



Dave Yost • Auditor of State

VILLAGE OF RAWSON
HANCOCK COUNTY

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Dave Yost • Auditor of State

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

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your 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. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

October 3, 2012

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Rawson, Hancock County, Ohio (the Village), as of and for the years ended December 31, 2011 and 2010. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2011 and 2010 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, 2011 and 2010, or its changes in financial position or cash flows, where applicable, for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances as of December 31, 2011 and 2010 and the reserve for encumbrances as of December 31, 2010 of the Village of Rawson, Hancock County, Ohio and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 1F, during 2011 the Village adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 3, 2012, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Dave Yost
Auditor of State

October 3, 2012

**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, 2011**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$11,886			\$11,886
Intergovernmental	41,258	\$25,512	\$77,765	144,535
Special Assessments		22,872		22,872
Charges for Services	260			260
Earnings on Investments	119	8		127
Miscellaneous	618	116		734
<i>Total Cash Receipts</i>	<u>54,141</u>	<u>48,508</u>	<u>77,765</u>	<u>180,414</u>
Cash Disbursements				
Current:				
Security of Persons and Property	9,086	12,638		21,724
Public Health Services	1,675			1,675
Leisure Time Activities	5,290			5,290
Community Environment		7,664		7,664
Transportation		19,878		19,878
General Government	41,596			41,596
Capital Outlay			387,692	387,692
Debt Service:				
Principal Retirement		2,474		2,474
Interest and Fiscal Charges		491		491
<i>Total Cash Disbursements</i>	<u>57,647</u>	<u>43,145</u>	<u>387,692</u>	<u>488,484</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(3,506)</u>	<u>5,363</u>	<u>(309,927)</u>	<u>(308,070)</u>
Other Financing Receipts				
Other Debt Proceeds			256,104	256,104
<i>Net Change in Fund Cash Balances</i>	(3,506)	5,363	(53,823)	(51,966)
<i>Fund Cash Balances, January 1</i>	<u>73,447</u>	<u>106,891</u>	<u>57,875</u>	<u>238,213</u>
Fund Cash Balances, December 31				
Restricted		112,254		112,254
Unassigned	69,941		4,052	73,993
<i>Fund Cash Balances, December 31</i>	<u>\$69,941</u>	<u>\$112,254</u>	<u>\$4,052</u>	<u>\$186,247</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 BALANCES (CASH BASIS)
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Enterprise</u>
Operating Cash Receipts	
Charges for Services	<u>\$157,275</u>
Operating Cash Disbursements	
Personal Services	25,553
Employee Fringe Benefits	4,185
Contractual Services	4,064
Supplies and Materials	54,488
Other	<u>725</u>
<i>Total Operating Cash Disbursements</i>	<u>89,015</u>
<i>Operating Income</i>	<u>68,260</u>
Non-Operating Receipts (Disbursements)	
Intergovernmental	31,400
Special Assessments	35,091
Earnings on Investments	762
Capital Outlay	(39,170)
Principal Retirement	(59,990)
Interest and Other Fiscal Charges	<u>(58,905)</u>
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(90,812)</u>
<i>Net Change in Fund Cash Balances</i>	(22,552)
<i>Fund Cash Balances, January 1</i>	<u>623,753</u>
<i>Fund Cash Balances, December 31</i>	<u>\$601,201</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 BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts:				
Property and Local Taxes	\$10,940			\$10,940
Intergovernmental	39,587	\$25,438		65,025
Special Assessments		20,095		20,095
Charges for Services	6,382			6,382
Earnings on Investments	1,080	19		1,099
Miscellaneous	35	661		696
<i>Total Cash Receipts</i>	<u>58,024</u>	<u>46,213</u>		<u>104,237</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	9,335	9,746		19,081
Public Health Services	1,761			1,761
Leisure Time Activities	19,314			19,314
Basic Utility Service		71		71
Transportation		8,961		8,961
General Government	47,928			47,928
Debt Service:				
Redemption of Principal		2,304		2,304
Interest and Fiscal Charges		661		661
Capital Outlay			\$20,974	20,974
<i>Total Cash Disbursements</i>	<u>78,338</u>	<u>21,743</u>	<u>20,974</u>	<u>121,055</u>
<i>Net Change in Fund Cash Balances</i>	<u>(20,314)</u>	<u>24,470</u>	<u>(20,974)</u>	<u>(16,818)</u>
<i>Fund Cash Balances, January 1</i>	<u>93,761</u>	<u>82,421</u>	<u>78,849</u>	<u>255,031</u>
<i>Fund Cash Balances, December 31</i>	<u>\$73,447</u>	<u>\$106,891</u>	<u>\$57,875</u>	<u>\$238,213</u>
<i>Reserve for Encumbrances, December 31</i>	<u>\$8,412</u>		<u>\$3,430</u>	<u>\$11,842</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 BALANCES (CASH BASIS)
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Enterprise
Operating Cash Receipts:	
Charges for Services	\$147,892
Operating Cash Disbursements:	
Personal Services	25,721
Employee Fringe Benefits	4,852
Contractual Services	2,774
Supplies and Materials	44,706
Other	731
<i>Total Operating Cash Disbursements</i>	<i>78,784</i>
<i>Operating Income</i>	<i>69,108</i>
Non-Operating Receipts (Disbursements)	
Intergovernmental	30,101
Special Assessments	36,228
Earnings on Investments	490
Capital Outlay	(22,583)
Redemption of Principal	(58,414)
Interest and Other Fiscal Charges	(60,156)
<i>Total Non-Operating Receipts (Disbursements)</i>	<i>(74,334)</i>
<i>Net Change in Fund Cash Balances</i>	<i>(5,226)</i>
<i>Fund Cash Balances, January 1</i>	<i>628,979</i>
<i>Fund Cash Balances, December 31</i>	<i>\$623,753</i>
Reserve for Encumbrances, December 31	\$8,697

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, 2011 AND 2010**

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 Public Entities Pool of Ohio (PEP) a public entity risk pool. This pool provides property and casualty coverage for its members. Note 7 to the financial statements provides additional information for this entity.

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 reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

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

**VILLAGE OF RAWSON
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

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

4. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant Capital Project Fund:

Sanitary Sewer Construction Fund – This fund receives grants and bond proceeds from the United States Department of Agriculture for the construction of a waste water system for the Village.

6. 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 to pay for the sewer construction project 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 exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered 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.

VILLAGE OF RAWSON
HANCOCK COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)

1. **Summary of Significant Accounting Policies (Continued)**

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 2011 and 2010 budgetary activity appears in Note 3.

F. **Fund Balance**

For 2011, the Village has implemented GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions". GASB Statement No. 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in the governmental funds. GASB Statement No. 54 also clarifies the definition of governmental fund types. The implementation on GASB Statement No. 54 did not have an effect on the previously reported fund balances.

For December 31, 2011, 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, 2011 AND 2010
(Continued)**

1. Summary of Significant Accounting Policies (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:

	2011	2010
Demand deposits	\$260,986	\$317,696
Certificates of deposit	70,000	70,000
Other time deposits (savings and NOW accounts)	456,462	474,270
Total deposits	\$787,448	\$861,966

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, 2011 and 2010 follows:

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$52,887	\$54,141	\$1,254
Special Revenue	43,688	48,508	4,820
Capital Projects	333,969	333,869	(100)
Enterprise	205,300	224,528	19,228
Total	\$635,844	\$661,046	\$25,202

**VILLAGE OF RAWSON
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

3. Budgetary Activity (Continued)

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$87,202	\$57,647	\$29,555
Special Revenue	146,710	43,145	103,565
Capital Projects	432,117	387,692	44,425
Enterprise	829,053	247,080	581,973
Total	\$1,495,082	\$735,564	\$759,518

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$55,909	\$58,024	\$2,115
Special Revenue	38,339	46,213	7,874
Capital Projects	200		(200)
Enterprise	180,915	214,711	33,796
Total	\$275,363	\$318,948	\$43,585

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$109,447	\$86,750	\$22,697
Special Revenue	121,095	21,743	99,352
Capital Projects	117,318	24,404	92,914
Enterprise	814,028	228,634	585,394
Total	\$1,161,888	\$361,531	\$800,357

4. Property Tax

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

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

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

**VILLAGE OF RAWSON
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

5. Debt

Debt outstanding at December 31, 2011 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan # 2852	\$164,896	2%
Ohio Water Development Authority Loan # 2853	10,227	2%
Ohio Water Development Authority Loan # 5882	259,908	1.4%
Ohio Public Work Commission Loan #CM02C	55,000	0%
Ohio Public Work Commission Loan #CT31B	159,476	0%
Mortgage Revenue Bonds	1,195,000	4.5%
Loan	15,271	5.2%
Total	<u><u>\$1,369,747</u></u>	

The Ohio Water Development Authority (OWDA) loans 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.

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 OWDA 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 OWDA debt service requirements.

Mortgage Revenue Bonds were issued to finance construction of a wastewater treatment plant. Sewer receipts collateralize the loan. 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 Village's taxing authority collateralized the bonds.

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

**VILLAGE OF RAWSON
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

5. Debt (Continued)

Year ending December 31:	OWDA Loan #2852	OWDA Loan #2853	OWDA Loan #5882	OPWC Loan #CM02C	OPWC Loan #CT31B	Mortgage Revenue Bonds
2012	\$25,478	\$1,090		\$5,000	\$13,868	\$69,775
2013	25,478	1,090		5,000	13,868	70,055
2014	25,478	1,090	\$44,014	5,000	13,868	70,290
2015	25,478	1,090	88,028	5,000	13,868	70,480
2016	25,478	1,090	88,028	5,000	13,868	70,625
2017-2021	50,955	5,449	43,719	25,000	69,338	350,995
2022-2026		545		5,000	20,798	351,275
2027-2031						350,940
2032-2036						350,145
2037-2041						350,995
2042-2044						210,595
Total	<u>\$178,345</u>	<u>\$11,444</u>	<u>\$263,789</u>	<u>\$55,000</u>	<u>\$159,476</u>	<u>\$2,316,170</u>

Year ending December 31:	Loan
2012	\$5,600
2013	5,600
2014	5,187
Total	<u>\$16,387</u>

6. Retirement System

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

The Ohio Revised Code also prescribes contribution rates. For 2011 and 2010, 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 contribution required through December 31, 2011.

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, 2011 AND 2010
(Continued)**

7. Risk Management (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. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), 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, 2010, 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, 2011 and 2010.

	<u>2011</u>	<u>2010</u>
Assets	\$33,362,404	\$34,952,010
Liabilities	<u>(14,187,273)</u>	<u>(14,320,812)</u>
Net Assets	<u>\$19,175,131</u>	<u>\$20,631,198</u>

At December 31, 2011 and 2010, respectively, the liabilities above include approximately \$13 million and \$12.9 million of estimated incurred claims payable. The assets above also include approximately \$12.1 million and \$12.4 million of unpaid claims to be billed to approximately 455 member governments in the future, as of December 31, 2011 and 2010, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2011, 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, 2011 AND 2010
(Continued)**

7. Risk Management (Continued)

<u>Contributions to PEP</u>	
<u>2011</u>	<u>2010</u>
\$7,303	\$6,626

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, principally the federal government. 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

In July 2010, the Village signed an agreement with Ohio Public Works Commission for a loan for \$315,500 and a grant for \$250,000 for an additional water tower and waterline updates. The construction commenced in 2012.

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Dave Yost • Auditor of State

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

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

To the Village Council:

We have audited the financial statements of the Village of Rawson, Hancock County, Ohio (the Village), as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated October 3, 2012 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 and in 2011 the Village adopted Government Accounting Standards Board Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*. We also noted the Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining 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.

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

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 deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2011-001 described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated October 3, 2012.

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

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

October 3, 2012

**VILLAGE OF RAWSON
WOOD COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2011-001

Material Weakness

Monitoring Village Financial Activity

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 nine audit reclassifications and adjustments ranging in amounts \$200 to \$373,039 including:

- Property taxes totaling \$5,041 was classified as intergovernmental revenue instead of taxes in 2011.
- A park grant of \$5,918 was classified as charges for services revenue in 2010 instead of intergovernmental revenue.
- Homestead and Rollback in 2011 and 2010 and Fixed Rate Loss in 2011 totaling \$1,676 and \$1,888 respectively, were classified as taxes instead of intergovernmental revenue.
- Auto registration of \$342 was posted to the Permissive Tax Fund instead of Street, Construction, Maintenance and Repair Fund.
- Payments received from other Villages totaling \$16,915 each year were classified as special assessments instead of intergovernmental revenue.
- Loan proceeds of \$256,104 from Ohio Water Development Authority and grant money of \$77,765 from Ohio Public Works Commission were posted to special assessments instead of loan proceeds and intergovernmental revenue, respectively. The revenue and corresponding expenditures were posted to the Enterprise Debt Service Fund instead of the Capital Projects Fund.
- Expenditures of \$373,039 for the sewer lagoon expansion were posted as principal and interest payments instead of capital outlay.

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, reviews the financial statements for accuracy.

Officials' Response:

We will try to work on correcting these matters.

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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
OCTOBER 18, 2012