



Dave Yost • Auditor of State



VILLAGE OF RAWSON  
HANCOCK COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Village of Rawson  
Hancock County  
111 S. Main Street  
P. O. Box 525  
Rawson, Ohio 45881

To the Village Council:

### ***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 Rawson, Hancock County, Ohio, (the Village) as of and for the years ended December 31, 2015 and 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 1B of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

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 *Opinion on Regulatory Basis of Accounting* paragraph 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, 2015 and 2014, or changes in financial position or cash flows thereof for the years then ended.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Rawson, Hancock County, Ohio as of December 31, 2015 and 2014, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1B.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 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.



**Dave Yost**  
Auditor of State

Columbus, Ohio

October 27, 2016

**VILLAGE OF RAWSON  
HANCOCK COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$11,006			\$11,006
Intergovernmental	26,601	\$23,679		50,280
Special Assessments		25,052		25,052
Charges for Services	350			350
Earnings on Investments	16	1		17
Miscellaneous	570	28		598
<i>Total Cash Receipts</i>	<u>38,543</u>	<u>48,760</u>		<u>87,303</u>
<b>Cash Disbursements</b>				
Current:				
Security of Persons and Property	5,109	14,587		19,696
Public Health Services	1,338			1,338
Leisure Time Activities	6,356			6,356
Community Environment		633		633
Transportation		46,989		46,989
General Government	19,681	84		19,765
<i>Total Cash Disbursements</i>	<u>32,484</u>	<u>62,293</u>		<u>94,777</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	6,059	(13,533)		(7,474)
<b>Other Financing Disbursements</b>				
Transfers Out			(\$36,423)	(36,423)
<i>Net Change in Fund Cash Balances</i>	6,059	(13,533)	(36,423)	(43,897)
<i>Fund Cash Balances, January 1</i>	<u>60,405</u>	<u>142,231</u>	<u>37,338</u>	<u>239,974</u>
<b>Fund Cash Balances, December 31</b>				
Restricted		128,698	915	129,613
Unassigned	66,464			66,464
<i>Fund Cash Balances, December 31</i>	<u>\$66,464</u>	<u>\$128,698</u>	<u>\$915</u>	<u>\$196,077</u>

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

**VILLAGE OF RAWSON  
HANCOCK COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Enterprise
<b>Operating Cash Receipts</b>	
Charges for Services	\$147,267
<b>Operating Cash Disbursements</b>	
Personal Services	30,247
Employee Fringe Benefits	4,922
Contractual Services	7,521
Supplies and Materials	47,795
Other	894
<i>Total Operating Cash Disbursements</i>	91,379
<i>Operating Income</i>	55,888
<b>Non-Operating Receipts (Disbursements)</b>	
Intergovernmental	31,171
Special Assessments	36,856
Earnings on Investments	222
Principal Retirement	(84,570)
Interest and Other Fiscal Charges	(66,847)
<i>Total Non-Operating Receipts (Disbursements)</i>	(83,168)
<i>Loss before Transfers</i>	(27,280)
Transfers In	36,423
<i>Net Change in Fund Cash Balances</i>	9,143
<i>Fund Cash Balances, January 1</i>	515,521
<i>Fund Cash Balances, December 31</i>	\$524,664

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



**VILLAGE OF RAWSON  
HANCOCK COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$9,826			\$9,826
Intergovernmental	24,376	\$25,273		49,649
Special Assessments		23,830		23,830
Charges for Services	515		\$75	590
Earnings on Investments	250			250
Miscellaneous	871			871
<i>Total Cash Receipts</i>	<u>35,838</u>	<u>49,103</u>	<u>75</u>	<u>85,016</u>
<b>Cash Disbursements</b>				
Current:				
Security of Persons and Property	13,078	11,871		24,949
Public Health Services	1,711			1,711
Leisure Time Activities	15,881			15,881
Community Environment		164		164
Basic Utility Services		98		98
Transportation		10,973		10,973
General Government	29,846			29,846
Capital Outlay			65,876	65,876
Debt Service:				
Principal Retirement		3,381		3,381
Interest and Fiscal Charges		78		78
<i>Total Cash Disbursements</i>	<u>60,516</u>	<u>26,565</u>	<u>65,876</u>	<u>152,957</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(24,678)	22,538	(65,801)	(67,941)
<b>Other Financing Receipts</b>				
Sale of Notes			35,985	35,985
<i>Net Change in Fund Cash Balances</i>	(24,678)	22,538	(29,816)	(31,956)
<i>Fund Cash Balances, January 1</i>	<u>85,083</u>	<u>119,693</u>	<u>67,154</u>	<u>271,930</u>
<b>Fund Cash Balances, December 31</b>				
Restricted		142,231	37,338	179,569
Unassigned	60,405			60,405
<i>Fund Cash Balances, December 31</i>	<u>\$60,405</u>	<u>\$142,231</u>	<u>\$37,338</u>	<u>\$239,974</u>

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

**VILLAGE OF RAWSON  
HANCOCK COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Enterprise
<b>Operating Cash Receipts</b>	
Charges for Services	\$154,948
<b>Operating Cash Disbursements</b>	
Personal Services	30,122
Employee Fringe Benefits	3,727
Contractual Services	5,302
Supplies and Materials	52,623
Other	783
<i>Total Operating Cash Disbursements</i>	92,557
<i>Operating Income</i>	62,391
<b>Non-Operating Receipts (Disbursements)</b>	
Intergovernmental	31,136
Special Assessments	36,109
Earnings on Investments	34
Sale of Notes	40,505
Capital Outlay	(40,505)
Principal Retirement	(81,690)
Interest and Other Fiscal Charges	(67,475)
<i>Total Non-Operating Receipts (Disbursements)</i>	(81,886)
<i>Net Change in Fund Cash Balances</i>	(19,495)
<i>Fund Cash Balances, January 1</i>	535,016
<i>Fund Cash Balances, December 31</i>	\$515,521

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

**VILLAGE OF RAWSON  
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Rawson, Hancock County, Ohio (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities and park operations. The Village contracts with the Hancock County Sheriff's department to provide security of persons and property. The Village appropriates general fund money and has a special assessment in the special revenue fund to support a volunteer fire department.

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

Public Entity Risk Pool:

Public Entities Pool of Ohio (PEP) provides property and casualty coverage for this entity 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 permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

**C. Deposits and Investments**

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Village values certificate of deposits at cost.

**D. Fund Accounting**

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

**1. General Fund**

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

**VILLAGE OF RAWSON  
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(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.

Street Lighting Special Assessment Fund - This fund receives special assessment money for providing and maintaining street lights within the Village.

**3. Capital Project Funds**

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

Sewer Lagoon Grant Construction Fund – This fund received grants and bond proceeds from the United States Department of Agriculture for the expansion of the wastewater lagoon for the Village. This project has been completed and remaining funds transferred to a debt fund to repay the loan.

**4. Enterprise Funds**

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

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

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

Special Assessment Debt Service Fund - The fund received note proceeds from Ohio Water Development Authority for the purpose of sewer construction. This fund also receives assessments for sewer tap in fees and funds from Mt. Cory and Benton Ridge to pay for the sewer construction loan and a sewer plant expansion.

**E. Budgetary Process**

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

**VILLAGE OF RAWSON  
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(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.

A summary of 2015 and 2014 budgetary activity appears in Note 3.

**F. Fund Balance**

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

**1. Nonspendable**

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

**2. Restricted**

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

**3. Committed**

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

VILLAGE OF RAWSON  
HANCOCK COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(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*. 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.

5. Unassigned

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

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

G. Property, Plant, and Equipment

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

2. EQUITY IN POOLED DEPOSITS

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

	2015	2014
Demand deposits	\$211,441	\$227,780
Certificates of deposit	485,000	80,000
Other time deposits (savings and NOW accounts)	24,300	447,715
Total deposits	<u>\$720,741</u>	<u>\$755,495</u>

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

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2015 and 2014 follows:

**VILLAGE OF RAWSON  
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

**3. Budgetary Activity (Continued)**

2015 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$34,247	\$38,543	\$4,296
Special Revenue	44,049	48,760	4,711
Enterprise	200,000	251,939	51,939
Total	<u>\$278,296</u>	<u>\$339,242</u>	<u>\$60,946</u>

2015 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$44,254	\$32,484	\$11,770
Special Revenue	168,253	62,293	105,960
Capital Projects	4,958	36,423	(31,465)
Enterprise	716,411	242,796	473,615
Total	<u>\$933,876</u>	<u>\$373,996</u>	<u>\$559,880</u>

2014 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$37,201	\$35,838	(\$1,363)
Special Revenue	44,050	49,103	5,053
Capital Projects	50,000	36,060	(13,940)
Enterprise	200,000	262,732	62,732
Total	<u>\$331,251</u>	<u>\$383,733</u>	<u>\$52,482</u>

2014 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$68,244	\$60,516	\$7,728
Special Revenue	161,335	26,565	134,770
Capital Projects	57,716	65,876	(8,160)
Enterprise	735,524	282,227	453,297
Total	<u>\$1,022,819</u>	<u>\$435,184</u>	<u>\$587,635</u>

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Capital Projects fund by \$31,465 and \$8,160 for the years ended December 31, 2015 and 2014 respectively.

**VILLAGE OF RAWSON  
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(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.

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

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

**5. DEBT**

Debt outstanding at December 31, 2015 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan #2852	\$73,481	2%
Ohio Water Development Authority Loan #2853	6,579	2%
Ohio Water Development Authority Loan #6303	180,300	2%
Ohio Public Works Commission Loan CM02C	35,000	
Ohio Public Works Commission Loan CT31B	104,005	
Ohio Public Works Commission Loan CM04N	289,208	
Mortgage Revenue Bonds 2004	1,125,000	4.5%
Mortgage Revenue Bonds 2013	247,000	2.75%
Total	<u><u>\$2,060,573</u></u>	

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

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

Ohio Public Works Commission Loan CM02C was approved for \$100,000 for improvements due to sewer line installation. Sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements. Ohio Public Works Commission Loan CT31B was approved for \$277,350 for improvements due to sewer line installation. Sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements. Ohio Public Works Commission Loan CM04N was approved for \$315,500 for waterline improvements and a new water tower. Water receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements.



**VILLAGE OF RAWSON  
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

**6. DEBT (Continued)**

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

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

Year ending December 31:	OWDA Loan #2852	OWDA Loan #2853	OWDA Loan #6303	OPWC Loan #CM02C	OPWC Loan #CT31B
2016	\$25,478	\$1,090	\$14,083	\$5,000	\$13,868
2017	25,478	1,090	14,083	5,000	13,868
2018	25,477	1,090	14,083	5,000	13,868
2019		1,090	14,083	5,000	13,868
2020		1,090	14,083	5,000	13,868
2021-2025		1,634	70,415	10,000	34,665
2026-2030			70,415		
2031-2032			28,166		
Total	<u>\$76,433</u>	<u>\$7,084</u>	<u>\$239,411</u>	<u>\$35,000</u>	<u>\$104,005</u>

Year ending December 31:	OPWC Loan #CM04N	Mortgage Revenue Bond 2004	Mortgage Revenue Bond 2013
2016	\$10,517	\$70,625	\$13,793
2017	10,517	70,725	10,683
2018	10,517	69,780	11,573
2019	10,517	69,835	10,435
2020	10,517	69,845	10,325
2021-2025	52,583	352,350	53,810
2026-2030	52,583	350,410	53,373
2031-2035	52,583	350,460	53,413
2036-2040	52,583	350,565	53,875
2041-2045	26,291	280,935	53,650
2046-2050			53,710
2051-2052			20,824
Total	<u>\$289,208</u>	<u>\$2,035,530</u>	<u>\$399,464</u>

**VILLAGE OF RAWSON  
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014**

**6. RETIREMENT SYSTEM**

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

The Ohio Revised Code also prescribes contribution rates. For 2015 and 2014, 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, 2015.

**7. RISK MANAGEMENT**

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

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

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

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2015, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

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

Financial Position

PEP's financial statements (audited by other auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2014 and 2015:

	<u>2014</u>	<u>2015</u>
Assets	\$35,402,177	\$38,307,677
Liabilities	<u>(12,363,257)</u>	<u>(12,759,127)</u>
Net Position	<u>\$23,038,920</u>	<u>\$25,548,550</u>

**VILLAGE OF RAWSON  
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

**7. RISK MANAGEMENT (Continued)**

At December 31, 2014 and 2015, respectively, the liabilities above include approximately 11.1 million and \$11.5 million of estimated incurred claims payable. The assets above also include approximately \$10.8 million and \$11.0 million of unpaid claims to be billed. The Pool's membership increased from 488 members in 2014 to 499 members in 2015. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2015, the Village's share of these unpaid claims collectible in future years is approximately \$5,551.

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

<b><u>Contributions to PEP</u></b>	
<b><u>2014</u></b>	<b><u>2015</u></b>
\$9,715	\$8,811

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

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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 Rawson  
Hancock County  
111 S. Main Street  
P. O. Box 525  
Rawson, Ohio 45881

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 cash balances, receipts, and disbursements by fund type of the Village of Rawson, Hancock County, Ohio (the Village) as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, and have issued our report thereon dated October 27, 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.

### ***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.

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 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.

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 internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider to be material weaknesses. We consider findings 2015-001 and 2015-003 to be material weaknesses.

***Compliance and Other Matters***

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, Noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2015-002 and 2015-003.

***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.

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

**Dave Yost**  
Auditor of State

Columbus, Ohio

October 27, 2016

**VILLAGE OF RAWSON  
HANCOCK COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2015 AND 2014**

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

**FINDING NUMBER 2015-001**

**Material Weakness**

**Financial Monitoring**

The small size of the Village's fiscal operations does not allow for an adequate segregation of duties. The Clerk/Treasurer performs most accounting functions. It is therefore important Village Council monitor financial activity closely.

While the Village Council does review all expenditures, and monitors financial activity, errors in posting was evident during 2015 and 2014.

The lack of monitoring by Council contributed to the inaccurate posting of transactions to the financial statements. We noted posting errors, including the following:

- Principal Debt payments in the amount of \$9,434 and \$40,505 were erroneously paid out of Capital Outlay line item in the Enterprise Fund during 2015 and 2014 respectively.
- During 2014 \$16,315 and \$40,505 due to Intergovernmental and Note Proceeds respectively was posted to Special Assessments in the Enterprise Fund.

Adjusting entries were posted to the Village's financial statements and accounting records to correct these posting errors.

In order to ensure the financial activity of the Village is being properly accounted for Council should review the annual financial statements prepared by the Clerk/Treasurer for accuracy and completeness.

**FINDING NUMBER 2015-002**

**Noncompliance Citation**

**Ohio Rev. Code § 5705.41(B)**, provides that no subdivision shall make any expenditure of money unless it has been lawfully appropriated. The following funds had expenditures in excess of appropriations:

<b>2015</b>	<b>Appropriations</b>	<b>Expenditures</b>	<b>Variance</b>
Capital Projects Sewer Lagoon Fund	\$4,958	\$36,423	(\$31,465)
<b>2014</b>			
Capital Projects Sewer Lagoon Fund	\$57,716	\$65,876	(\$8,160)

Budgetary expenditures exceeded appropriations could result in negative fund balances. This was a result of a lack of oversight by the Village Council.

We recommend the Clerk Treasurer and Village Council review and amend appropriations whenever necessary to help prevent expenditures from exceeding appropriations, provided sufficient resources are available.

**FINDING NUMBER 2015-003**

**Non Compliance / Material Weakness**

**Ohio Rev. Code §§ 5705.15 & .16**, provide that the taxing authority of any political subdivision, with the approval of the Court of Common Pleas, may transfer from one fund to another public fund under its supervision. The Village made an illegal transfer of \$10,123 out of Sewer Enterprise Fund into Debt Enterprise Fund during 2015. The Council approved this transfer; however, approval for the transfer was not obtained from the Court of Common Pleas. This resulted in inaccurate fund balances being reported on the financial statements. The Village has adjusted its fund balance for this error.

We recommend the Village Council develop procedures to identify allowable transfers, and for those made pursuant to Ohio Revised Code sections 5705.15 and 5705.16, the Village Council should obtain the approval of the Court of Common Pleas prior to posting.

**Officials' Response:**

We did not receive a response from Officials to the findings reported above.



VILLAGE OF RAWSON  
HANCOCK COUNTY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2015 AND 2014

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2013-001	Material weakness due to lack of Recording "On Behalf of" Grants/Loans.	Finding no longer valid.	Village did not receive on behalf grants/loans during the audit period.
2013-002	Material weakness due to lack of monitoring of financial activity.	Not corrected and reissued as Finding 2015-001 in this Report.	Council does not properly review posting of receipts. Treasurer will propose that a financial committee be formed to review the financial statements on a quarterly basis.

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VILLAGE OF RAWSON

HANCOCK COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
NOVEMBER 17, 2016