



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



VILLAGE OF RAWSON  
HANCOCK COUNTY

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## REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Rawson (the Village) as of and for the years ended December 31, 2001 and 2000. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village as of December 31, 2001 and 2000, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 18, 2002 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the finance committee, management, Village Council and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a horizontal line extending to the right.

**Jim Petro**  
Auditor of State

June 18, 2002

**VILLAGE OF RAWSON  
HANCOCK COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Property Tax and Other Local Taxes	\$7,378			\$7,378
Special Assessments		\$7,598	\$3,048	10,646
Intergovernmental Receipts	49,911	16,834		66,745
Charges for Services	5,415		31,610	37,025
Earnings on Investments	8,606			8,606
Miscellaneous	1,913			1,913
Total Cash Receipts	<u>73,223</u>	<u>24,432</u>	<u>34,658</u>	<u>132,313</u>
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	8,951	5,295		14,246
Public Health Services	1,049			1,049
Leisure Time Activities	4,001			4,001
Basic Utility Services	1,419			1,419
Transportation	2,000	8,214		10,214
General Government	35,735	30	13	35,778
Debt Service:				
Principal Payments		4,715		4,715
Interest Payments		1,154		1,154
Capital Outlay	1,092		96,349	97,441
Total Cash Disbursements	<u>54,247</u>	<u>19,408</u>	<u>96,362</u>	<u>170,017</u>
Total Receipts Over/(Under) Disbursements	<u>18,976</u>	<u>5,024</u>	<u>(61,704)</u>	<u>(37,704)</u>
<b>Other Financing Receipts:</b>				
OWDA Loan Proceeds			40,428	40,428
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	18,976	5,024	(21,276)	2,724
Fund Cash Balances, January 1	<u>34,872</u>	<u>17,042</u>	<u>180,516</u>	<u>232,430</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$53,848</u></b>	<b><u>\$22,066</u></b>	<b><u>\$159,240</u></b>	<b><u>\$235,154</u></b>

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

**VILLAGE OF RAWSON  
HANCOCK COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<b>Proprietary Fund Type</b>
	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$79,184
Miscellaneous	225
	79,409
Total Operating Cash Receipts	79,409
<b>Operating Cash Disbursements:</b>	
Personal Services	14,279
Supplies and Materials	8,447
	22,726
Total Operating Cash Disbursements	22,726
Operating Income	56,683
<b>Non-Operating Cash Disbursements:</b>	
Debt Service	26,567
Other Non-Operating Cash Disbursements	342
	26,909
Total Non-Operating Cash Disbursements	26,909
Net Receipts Over Disbursements	29,774
Fund Cash Balances, January 1	22,787
<b>Fund Cash Balances, December 31</b>	<b>\$52,561</b>

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

**VILLAGE OF RAWSON  
HANCOCK COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Property Tax and Other Local Taxes	\$7,163			\$7,163
Special Assessments		\$7,519	\$3,007	10,526
Intergovernmental Receipts	55,650	15,177		70,827
Charges for Services	4,900		13,547	18,447
Earnings on Investments	9,859	9		9,868
Miscellaneous	1,942			1,942
Total Cash Receipts	<u>79,514</u>	<u>22,705</u>	<u>16,554</u>	<u>118,773</u>
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	6,584	5,288		11,872
Public Health Services	1,064			1,064
Leisure Time Activities	7,400			7,400
Basic Utility Services	1,663			1,663
Transportation	2,139	5,171		7,310
General Government	40,169	25	10	40,204
Debt Service:				
Principal Payments		4,497		4,497
Interest Payments		1,372		1,372
Capital Outlay	10,893	644	229,990	241,527
Total Cash Disbursements	<u>69,912</u>	<u>16,997</u>	<u>230,000</u>	<u>316,909</u>
Total Receipts Over/(Under) Disbursements	<u>9,602</u>	<u>5,708</u>	<u>(213,446)</u>	<u>(198,136)</u>
<b>Other Financing Receipts:</b>				
OWDA Loan Proceeds			129,089	129,089
Excess of Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements	9,602	5,708	(84,357)	(69,047)
Fund Cash Balances, January 1	<u>25,270</u>	<u>11,334</u>	<u>264,873</u>	<u>301,477</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$34,872</u></b>	<b><u>\$17,042</u></b>	<b><u>\$180,516</u></b>	<b><u>\$232,430</u></b>

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

**VILLAGE OF RAWSON  
HANCOCK COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<b>Proprietary Fund Type</b>
	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$53,400
Miscellaneous	556
	53,956
Total Operating Cash Receipts	53,956
<b>Operating Cash Disbursements:</b>	
Personal Services	10,053
Contractual Services	10,732
Supplies and Materials	6,589
	27,374
Total Operating Cash Disbursements	27,374
Operating Income	26,582
<b>Non-Operating Cash Disbursements:</b>	
Debt Service	26,567
Other Non-Operating Cash Disbursements	49
	26,616
Total Non-Operating Cash Disbursements	26,616
Net Receipts Over Disbursements	(34)
Fund Cash Balances, January 1	22,821
<b>Fund Cash Balances, December 31</b>	<b>\$22,787</b>

*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, 2001 AND 2000**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Village of Rawson (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides water utility, park operations and is in the process of installing a sanitary sewer system. The Village appropriates general fund money to support a volunteer fire department. The Village contracts with the Hancock County Sheriff's department to provide security of persons and property.

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

**B. Basis of Accounting**

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

**C. Cash and Investments**

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

The Village's repurchase agreement is valued at cost.

**D. Fund Accounting**

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

**1. General Fund**

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

**2. Special Revenue Funds**

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

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

**VILLAGE OF RAWSON  
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

*Street Lighting Fund* – This fund receives tax levy money to pay for street lighting.

**3. Capital Project Funds**

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

*Sanitary Sewer Construction Fund* - This fund receives loan proceeds from the Ohio Water Development Authority and charges for services to finance a sanitary sewer system.

**4. Enterprise Funds**

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

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

**E. Budgetary Process**

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

**1. Appropriations**

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

**2. Estimated Resources**

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

**3. Encumbrances**

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

A summary of 2001 and 2000 budgetary activity appears in Note 3.

**F. Property, Plant and Equipment**

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

**VILLAGE OF RAWSON  
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

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

	2001	2000
Demand deposits	\$287,715	\$220,022
Repurchase agreement		35,195
Total deposits and investments	\$287,715	\$255,217

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

**Investments:** The financial institution maintains a pool of securities underlying repurchase agreements. The financial institution maintains records identifying the portion of the pool subject to the Village's repurchasing agreement.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending 2001 and 2000 follows:

2001 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$63,204	\$73,223	\$10,019
Special Revenue	20,550	24,432	3,882
Capital Projects	259,800	75,086	(184,714)
Enterprise	59,374	79,409	20,035
Total	\$402,928	\$252,150	(\$150,778)

2001 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$73,655	\$54,247	\$19,408
Special Revenue	31,194	19,408	11,786
Capital Projects	178,904	96,362	82,542
Enterprise	92,866	49,635	43,231
Total	\$376,619	\$219,652	\$156,967

2000 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$61,458	\$79,514	\$18,056
Special Revenue	20,550	22,705	2,155
Capital Projects	73,116	145,643	72,527
Enterprise	59,374	53,956	(5,418)
Total	\$214,498	\$301,818	\$87,320

**VILLAGE OF RAWSON  
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$73,444	\$69,912	\$3,532
Special Revenue	31,310	16,997	14,313
Capital Projects	86,538	230,000	(143,462)
Enterprise	77,297	53,990	23,307
Total	\$268,589	\$370,899	(\$102,310)

**4. COMPLIANCE**

The Village did not certify all funds as required by Ohio Revised Code § 5705.41 (D).

As of December 31, 2001 and 2000 there were 10 and 17 instances, respectively, for which expenditures exceeded appropriations at the fund, function, object legal level of control in amounts ranging from \$25 to \$147,012. In addition, the following funds had expenditures in excess of appropriations at year end:

Fund	Amount Appropriated	Amount Expended	Excess of Expenditures over Appropriations
<u>December 31, 2000</u>			
Sanitary Sewer Construction Fund	\$80,615	\$227,627	\$147,012
Depot Renovation Fund		2,239	2,239

**5. PROPERTY TAX**

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

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

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

**6. DEBT**

Debt outstanding at December 31, 2001 was as follows:

**VILLAGE OF RAWSON  
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

	Principal	Interest Rate
Storm Sewer Construction Note	\$15,319	5.75%
Ohio Water Development Authority Loan #2852	364,127	2.00%
Ohio Water Development Authority Loan #2853	18,178	2.00%
Ohio Water Development Authority Loan #2171	200,000	5.50%
Ohio Water Development Authority Loan #3317	100,000	6.39%
Total	\$697,624	

The Storm Sewer Construction note was used to finance the construction of Village storm sewers.

Ohio Water Development Authority loans #2852 and #2853 were issued to finance utility construction and improvements within the Village.

The Ohio Water Development Authority (OWDA) loan #2171 is a planning loan for the wastewater treatment system design project. The OWDA has approved \$200,000 for this loan to the Village. The loan is to be repaid over 5 years, with the first payment due July 1, 2004. As of December 31, 2001 the total balance due, including accrued interest, was \$222,807. An amortization schedule of payments has not yet been received and as a result the schedule below does not include this loan.

The Ohio Water Development Authority (OWDA) loan #3317 is a planning loan for the wastewater design project. The OWDA has approved \$100,000 for this loan to the Village. The loan is to be repaid over 5 years, with the first payment due January 1, 2006. As of December 31, 2001 the total balance due, including accrued interest, was \$106,225. An amortization schedule of payments has not yet been received and as a result the schedule below does not include this loan.

In 1999, the County Engineer's office purchased signs and installed them for the Village. The Engineer's office billed the Village \$7,237.92 for materials and labor. As of December 31, 2001, the balance due is \$1,237.92 and will be paid in 2002.

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

	Storm Sewer Note	OWDA Loan #2852	OWDA Loan #2853
Year ending December 31:			
2002	\$5,869	\$12,738	\$545
2003	5,869	25,478	1,090
2004	5,003	25,478	1,090
2005		25,478	1,090
2006		25,478	1,090
Subsequent		318,469	17,435
Total	\$16,741	\$433,119	\$22,340

**7. RETIREMENT SYSTEMS**

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

**VILLAGE OF RAWSON  
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

Contribution rates are also prescribed by the Ohio Revised Code. PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2001 and from January 1, 2000 through June 30, 2000. PERS temporarily reduced the employer contribution rate to 8.13%, effective July 1, 2000 through December 31, 2000. The Village has paid all contributions required through December 31, 2001.

**8. RISK MANAGEMENT**

**Risk Pool Membership**

The Government belongs to the Public Entities Pool of Ohio ("PEP"), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty insurance for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). 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 Coverage

PEP retains casualty risks up to \$250,000 per occurrence. Claims exceeding \$250,000 are reinsured with APEEP up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000, from the General Reinsurance Corporation.

If losses exhaust PEP's retained earnings, APEEP covers PEP losses up to \$5,000,000 per year, subject to a per-occurrence limit of \$2,000,000.

Property Coverage

PEP retains property risks, including automobile physical damage up to \$100,000 on any specific loss. The Travelers Indemnity Company reinsures specific losses exceeding \$100,000. The Travelers Indemnity Company also provides aggregate excess coverage for property including automobile physical damage subject to an annual stop loss. When the stop loss is reached in any year, The Travelers Indemnity Company provides coverage in excess of \$10,000.

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

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31:

<u>Casualty Coverage</u>	<u>2001</u>	<u>2000</u>
Assets	\$19,358,458	\$17,112,129
Liabilities	<u>(8,827,588)</u>	<u>(7,715,035)</u>
Retained earnings	<u>\$10,530,870</u>	<u>\$9,397,094</u>

**VILLAGE OF RAWSON  
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

<u>Property Coverage</u>	<u>2001</u>	<u>2000</u>
Assets	1,890,323	\$1,575,614
Liabilities	<u>(469,100)</u>	<u>(281,561)</u>
Retained earnings	<u>\$1,421,223</u>	<u>\$1,294,053</u>

**9. INTERGOVERNMENTAL AGREEMENT**

The Village has entered into an intergovernmental agreement with the Villages of Mt. Cory and Benton Ridge for the construction of a waste water treatment facility. The facility will be built and owned by the Village of Rawson, with planned construction sometime in 2002. Mt. Cory and Benton Ridge will be entitled to utilize 23% and 31% of the facility, respectively, in exchange for payment of a like percentage of the service on the debt incurred by the Village of Rawson to build the facility and annual operating expenses. The term of the agreement is the greater of the facilities useful life or the term of the debt incurred by the Village of Rawson to construct it. Each village will have a representative on the management board of the facility.

**10. SUBSEQUENT EVENTS**

In 2002, the Village was approved for a United States Department of Agriculture loan for \$1,267,000 and a grant for \$1,036,000 for the Wastewater Lagoon Project. Construction contracts were entered into with B. Hill's Excavating in the amount of \$814,373 and with Degen Excavating in the amount of \$1,328,672 on April 18, 2002.

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STATE OF OHIO  
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JIM PETRO, AUDITOR OF STATE

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL  
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Rawson (the Village) as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated June 18, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

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 grants, 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 that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2001-30232-001 and 2001-30232-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated June 18, 2002.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated June 18, 2002.

Village of Rawson  
Hancock County  
Report of Independent Accountants on Compliance and on Internal Control  
Required by *Government Auditing Standards*  
Page 2

This report is intended solely for the information and use of the finance committee, management and Village Council, and is not intended to be and should not be used by anyone other than these specified parties.

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**Jim Petro**  
Auditor of State

June 18, 2002

**VILLAGE OF RAWSON  
HANCOCK COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2001 AND 2000**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2001-30232-001**

**Noncompliance Citation**

Ohio Revised Code § 5705.41(D) states that no subdivision or taxing unit shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or 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 should be considered null and void.

This section also provides two exceptions to the above requirements:

- A. Then and Now Certificate - if no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the purchase order or contract and at the time of the certificate, appropriated and free of any previous encumbrance, the Council may authorize the issuance of a check 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.
- B. If the amount involved is less than \$1000, the fiscal officer may authorize it to be paid without the affirmation of the Council, if such expenditure is otherwise valid.

Fifty-two percent of the transactions tested were not certified by the Clerk. Certification is not only required by Ohio law but is a key control in the disbursement process to assure that purchase commitments receive prior approval, and to help reduce the possibility of Village funds being over expended or exceeding budgetary spending limitations as set by the Village Council. To improve controls over disbursements, we recommend all Village disbursements receive prior certification of the Clerk and that the Village Council periodically review the expenditures made to ensure they are within the appropriations adopted by the Village Council, certified by the Clerk and recorded against appropriations.

**FINDING NUMBER 2001-30232-002**

**Noncompliance Citation**

Ohio Revised Code § 5705.41 (B) states that no subdivision shall make any expenditure of money unless it has been lawfully appropriated.

As of December 31, 2001 and 2000 there were 10 and 17 instances, respectively, for which expenditures exceeded appropriations at the fund, function, object legal level of control in amounts ranging from \$25 to \$147,012. In addition, the following funds had expenditures in excess of appropriations at year end:

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Fund	Amount Appropriated	Amount Expended	Excess of Expenditures over Appropriations
<u>December 31, 2000</u>			
Sanitary Sewer Construction Fund	\$80,615	\$227,627	\$147,012
Depot Renovation Fund		2,239	2,239

The Clerk/Treasurer should not issue purchase orders or checks for expenditures that would exceed appropriations. The Clerk/Treasurer should inform the Council of the insufficiency of appropriations, and whether current resources permit an increase to appropriations. The Council should determine if they wish to increase appropriations and if needed, obtain an amended certificate of estimated resources.



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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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  
JULY 9, 2002**