



Dave Yost • Auditor of State

VILLAGE OF RAYLAND
JEFFERSON COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Village of Rayland
Jefferson County
P.O. Box 188
Rayland, OH 43943-0188

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Village of Rayland, Jefferson County, (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 1 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 1 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, or changes in financial position 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 Village of Rayland, Jefferson County 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 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2014 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

October 15, 2014

VILLAGE OF RAYLAND
JEFFERSON 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	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$19,619	\$2,112			\$21,731
Intergovernmental	42,303	21,291			63,594
Charges for Services	2,333				2,333
Fines, Licenses and Permits	6,685				6,685
Miscellaneous	11,512	0			11,512
<i>Total Cash Receipts</i>	<u>82,452</u>	<u>23,403</u>	<u>\$0</u>	<u>\$0</u>	<u>105,855</u>
Cash Disbursements					
Current:					
Security of Persons and Property	15,526	0			15,526
Public Health Services	739				739
Leisure Time Activities	9,750				9,750
Transportation		16,600			16,600
General Government	35,067	2,242			37,309
<i>Total Cash Disbursements</i>	<u>61,082</u>	<u>18,842</u>	<u>0</u>	<u>0</u>	<u>79,924</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>21,370</u>	<u>4,561</u>	<u>0</u>	<u>0</u>	<u>25,931</u>
Other Financing Receipts (Disbursements)					
Sale of Capital Assets	10				10
Transfers In	12,227				12,227
Transfers Out	0	(180)	(12,037)	(10)	(12,227)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>12,237</u>	<u>(180)</u>	<u>(12,037)</u>	<u>(10)</u>	<u>10</u>
Special Item					0
Extraordinary Item					0
<i>Net Change in Fund Cash Balances</i>	<u>33,607</u>	<u>4,381</u>	<u>(12,037)</u>	<u>(10)</u>	<u>25,941</u>
<i>Fund Cash Balances, January 1</i>	<u>(1,746)</u>	<u>16,279</u>	<u>12,037</u>	<u>10</u>	<u>26,580</u>
Fund Cash Balances, December 31					
Nonspendable	0	0	0	0	0
Restricted	0	20,660	0	0	20,660
Committed	0	0	0	0	0
Assigned	0	0	0	0	0
Unassigned (Deficit)	31,861	0	0	0	31,861
<i>Fund Cash Balances, December 31</i>	<u>\$31,861</u>	<u>\$20,660</u>	<u>\$0</u>	<u>\$0</u>	<u>\$52,521</u>

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

**VILLAGE OF RAYLAND
JEFFERSON COUNTY**

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

Proprietary Fund Type

Enterprise

Operating Cash Receipts

Charges for Services	\$125,974
Miscellaneous	392

<i>Total Operating Cash Receipts</i>	126,366
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Operating Cash Disbursements

Personal Services	10,845
Employee Fringe Benefits	1,501
Contractual Services	73,173
Supplies and Materials	6,557
Other	583

<i>Total Operating Cash Disbursements</i>	92,659
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<i>Operating Income (Loss)</i>	33,707
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Non-Operating Receipts (Disbursements)

Intergovernmental	0
Sale of Capital Assets	10
Other Financing Uses	(14,723)
Principal Retirement	(9,256)
Interest and Other Fiscal Charges	(1,850)

<i>Total Non-Operating Receipts (Disbursements)</i>	(25,819)
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<i>Income (Loss) before Capital Contributions, Special Item, Extraordinary Item, Transfers and Advances</i>	7,888
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<i>Net Change in Fund Cash Balances</i>	7,888
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<i>Fund Cash Balances, January 1</i>	9,410
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<i>Fund Cash Balances, December 31</i>	\$17,298
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The notes to the financial statements are an integral part of this statement.

VILLAGE OF RAYLAND
JEFFERSON 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	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$18,886	\$1,973			\$20,859
Intergovernmental	14,903	28,243			43,146
Charges for Services	1,809				1,809
Fines, Licenses and Permits	8,554				8,554
Miscellaneous	10,147	136			10,283
<i>Total Cash Receipts</i>	<u>54,299</u>	<u>30,352</u>	<u>\$0</u>	<u>\$0</u>	<u>84,651</u>
Cash Disbursements					
Current:					
Security of Persons and Property	20,485	10,054			30,539
Public Health Services	650				650
Leisure Time Activities	4,850				4,850
Transportation		17,914			17,914
General Government	27,502				27,502
Debt Service:					
Principal Retirement	406	4,524			4,930
Interest and Fiscal Charges	15	164			179
<i>Total Cash Disbursements</i>	<u>53,908</u>	<u>32,656</u>	<u>0</u>	<u>0</u>	<u>86,564</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>391</u>	<u>(2,304)</u>	<u>0</u>	<u>0</u>	<u>(1,913)</u>
Other Financing Receipts (Disbursements)					
Sale of Capital Assets	1,100	500			1,600
<i>Total Other Financing Receipts (Disbursements)</i>	<u>1,100</u>	<u>500</u>	<u>0</u>	<u>0</u>	<u>1,600</u>
<i>Net Change in Fund Cash Balances</i>	1,491	(1,804)	0	0	(313)
<i>Fund Cash Balances, January 1</i>	<u>(3,237)</u>	<u>18,083</u>	<u>12,037</u>	<u>10</u>	<u>26,893</u>
Fund Cash Balances, December 31					
Nonspendable		0	0	0	0
Restricted		16,279	12,037	10	28,326
Committed		0	0	0	0
Assigned		0	0	0	0
Unassigned (Deficit)	(1,746)	0	0	0	(1,746)
<i>Fund Cash Balances, December 31</i>	<u><u>-\$1,746</u></u>	<u><u>\$16,279</u></u>	<u><u>\$12,037</u></u>	<u><u>\$10</u></u>	<u><u>\$26,580</u></u>

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

**VILLAGE OF RAYLAND
JEFFERSON COUNTY**

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

	<u>Proprietary Fund Types</u>
	<u>Enterprise</u>
Operating Cash Receipts	
Charges for Services	\$116,327
Miscellaneous	1,511
<i>Total Operating Cash Receipts</i>	<u>117,838</u>
Operating Cash Disbursements	
Personal Services	10,971
Employee Fringe Benefits	1,518
Contractual Services	66,135
Supplies and Materials	8,733
Other	498
<i>Total Operating Cash Disbursements</i>	<u>87,855</u>
<i>Operating Income (Loss)</i>	<u>29,983</u>
Non-Operating Receipts (Disbursements)	
Miscellaneous	300
Principal Retirement	(10,025)
Interest and Other Fiscal Charges	(1,983)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(11,708)</u>
<i>Income (Loss) before Capital Contributions, Special Item, Extraordinary Item, Transfers and Advances</i>	18,275
<i>Net Change in Fund Cash Balances</i>	18,275
<i>Fund Cash Balances, January 1</i>	<u>(8,865)</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$9,410</u></u>

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

**VILLAGE OF RAYLAND
JEFFERSON 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 Rayland, Jefferson County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water, sanitation and sewer utilities, park operations and police services. The Village contracts with the Rayland Volunteer Fire Department to receive fire protection and emergency medical services.

The Village participates in the Ohio Municipal Joint Self-Insurance Pool public entity risk pool. Note 7 to the financial statements provide additional information for this entity. This organization is:

Public Entity Risk Pool:

The Village belongs to the Ohio Municipal Joint Self-Insurance Pool, a risk-sharing pool available to Ohio local Villages. The Pool provides property, liability 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

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.

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 RAYLAND
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2031 AND 2012
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 Funds:

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

Fire Department Equipment Grant Fund – This fund receives grant money for fire equipment.

3. Debt Service Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Village had the following significant Debt Service Fund:

Sewer Bond Assessment Fund – This fund received special assessments from the county real estate tax settlements to pay off debt. A balance remained in 2012 which was transferred to the General Fund via Common Pleas court order.

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 capital project fund had a small balance remaining in 2012. The balance was transferred to the General Fund via Common Pleas court order.

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.

Sanitation Fund - This fund receives charges for service from resident to cover garbage collection costs.

E. Budgetary Process

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

VILLAGE OF RAYLAND
JEFFERSON COUNTY

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. 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 canceled, and reappropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law.

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 Villages; 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.

VILLAGE OF RAYLAND
JEFFERSON COUNTY

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Village 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.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other Village 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 AND INVESTMENTS

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

	2013	2012
Demand deposits	\$69,819	\$35,990
Total deposits and investments	\$69,819	\$35,990

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

**VILLAGE OF RAYLAND
JEFFERSON COUNTY**

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

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	\$50,584	\$94,689	\$44,105
Special Revenue	20,400	23,403	3,003
Enterprise	127,640	126,376	(1,264)
Total	\$198,624	\$244,468	\$45,844

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$67,767	\$61,082	\$6,685
Special Revenue	37,498	19,022	18,476
Debt Service	0	12,037	(12,037)
Capital Projects	10	10	0
Enterprise	146,152	118,488	27,664
Total	\$251,427	\$210,639	\$40,788

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$56,000	\$55,399	(\$601)
Special Revenue	20,300	30,852	10,552
Debt Service	100		(100)
Enterprise	117,000	118,138	1,138
Total	\$193,400	\$204,389	\$10,989

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$74,262	\$53,908	\$20,354
Special Revenue	37,550	32,656	4,894
Debt Service	10		10
Enterprise	134,429	99,863	34,566
Total	\$246,251	\$186,427	\$59,824

Contrary to Ohio law, at December 31, 2012, the General fund had a cash deficit balance of \$1,746 and the Sewer Operating fund had a cash deficit balance of \$22,540. At December 31, 2013 the Sewer Operating Fund had a cash deficit balance of \$13,650. In addition, the Village failed to comply with Ohio Revised Code Sections 5705.41 (D) and 5705.39.

**VILLAGE OF RAYLAND
JEFFERSON COUNTY**

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

4. PROPERTY TAX

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

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:

	Principal	Interest Rate
Ohio Water Development Authority Loan #4635	\$46,402	3.82%
Ohio Water Development Authority Loan #5286	170,148	0%
Total	\$216,550	

The Ohio Water Development Authority (OWDA) loan #4635 relates to Tiltonsville waste water treatment plant improvements project approved in 2007. The Village will repay the loan in semiannual installments of \$2,281, including interest, over 20 years. Sewer 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 #5286 relates to a water main replacement project approved in 2009. The Village will repay the loan in semiannual installments over 30 years. Water receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

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

	OWDA Loan # 4635	OWDA Loan # 5286
Year ending December 31:		
2014	\$4,562	\$6,544
2015	4,562	6,544
2016	4,562	6,544
2017	4,562	6,544
2018	4,562	6,544
2019-2023	22,810	32,721
2024-2028	13,686	32,721
2029-2033		32,721
2034-2038		32,721
2039		6,544
Total	\$59,306	\$170,148

VILLAGE OF RAYLAND
JEFFERSON COUNTY

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

6. RETIREMENT SYSTEMS

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 plans' 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 POOL MEMBERSHIP

The Village belongs to the Ohio Municipal Joint Self-Insurance Pool, (the "Pool"), an unincorporated non-profit association available to municipal corporations and their instrumentalities. The Pool is a separate legal entity per Section 2744 of the Ohio Revised Code. The Pool provides property and casualty insurance for its members. The Pool pays judgments, settlements and other expenses resulting for covered claims that exceed the members' deductibles.

The Pool changed its fiscal year end to March 31, effective in 2011, in order to align its financial reporting and budgeting with the renewal terms of its excess reinsurance policies.

The Pool cedes portions of its gross contribution written to a reinsurer under excess reinsurance agreements in order to limit its losses. Treaty basis excess-of-loss contracts in force protect the Pool against losses over the retention level; at March 31, 2013, retention levels are \$100,000 and \$175,000 for property and casualty coverages, respectively.

The Pool remains liable to the extent the reinsuring companies are unable to meet their contractual obligations under reinsurance agreements.

The Pool's financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained surplus at March 31, 2013 and 2012.

	<u>2013</u>	<u>2012</u>
Assets	\$ 833,561	\$ 1,097,683
Liabilities	<u>(782,525)</u>	<u>(791,222)</u>
Accumulated Surplus	\$ <u>51,036</u>	\$ <u>306,461</u>

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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 Rayland
Jefferson County
P.O. Box 188
Rayland, Ohio 43943-0188

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 Rayland, Jefferson 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 October 15, 2014, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) 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 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 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 finding 2013-005 described in the accompanying schedule of findings to be 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, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items, 2013-001 to 2013-004.

Entity's Response to Findings

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Village's responses and, accordingly, we express no opinion on them.

Purpose of this Report

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



Dave Yost
Auditor of State
Columbus, Ohio

October 15, 2014

VILLAGE OF RAYLAND
JEFFERSON 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

Noncompliance Citation

Ohio Rev. Code § 5705.41(D) provides that no subdivision shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that a fiscal officers' certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively of the Ohio Revised Code

- 1. Then and Now Certificate** – If no certificate is furnished as required, upon receipt of the clerk/treasurers' certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the District may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid. If the amount involved is less than \$3,000 the fiscal officer may authorize payment through a Then and Now Certificate without affirmation of Board of Trustees if such expenditure is otherwise valid.
- 2. Blanket Certificate** – Fiscal Officer may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not be, limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
- 3. Super Blanket Certificate** – The Village may also make expenditures and contracts for any amount from a specific line item appropriation in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket may be outstanding a particular time for any line item appropriation.

**FINDING NUMBER 2013-001
 (Continued)**

The Village did not properly certify 82 percent of tested expenditures.

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

Officials Response:

The Village agrees with the auditor’s findings. Ideally, the Village’s accounting software would provide proper certification language and documentation as part of the disbursement process. Unfortunately, the accounting software used by the Village is antiquated and does not provide adequate certification documentation. It is the Fiscal Officer’s desire to implement the Ohio Auditor of State’s Uniform Accounting Network software, which would resolve this compliance issue (as well as many other issues). However, that has not been possible to this point due in large part to the Village’s dire General Fund financial situation and the logistics involved. It is the Fiscal Officer’s hope that the village will be able to join the Uniform Accounting Network in the near future.

FINDING NUMBER 2013-002

Noncompliance Citation

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

The Village had the following negative fund cash balances, indicating money from another fund was used to cover the expenses of these funds:

2012:	Fund Balance
General	\$(1,746)
Sewer Operating	(22,540)
2013:	
Sewer Operating	(13,650)

Village Council should review the finances and formulate a plan for the elimination of the deficit balances.

The Village should monitor all fund balances and limit spending appropriately. By restricting expenditures to the amounts available, the Village will help prevent using restricted funds to cover the expenditures of other funds.

Officials Response:

In early 2012, the deficit in the Sewer Fund was addressed by both raising revenues (in the form of higher sewer rates for customers), and negotiating lower contract expenditures with the primary supplier of sewage services. The Village has made tremendous progress toward eliminating the Sewer Fund deficit since then, with the Sewer Fund expected to return to surplus status in late 2014 or early 2015.

The General Fund deficit in 2012 arose because of huge cuts in local government funding from the state.

**FINDING NUMBER 2013-002
(Continued)**

The Village addressed and corrected that issue in 2013 by making severe cuts in services to the village residents. The General Fund is expected to end 2014 in its healthiest position in years.

The Fiscal Officer provides Council with monthly financial reports and closely monitors the status of all funds on a regular basis in an effort to prevent problems before they occur.

FINDING NUMBER 2013-003

Noncompliance Citation

Ohio Administrative Code Section 117-2-02(D) requires that all public offices maintain accounting records in a manual or computerized format and include the following:

1. Receipt ledger, which classifies receipts into separate accounts for each type of receipt. The amount, date, name of payee, purpose, receipt number, and estimated amounts should be recorded.
2. Appropriation ledger, which may classify disbursements into separate accounts, at a minimum, each account listed in the appropriation resolution. The amount, date, check number, purchase order number, encumbrance amount, unencumbered balance, and amount of each disbursement should be entered into the appropriate columns.
3. Check register that includes, in numerical sequence, the check number, payee, net amount, and the date.

The Fiscal Officer did not maintain a receipt ledger to classify receipts, an appropriation ledger to classify expenditures, nor a check register that included the payee for each payment. However, the Village did maintain a cash journal, which provided a chronological record of transactions.

The Fiscal Officer should maintain a receipt ledger, an appropriation ledger and a check register to help assure the Village has an adequate accounting system to enable the Village to identify, assemble, analyze, classify, record, and report all transactions and to maintain accountability.

Officials Response:

As mentioned in Finding Number 2013-001, the Village has antiquated accounting software. The software is supposed to produce a Receipt Ledger and an Appropriation Ledger, but, unfortunately, those software functions do not work properly.

As indicated, a handwritten, numerical check register is kept, although the payee is not listed.

FINDING NUMBER 2013-004

Noncompliance Citation

Ohio Rev. Code § 5705.39 prohibits a political subdivision from making a fund appropriation in excess of the total estimated revenue available for expenditure from that fund, as certified by the budget commission on the Amended Official Certificates of Estimated Resources.

**FINDING NUMBER 2013-004
 (Continued)**

Appropriations exceed the amount certified as available by the budget commission as follows:

2012:

Fund	Amount Certified Available	Amount Appropriated	Variance
General	\$52,342	\$74,262	\$(21,920)
Fire Department Grant	120	10,000	(9,880)
Sewer Operating	4,294	51,410	(47,116)
Street Maintenance and Repair	18,990	20,880	(1,810)

2013:

Fund	Amount Certified Available	Amount Appropriated	Variance
General	48,838	67,767	(18,929)
Sewer Operating	19,459	41,700	(22,241)
Street Maintenance and Repair	18,470	19,350	(880)

The Village should base annual appropriations on Total Available Estimated Resources. If amendments are necessary during the year an amended certificate should be obtained.

Officials Response:

The appropriations in the General Fund and Sewer Fund exceeded the total estimated revenue available because those were the amounts needed to satisfy the village's obligations (see Finding 2013-002 for an explanation of why these two funds were in deficit situations and what the village has done to rectify the problem) and to keep the Village operating while the financial recovery plan was being executed. The appropriations in the Fire Department Equipment Grant Fund and Street Fund exceeded the total estimated revenue available because amended certificates were not obtained.

FINDING NUMBER 2013-005

Material Weakness

Proper Coding and Classification of Receipts and Expenditures

The Fiscal Officer did not correctly code and classify receipts and expenditures in 2013, which resulted in reclassifications to the financial statements. The Village Fiscal Officer has agreed to the reclassifications, and the reclassification has been posted to the accounting records. The corrected amounts are reflected in the accompanying financial statement.

2013:

Fund	Account Type	Amount	Description
General	Intergovernmental Revenue	\$25,941	Posted as Local Tax Revenue
Water	Non-operating Other Expense	\$8,602	Audit fees posted as a negative intergovernmental receipt.
Sewer	Non-operating Other Expense	\$3,545	Audit fees posted as a negative intergovernmental receipt.
Sanitation	Non-operating Other Expense	\$2,574	Audit fees posted as a negative intergovernmental receipt.

**FINDING NUMBER 2013-005
(Continued)**

Failure to consistently follow a uniform chart of accounts increase the possibility the Village will not be able to identify, assemble, classify, record, and report its transactions correctly or to document compliance with finance-related legal and contractual requirements.

The Fiscal Officer should maintain the accounting system to enable the Village to identify, assemble, analyze, classify, record, and report all transactions and to maintain accountability. All transactions should be properly coded and classified according to the Village chart of accounts to help ensure that financial activity of the Village is accurately recorded and reported..

Officials Response:

The Village of Rayland had not received an estate tax distribution in many years, and the Fiscal Officer apparently coded it incorrectly.

Due to bleak financial circumstances, the Village had been unable to pay any audit fees for years and accrued a significant debt to the State Auditor's office, which was finally paid in full as part of the financial recovery plan executed by the Village. Again, this was an instance of having no recent reference to properly coding this particular type of transaction. Moving forward, the Village intends to code these transactions correctly.

**VILLAGE OF RAYLAND
JEFFERSON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2011-001	Ohio Revised Code Section 5705.41(B)	Yes	
2011-002	Ohio Revised Code Section 5705.36(A)(1)	Yes	
2011-003	Ohio Revised Code Section 5705.10 (I)	No	Reissued as Finding 2013-002
2011-004	Ohio Revised Code Section 5705.41(D); expenditures not properly certified	No	Reissued as Finding 2013-001
2011-005	Properly posting revenue and expenditures	No	Reissued as Finding 2013-005



Dave Yost • 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
NOVEMBER 20, 2014**