipts		
	Budgeted Receipts	Actual Receipts	Variance
General	\$44,900	\$40,150	(\$4,750)
Special Revenue	42,458	49,050	6,592
Debt Service		3,488	3,488
Capital Projects		72,101	72,101
Enterprise	104,450	96,954	(7,496)
Total	<u>\$191,808</u>	<u>\$261,743</u>	<u>\$69,935</u>

Fund Type	2005 Budgeted vs Actual Budgetary Basis Expenditures		
	Appropriation Authority	Budgetary Expenditures	Variance
General	\$60,070	\$43,947	\$16,123
Special Revenue	34,510	26,893	7,617
Debt Service	5,000	3,488	1,512
Capital Projects		72,111	(72,111)
Enterprise	121,520	81,383	40,137
Total	<u>\$221,100</u>	<u>\$227,822</u>	<u>(\$6,722)</u>

Fund Type	2004 Budgeted vs. Actual Receipts		
	Budgeted Receipts	Actual Receipts	Variance
General	\$44,900	\$32,941	(\$11,959)
Special Revenue	37,458	33,327	(4,131)
Debt Service		3,730	3,730
Capital Projects			
Enterprise	109,450	93,969	(15,481)
Total	<u>\$191,808</u>	<u>\$163,967</u>	<u>(\$27,841)</u>

VILLAGE OF RAYLAND
JEFFERSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 and 2004

3. BUDGETARY ACTIVITY (continued)

<u>Fund Type</u>	<u>2004 Budgeted vs Actual Budgetary Basis Expenditures</u>		
	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$60,070	\$43,134	\$16,936
Special Revenue	36,329	26,842	9,487
Debt Service	5,000	3,731	1,269
Capital Projects	1,263		1,263
Enterprise	137,370	104,949	32,421
Total	<u>\$240,032</u>	<u>\$178,656</u>	<u>\$61,376</u>

Contrary to Ohio law, expenditures exceeded appropriations in the capital projects fund during 2005; and appropriations exceeded estimated resources in the general and enterprise funds during 2005 and the general, debt service, and capital projects funds during 2004. The general fund had negative fund balances in both 2005 and 2004.

4. PROPERTY TAX

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

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

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

5. DEBT

Debt outstanding at December 31, 2005 was as follows

General Obligation Bonds	<u>Principal</u> \$3,000	<u>Interest Rate</u> 8.12%
--------------------------	-----------------------------	-------------------------------

The Sewer Improvement Bonds relate to improvements to the sewer system. The Sewer Improvement Bonds are collateralized by sewer receipts. The Village has agreed to set utility rates sufficient to cover bonded service requirements.

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

Year ending December 31:	<u>General Obligation Bonds</u>
2006	<u>\$3,243</u>

VILLAGE OF RAYLAND
JEFFERSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 and 2004

6. RETIREMENT SYSTEMS

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

Contribution rates are also prescribed by the Ohio Revised Code. For 2005 and 2004, members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2005 and 2004.. The Village has paid all contributions required through December 31, 2005.

6. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

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

This page is intentionally left blank.

KNOX & KNOX

Accountants and Consultants

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

Village of Rayland
Jefferson County
195 Main Street
P.O. Box 188
Rayland, Ohio 43943-0188

We have audited the accompanying financial statements of the Village of Rayland, Jefferson County, Ohio (the Village) as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated September 5, 2007, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the Village's internal control over financial reporting as basis for designing our audit procedures in order to express our opinions on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above. We did note other matters that we reported to the Village's management in a separate letter dated September 5, 2007

COMPLIANCE AND OTHER MATTERS

As part of reasonably assuring whether the Village's basic financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed two instances of noncompliance or other matters we must report under *Government Auditing Standards* which are shown in the accompanying schedule as Findings 2005-001 and 2005-002.

We did note a certain noncompliance that we reported to the Village's management in a separate letter dated September 5, 2007.

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

KNOX & KNOX

Orrville, Ohio
September 5, 2007

VILLAGE OF RAYLAND
JEFFERSON COUNTY

SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

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

FINDING NUMBER 2005-001

Ohio Revised Code Section 5705.39 provides in part that total appropriations from each fund shall not exceed estimated resources. Appropriations exceeded estimated resources in the following funds:

General (2005, 2004)
Enterprise (2005)
Debt Service (2004)
Capital Projects (2004)

Client response: Appropriations will be monitored to ensure that they do not exceed the official or amended certificate of resources.

FINDING NUMBER 2005-002

Ohio Revised Code Section 5705.41(B) provides that expenditures shall not exceed appropriations. Expenditures exceeded appropriations in the following fund.

Capital Projects (2004)

Client response: Expenditures will be monitored to ensure that they do not exceed appropriations.

VILLAGE OF RAYLAND
JEFFERSON COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

Finding Summary	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2003-001	Ohio Revised Code § 5705.41(D), Village did not certify funds prior to invoice date	Yes	Finding is no long valid.



Mary Taylor, CPA
Auditor of State

VILLAGE OF RAYLAND

JEFFERSON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
DECEMBER 24, 2007