

Village of Rarden
Scioto County
Regular Audit
For the Year Ended December 31, 2014



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Dave Yost • Auditor of State

Village Council
Village of Rarden
1693 Main St
Rarden, OH 45671

We have reviewed the *Independent Auditor's Report* of the Village of Rarden, Scioto County, prepared by Millhuff-Stang, CPA, Inc., for the audit period January 1, 2014 through December 31, 2014. 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.

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 Rarden is responsible for compliance with these laws and regulations.

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

Dave Yost
Auditor of State

September 13, 2016

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Village of Rarden
Scioto County
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For the Year Ended December 31, 2014

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Independent Auditor's Report

Village Council
Village of Rarden
1693 Main Street
Rarden, Ohio 45671

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Rarden, Scioto County, Ohio (the Village) as of and for the year ended December 31, 2014.

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 opinions.

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 (GAAP), to satisfy these requirements.

Village of Rarden
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Independent Auditor's Report

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2014, or changes in financial position thereof for the year then ended.

Basis for Additional Opinion Qualification

Charges for services in special revenue funds are reported as \$92,600 for the year ended December 31, 2014, which are 41 percent of special revenue funds receipts for the year ended December 31, 2014. We were unable to obtain sufficient appropriate audit evidence supporting the amounts recorded as charges for services for special revenue funds. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

Additional Opinion Qualification

In our opinion, except for the possible effects of the matters described in the *Basis for Additional Opinion Qualification* paragraph, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the special revenue fund type of the Village of Rarden, Scioto County, Ohio, as of December 31, 2014, and its combined cash receipts and disbursements for the year 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.

Unmodified Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the general fund of the Village of Rarden, Scioto County, Ohio, as of December 31, 2014, and its combined cash receipts and disbursements for the year 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.

Village of Rarden
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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 30, 2016 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.



Natalie Millhuff-Stang, CPA, CITP
President/Owner
Millhuff-Stang, CPA, Inc.
Portsmouth, Ohio

May 30, 2016

Village of Rarden
Scioto County
Combined Statement of Cash Receipts, Cash Disbursements and
Changes in Fund Cash Balances
All Governmental Fund Types
For the Year Ended December 31, 2014

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	General	Special Revenue	
Cash Receipts:			
Property and Other Local Taxes	\$1,200	\$4,247	\$5,447
Intergovernmental	1,905	129,656	131,561
Charges for Services	7,412	92,600	100,012
Earnings on Investments	160	18	178
Miscellaneous	3,181	730	3,911
Total Cash Receipts	13,858	227,251	241,109
Cash Disbursements:			
Security of Persons and Property	4,474	198,135	202,609
Transportation	0	420	420
General Government	31,543	0	31,543
Debt Service:			
Redemption of Principal	0	18,030	18,030
Interest and Other Fiscal Charges	0	3,775	3,775
Total Cash Disbursements	36,017	220,360	256,377
Net Change in Fund Cash Balances	(22,159)	6,891	(15,268)
Other Financing Sources:			
Other Financing Sources	13,591	0	13,591
Total Other Financing Sources	13,591	0	13,591
Excess of Cash Receipts and Other Financing Sources			
Over (Under) Cash Disbursements	(8,568)	6,891	(1,677)
Fund Cash Balances, January 1	10,389	27,922	38,311
Restricted			
Street Lights	0	87	87
Recreation Programs	0	186	186
Fire Operations	0	26,756	26,756
Road Maintenance and Improvements	0	11,391	11,391
Unassigned	1,821	(3,607)	(1,786)
Fund Cash Balances, December 31	\$1,821	\$34,813	\$36,634

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

Village of Rarden
Scioto County
Notes to the Financial Statements
For the Year Ended December 31, 2014

Note 1 – Summary of Significant Accounting Policies

Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Rarden, Scioto County (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides road and bridge maintenance and security of person and property services which include fire protection and ambulance services.

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

Ohio Plan Risk Management, Inc. (OPRM) – formerly known as the Ohio Government Risk Management Plan, (the Plan), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments (Members).

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

Basis of Accounting

These financial statements follow the accounting basis the Auditor of State of Ohio 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.

Deposits and Investments

The Village has one demand deposit account and no investments.

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:

General Fund

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

Special Revenue Funds

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

Volunteer Fire Fund – This fund receives fire contract and levy monies for the operation of the volunteer fire department.

Village of Rarden
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Notes to the Financial Statements
For the Year Ended December 31, 2014

Note 1 – Summary of Significant Accounting Policies (Continued)

Ambulance Fund – This fund receives ambulance contract and levy monies for the operation of the volunteer ambulance service.

Budgetary Process

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

Appropriations

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

Estimated Resources

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

Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. The Village did not use the encumbrance method of accounting during 2014.

A summary of the 2014 budgetary activity appears in Note 3.

Fund Balance

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

Nonspendable

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

Restricted

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

Committed

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

Village of Rarden
Scioto County
Notes to the Financial Statements
For the Year Ended December 31, 2014

Note 1 – Summary of Significant Accounting Policies (Continued)

Assigned

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

Unassigned

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

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

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.

Note 2 – Equity in Pooled Deposits

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

	2014
Demand deposits	\$36,634

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

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2014 follows:

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$27,186	\$27,449	\$263
Special Revenue	181,700	227,251	45,551
Total	\$208,886	\$254,700	\$45,814

Village of Rarden
Scioto County
Notes to the Financial Statements
For the Year Ended December 31, 2014

Note 3 – Budgetary Activity (Continued)

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$37,686	\$36,017	\$1,669
Special Revenue	201,100	220,360	(19,260)
Total	\$238,786	\$256,377	(\$17,591)

Note 4 – Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Village 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. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

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

Note 5 – Debt

Debt outstanding at December 31, 2014 was as follows:

	Principal	Interest Rate
Promissory Note - Ambulance	\$19,008	5%

The Village borrowed \$86,196 during 2010 to help purchase a new ambulance. The loan will be repaid in annual payments of \$19,823 over a five-year period. The ambulance is collateral for the loan.

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

Year ending December 31:	Milton Banking Company
2015	\$19,823

Note 6 - Retirement Systems

The Village’s elected officials and employees elected not to participate in PERS. Instead, all elected officials and employees have Social Security withholdings.

Village of Rarden
Scioto County
Notes to the Financial Statements
For the Year Ended December 31, 2014

Note 7 – Risk Management

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

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

OPRM coverage programs are developed specific to each member’s risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member’s exposure to loss, except OPRM retains 41.5% (effective November 1, 2011) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2012 (and through October 2014) the plan increased its retention to 50% of the first \$250,000 casualty treaty. The Plan’s property retention remained unchanged from prior years. This change was made to balance the reinsurance market conditions. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 783 members as of December 31, 2014.

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

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

The Pool’s audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2014:

	2014
Assets	\$14,830,185
Liabilities	<u>(8,942,504)</u>
Members’ Equity	<u>\$5,887,681</u>

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

Note 8 – Contingent Liabilities

Grants

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor, principally the federal government. Grants 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.

Litigation

The Village is not currently party to any legal proceedings.

Village of Rarden
Scioto County
Notes to the Financial Statements
For the Year Ended December 31, 2014

Note 9 – Compliance

The Village did not timely file its annual financial report with the Auditor of State, which is contrary to Ohio Revised Code Section 117.38.

The Village did not properly certify the availability of funds through an encumbrance process, which is contrary to Ohio Revised Code Section 5705.41(D).

The Village had expenditures in excess of appropriations, which is contrary to Ohio Revised Code Section 5705.41(B).

The Village had negative fund balances during the year and at year-end, which is contrary to Ohio Revised Code Section 5705.10.

The Village did not reconcile its bank accounts, which is contrary to Ohio Administrative Code Section 117-2-01(D)(3) and (5).

The Council did not properly monitor financial activity of the Village, which is contrary to Ohio Administrative Code Section 117-2-01(D)(4).

The Village did not properly maintain supporting documentation for various financial transactions, contrary to Ohio Revised Code Section 149.351(A).

The Village did not properly maintain accounting records, which is contrary to Ohio Revised Code Section 733.28 and Ohio Administrative Code Sections 117-2-02(A) and (D).

The Village had appropriations in excess of estimated resources, which is contrary to Ohio Revised Code Section 5705.39.

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Village Council
Village of Rarden
1693 Main Street
Rarden, Ohio 45671

We have audited, 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, the financial statements of the Village of Rarden, Scioto County, Ohio (the Village) as of and for the year ended December 31, 2014, and the related notes to the financial statements and have issued our report thereon dated May 30, 2016, 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. We qualified our opinion due to the lack of sufficient appropriate audit evidence supporting the amounts recorded as charges for services reported in special revenue funds for the year ended December 31, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. 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 corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2014-001, 2014-003, and 2014-005 through 2014-012, that we consider to be material weaknesses.

Village of Rarden

Scioto County

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2014-001 through 2014-005, 2014-007 through 2014-009, and 2014-013.

Village's Responses to Findings

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Natalie Millhuff-Stang, CPA, CITP
President/Owner
Millhuff-Stang, CPA, Inc.
Portsmouth, Ohio

May 30, 2016

Village of Rarden
Scioto County
Schedule of Findings and Responses
For the Year Ended December 31, 2014

Findings Related to the Financial Statements Required to be Reported in Accordance With GAGAS

Finding 2014-001 – Noncompliance/Material Weakness – Annual Financial Report

Ohio Revised Code Section 117.38 provides that cash-basis entities must file annual reports with the Auditor of State within 60 days of the fiscal year end. The Auditor of State may prescribe by rule or guidelines the forms for these reports. However, if the Auditor of State has not prescribed a reporting form, the public office shall submit its report on the form used by the public office. Any public office not filing the report by the required date shall pay a penalty of twenty-five dollars for each day the report remains unfiled, not to exceed seven hundred fifty dollars. The Auditor of State may waive these penalties, upon the filing of the past due financial report.

The report shall contain the following: (A) amount of collections and receipts, and accounts due from each sources; (B) amount of expenditures for each purpose; (C) income of any public service industry that the entity owns or operates, as well as the costs of ownership or operation; and (D) amount of public debt of each taxing district, the purpose of the debt, and how the debt will be repaid.

The Village did not file its 2014 annual report with the Auditor of State until April 30, 2015. Failure to file the annual financial report within 60 days of the fiscal year-end can result in fines and penalties.

The Fiscal Officer should file the Village’s annual financial reports with the Auditor of State within 60 days of the fiscal year end.

Client Response:

The Village is in the process of converting to UAN software. Going forward, the deadline should be met by filing through the UAN system.

Finding 2014-002 – Noncompliance – Proper Encumbering

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

There are several exceptions to the standard requirement stated above that a fiscal officer’s 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 the fiscal officer can certify that both at the time that the contract or order was made (“then”), and at the time that the fiscal officer is completing the certification (“now”), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from the receipt of the “then and now” certificate to approve payment by ordinance or resolution.

Village of Rarden
Scioto County
Schedule of Findings and Responses
For the Year Ended December 31, 2014

Finding 2014-002 – Noncompliance – Prior Encumbrance of Funds (Continued)

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the “then and now” certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.

2. Blanket Certificate – Fiscal officers 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 account 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 expenses. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The Fiscal Officer did not certify the availability of funds prior to purchase commitment for any expenditures during 2014. There was no evidence the Village followed the aforementioned exceptions. The Village did not have sufficient internal controls in place to ensure the certification of the availability of funds. Failure to certify the availability of funds properly can result in overspending funds and negative cash fund balances. This also resulted in unrecorded encumbrances for 2014. However, due to lack of supporting documentation we were unable to determine a dollar amount.

Unless the Village uses the exceptions noted above, prior certification is not only required by statute, but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village’s funds exceeding budgetary spending limitations, we recommend that the Fiscal Officer certify that the funds are, or will be, available prior to obligation by the Village. When prior certification is not possible, “then and now” certification should be used. In addition, the budgetary presentation should include outstanding encumbrances at year end.

The Village officials and employees should obtain the Fiscal Officer’s certification of the availability of funds prior to the commitment being incurred. The most convenient certification method is to use purchase orders that include the certification language Ohio Revised Code Section 5705.41(D) requires to authorize 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 Fiscal Officer should post approved purchase orders to the proper appropriation code to reduce the available appropriation.

Client Response:

The Village is in the process of converting to UAN software. The Village plans to utilize the purchase order system in UAN.

Finding 2014-003 – Noncompliance/Material Weakness – Expenditures in Excess of Appropriations

Ohio Revised Code Section 5705.41(B) provides that no subdivision or taxing unit shall make any expenditure of money unless it has been appropriated. The Village had various funds in 2014 where expenditures exceeded appropriations. Expenditures exceeding appropriations can result in overspending available resources and deficit fund balances. The Council should implement procedures, such as periodic reviews of budget to actual activity, to ensure that expenditures are limited to appropriations.

Village of Rarden
Scioto County
Schedule of Findings and Responses
For the Year Ended December 31, 2014

Finding 2014-003 – Noncompliance/Material Weakness – Expenditures in Excess of Appropriations (Continued)

Client Response:

The Village is in the process of converting to UAN software. The UAN software will not permit expenditures in excess of appropriations.

Finding 2014-004 – Noncompliance – Negative Fund Balances

Ohio Revised Code Section 5705.10(H) states that money paid into a fund must be used only for the purposes for which such fund has been established. As a result, a negative fund cash balance indicates that money from one fund was used to cover the expenses of another fund. During 2014, the Village had negative fund balances in the Fire, State Highway and Park Funds. The Village should implement proper budgetary procedures to ensure that fund balance deficits do not occur.

Client Response:

Currently, no funds have negative balances.

Finding 2014-005 – Noncompliance/Material Weakness – Bank Reconciliations

Ohio Administrative Code Section 117-2-01(D)(3) and (5) state that when designing the public office's system of internal control and the specific control activities, management should ensure adequate security of assets and records, and verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.

The Fiscal Officer did not prepare monthly bank reconciliations to reconcile the bank statements to the cash journal for their main and EMS accounts.

The Fiscal Officer should perform monthly reconciliations in a timely manner so that reconciling items can be easily identified and corrections, if necessary, can be made in a timely manner.

Client Response:

The main account is reconciled up to date and the EMS account is reconciled through March of 2016.

Finding 2014-006 – Material Weakness – Sound Financial Reporting

Sound financial reporting is the responsibility of the Fiscal Officer and the Council and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. As a result of the audit procedures performed, we noted various errors in the financial statements that required audit adjustment or reclassification. The Village should implement procedures to ensure that all financial transactions are properly recorded within the accounting system to ensure that financial statements can be properly presented to Council for planning and decision-making purposes and to external sources to ensure that an accurate and complete presentation of the Village's finances can be provided. The Village should also review the Village Handbook for guidance on the correct line item to post various receipts and expenditures of the Village.

Client Response:

The Fiscal Officer is continuing to work with Local Government Services division of the Auditor of the State's Office.

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Finding 2014-007 – Noncompliance/Material Weakness – Monitoring by Council

Ohio Administrative Code Section 117-2-01(D)(4) states that when designing the public office’s system of internal control and the specific control activities, management should plan for adequate segregation of duties or compensating controls.

The size of the Village’s staff did not allow for an adequate segregation of duties; the Fiscal Officer performed all accounting functions, including receipting, depositing, disbursing, and reconciling. It is therefore important that the Council monitor financial activity closely.

The Council did not receive or review financial reports. During 2014, the Fiscal Officer did not maintain the cash journal and monthly financial report showing total balances, receipts, and disbursements by fund. There was no Council signature or approval in the minute record proving board review. The cash journal was not completed and reconciled to the bank balance and the receipt and appropriation ledgers were not completed. Vouchers were not prepared or presented to Council prior to payment and only the Fiscal Officer’s signature was required on the checks. Therefore, there were no records provided to the Council to provide any reliance that internal controls were in place. Bank reconciliations were not prepared so there were no processes or procedures in place to ensure transactions were posted in the proper period. Further, no processes exist to identify unusual fluctuations between accounts or between fiscal years.

The Fiscal Officer should maintain record of budget and actual information in a format easily reviewable by the Council. Further, the Council should review detailed financial reports, budget versus actual information, and bank reconciliations on a monthly basis. This should be documented in the minute record and/or initialed and dated as reviewed. The Council should also make appropriate inquiries to help determine the continued integrity of financial information. Appropriate inquiries would include:

- Are current receipts sufficient to cover expenditures?
- Are receipts and expenditures in line with prior years?
- If unusual fluctuations in receipts or expenditures occur, is the reason understood?
- Are anticipated receipts being received in a timely manner?

The information obtained as a result of such reviews and inquires will provide important data necessary to properly manage the Village.

Client Response:

The Fiscal Officer now provides to Council the bank reconciliations and fund balance reports at each meeting. Once UAN is up and running, additional reports will be provided.

Finding 2014-008 – Noncompliance/Material Weakness – Supporting Documentation

Ohio Revised Code Section 149.351(A) states that all records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commissions provided for under Section 149.38 to 149.42 of the Revised Code or under the records programs established by the boards of trustees of state-supported institutions of higher education under Section 149.33 of the Revised Code. Such records shall be delivered by outgoing officials and employees to their successors and shall not be otherwise removed, transferred, or destroyed unlawfully.

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Finding 2014-008 – Noncompliance/Material Weakness – Supporting Documentation (Continued)

During testing, we noted that the Village did not maintain original supporting documentation for several expenditures. The Fiscal Officer had to contact vendors to obtain duplicate invoices for audit. In addition, we were unable to agree several receipts to supporting documentation, with charges for services in the special revenue funds lacking the most substantiation.

The Village should implement procedures to ensure all records are properly maintained for audit purposes, to support properly recording within the accounting system, and to demonstrate proper public purpose. Furthermore, no disbursements should be made unless supporting documentation is available.

Client Response:

All supporting documentation for bills is now being maintained in folders by month.

Finding 2014-009 – Noncompliance/Material Weakness – Accounting Records

Ohio Revised Code Section 733.28 requires the fiscal officer to maintain the books of the Village and exhibit accurate statements of all monies received and expended.

Ohio Administrative Code Section 117-2-02(A) requires public offices to maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

Per Ohio Administrative Code Section 117-2-02(D), accounting records that can help achieve these objectives include:

1. Cash journal, which typically includes the amount, date, receipt number, check number, account code, purchase order number, and any other information necessary to properly classify the transaction.
2. Receipts ledger, which typically assembles and classifies receipts into separate accounts for each type of receipt of each fund the public office uses. The amount, date, name of payor, purpose, receipt number, and other information required for such transactions to be recorded on this ledger.
3. Appropriation ledger, which assembles and classifies disbursements into separate accounts, for at a minimum, each account listed in the appropriation resolution. The amount, fund, date, check number, purchase order number, encumbrance amount, unencumbered balance, amount of disbursement, and any other information required may be entered in the appropriate columns.

Using these accounting records will provide the Village with information required to monitor compliance with the budget and prepare annual reports in the format required by the Auditor of State.

The Fiscal Officer did not maintain the cash journal, appropriation ledger or receipt ledger during 2014. The Village had to procure the services of the Auditor of State's Local Government Services to reconstruct records and prepare financial statements for audit.

The Fiscal Officer should properly maintain the accounting records and reconcile the cash journal to the bank balances and to the receipts ledger and appropriation ledger monthly.

Client Response:

The Village is in the process of converting to UAN software. All of the reports mentioned will be maintained through the software.

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Finding 2014-010 – Material Weakness – Monitoring of Ambulance Billing Service Provider

The Village provided ambulance services for the Village and Rarden Township throughout the audit period. The Village entered into an agreement with MBI Solutions, Inc., for third-party administration of medical claims in a prior year. At this time they also changed the procedures for submission of run sheets and appointed a liaison within the department to work with MBI Solutions, Inc. (now Medi-Count).

We were able to obtain a Service Organization Controls (SOC) 1 report, but we were unable to determine whether the Village is properly monitoring the billing and collections of the service provider. The Village should review the service organization's SOC 1 report for user control considerations and implement the appropriate procedures to ensure that the service provider is properly billing for services provided by the Village and that collections remitted to the Village from the service provider are accurate and complete.

Client Response:

The Village has designated an individual to review the service provider's billings and remittances.

Finding 2014-011 – Material Weakness – Timely Deposits

Ohio Revised Code Section 9.38 states that public money must be deposited with the treasurer of the public office or to a designated depository on the business day following the day of receipt. If the amount of daily receipts does not exceed \$1,000 and the receipts can be safeguarded, public offices may adopt a policy permitting their officials who receive this money to hold it past the next business day, but the deposit must be made no later than 3 business days after receiving it. If the public office is governed by a legislative authority (counties, municipalities, townships, and school districts), only the legislative authority may adopt the policy. The policy must include provisions and procedures to safeguard the money during the intervening period. If the amount exceeds \$1,000 or a lesser amount cannot be safeguarded, the public official must then deposit the money on the first business day following the date of receipt.

During 2014, the Village would regularly make large deposits close to month end. The Council should develop and implement policies and procedures that would provide for the deposit of monies received in a timely manner. Further, the Village should take steps to develop safeguards over these receipts prior to deposit, including, but not limited to, placement in a safe, vault, locked cabinet, or another secure and restricted area.

Client Response:

The Fiscal Officer is working on making deposits more timely.

Finding 2014-012 – Material Weakness – Budgetary Amounts

A budgetary cycle should be in place for all governments. The budgetary process is a plan to coordinate expenditures and resources. The State Legislature has adopted laws to control expenditures using tax budgets and appropriations. Budgeting, properly used, provides the most important monitoring control a government has. It is impossible to incur a cash deficit if a government complies with the budgetary law. Additionally, the budget is an instrument of public policy. A governing board expresses its desire for using a government's limited resources through its appropriations.

While performing budgetary cycle testing for the Village, it was determined that the Village does not have a control procedure in place to ensure that appropriations and estimated receipts, as authorized by the Council, were approved by the County Budget Commission, were reconciled to the appropriations and estimated receipts, or were posted to the accounting system.

Village of Rarden
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Finding 2014-012 – Material Weakness – Budgetary Amounts (Continued)

The Council should implement procedures to ensure appropriations and estimated receipts are approved, accurately posted to the accounting system, and reconciled to the amounts approved by the budget commission after each amendment.

Client Response:

The Village is in the process of converting to UAN software. Budgetary information will be maintained in the software.

Finding 2014-013 – Noncompliance – Appropriation in Excess of Estimated Resources

Ohio Revised Code Section 5705.39 provides in part that total appropriations from each fund shall not exceed the total estimated resources. In 2014, the Village had appropriations in excess of estimated resources in various funds. The Village should implement procedures, such as periodic review of budgeted information, to ensure that appropriations do not exceed estimated resources.

Client Response:

The Village is in the process of converting to UAN software. The UAN software will not permit appropriations in excess of estimated resources.

Village of Rarden
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Schedule of Prior Audit Findings
For the Year Ended December 31, 2014

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2013-001	Noncompliance – ORC 5705.36 – Certificate of Total Amounts Available and Certificates of Estimated Resources	Yes	
2013-002	Noncompliance/Material Weakness – ORC 5705.38(A) – Appropriation Measures	No	Reissued in management letter
2013-003	Noncompliance/Material Weakness – ORC 117.38 – Annual Financial Report	No	Reissued as 2014-001
2013-004	Noncompliance – ORC 5705.41(D) – Proper Encumbering	No	Reissued as 2014-002
2013-005	Noncompliance/Material Weakness – ORC 5705.41(B) – Appropriation Authority	No	Reissued, in part, as 2014-003
2013-006	Noncompliance – ORC 5705.10 – Negative Fund Balances	No	Reissued as 2014-004
2013-007	Noncompliance/Material Weakness – ORC 4123.35 & 4123.323 – Workers Compensation	Yes	
2013-008	Noncompliance – 26 USC 3401-3405 & 3102(a) – Federal Payroll Taxes	Yes	
2013-009	Noncompliance/Material Weakness – OAC 117-2-01(D)(3) & (5) – Bank Reconciliations	No	Reissued as 2014-005
2013-010	Material Weakness – Sound Financial Reporting	No	Reissued as 2014-006
2013-011	Noncompliance/Material Weakness – OAC 117-2-01(D)(4) – Monitoring by Council	No	Reissued as 2014-007
2013-012	Noncompliance/Material Weakness – ORC 149.351(A) – Supporting Documentation	No	Reissued as 2014-008
2013-013	Noncompliance/Material Weakness – ORC 733.28 and OAC 117-2-02(A) & (D) – Accounting Records/Classified Financial Statements	No	Reissued, in part, as 2014-009
2013-014	Material Weakness – Monitoring of Ambulance Billing Service Provider	No	Reissued as 2014-010
2013-015	Material Weakness – Timely Deposits	No	Reissued as 2014-011
2013-016	Material Weakness – Budgetary Amounts	No	Reissued as 2014-012
2013-017	Noncompliance/Material Weakness – ORC 733.27, 733.28, & 121.22 – Minute Record	No	Reissued, in part, in management letter



Dave Yost • Auditor of State

VILLAGE OF RARDEN

SCIOTO 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
SEPTEMBER 27, 2016