



**Auditor of State
Betty Montgomery**

**VILLAGE OF RAWSON
HANCOCK COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Rawson, Hancock County, (the Village) as of and for the year ended December 31, 2003. 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.

The Village's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of the Village because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments.

We believe that our audit provides a reasonable basis for our opinion.

As described 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 and reserves for encumbrances of the Village of Rawson, Hancock County, as of December 31, 2003, and its combined cash receipts and disbursements for the year then ended on the basis of accounting described in Note 1.

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of federal awards expenditures is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 14, 2004 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 audit committee, management, the 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.



Betty Montgomery
Auditor of State

September 14, 2004

**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, 2003**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash Receipts:				
Property Tax and Other Local Taxes	\$ 8,339			\$ 8,339
Special Assessments		\$ 8,721	\$ 3,489	12,210
Intergovernmental Receipts	57,530	17,558	899,200	974,288
Charges for Services	545			545
Earnings on Investments	2,931	102		3,033
Miscellaneous	5,158			5,158
Total Cash Receipts	74,503	26,381	902,689	1,003,573
Cash Disbursements:				
Current:				
Security of Persons and Property	10,846	5,729		16,575
Public Health Services	1,433			1,433
Leisure Time Activities	5,441			5,441
Community Environment	75			75
Basic Utility Services			926	926
Transportation		9,292		9,292
General Government	36,347			36,347
Debt Service:				
Principal Payments		5,375		5,375
Interest Payments		494		494
Capital Outlay	100	270	1,119,850	1,120,220
Total Cash Disbursements	54,242	21,160	1,120,776	1,196,178
Total Receipts Over/(Under) Disbursements	20,261	5,221	(218,087)	(192,605)
Other Financing Receipts:				
Other Debt Proceeds			138,339	138,339
Other Financing Sources - Reimbursement from Other Villages			44,755	44,755
Total Other Financing Receipts			183,094	183,094
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	20,261	5,221	(34,993)	(9,511)
Fund Cash Balances, January 1	53,482	28,132	160,192	241,806
Fund Cash Balances, December 31	\$ 73,743	\$ 33,353	\$ 125,199	\$ 232,295
Reserves for Encumbrances, December 31	\$ 42	\$ 442	\$ 3,500	\$ 3,984

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, 2003

	Enterprise
Operating Cash Receipts:	
Charges for Services	\$ 118,714
Operating Cash Disbursements:	
Personal Services	19,624
Fringe Benefits	3,255
Contractual Services	13,382
Supplies and Materials	38,907
Other	4
Total Operating Cash Disbursements	75,172
Operating Income	43,542
Non-Operating Cash Disbursements:	
Debt Service - Principal	33,504
Debt Service - Interest	7,267
Total Non-Operating Cash Disbursements	40,771
Net Receipts Over Disbursements	2,771
Fund Cash Balances, January 1	45,291
Fund Cash Balances, December 31	\$ 48,062
Reserve for Encumbrances, December 31	\$ 3,776

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, 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Rawson, Hancock County, (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 utilities, park operations, and is in the process of installing a sanitary sewer system. The Village contracts with the Hancock County Sheriff's department to provide security of persons and property. The Village appropriates general fund money to support a volunteer fire department.

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. 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.

**VILLAGE OF RAWSON
HANCOCK COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)

2. Special Revenue Fund

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.

Street Lighting Fund - This fund receives special assessments to pay for the street lighting within the Village.

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 United States Department of Agriculture grant proceeds and interim financing from the Ohio Water Development Authority for the construction of a waste water system for the Village. The interim financing was retired in 2004 with mortgage revenue bonds purchased by the United States Department of Agriculture.

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 Funds:

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

Sewer Fund - This fund receives charges from residents to cover the future cost of providing and maintaining this utility.

**VILLAGE OF RAWSON
HANCOCK COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)

D. 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 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. Unencumbered appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2003 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.

2. EQUITY IN POOLED CASH

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

**VILLAGE OF RAWSON
HANCOCK COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)

	2003
Demand deposits	\$ 280,357

Deposits are either (1) insured by the Federal Depository Insurance Corporation, (2) collateralized by securities specifically pledged by the financial institution to the Village, or (3) collateralized by the financial institution's public entity deposit pool.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2003 follows:

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 61,547	\$ 74,503	\$ 12,956
Special Revenue	24,150	26,381	2,231
Capital Projects	1,355,150	1,085,783	(269,367)
Enterprise	111,750	118,714	6,964
Total	\$ 1,552,597	\$ 1,305,381	\$ (247,216)

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 115,029	\$ 54,284	\$ 60,745
Special Revenue	51,832	21,602	30,230
Capital Projects	2,493,061	1,124,276	1,368,785
Enterprise	159,738	119,719	40,019
Total	\$ 2,819,660	\$ 1,319,881	\$ 1,499,779

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

4. 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

**VILLAGE OF RAWSON
HANCOCK COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)

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.

5. DEBT

Debt outstanding at December 31, 2003 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Storm Sewer Construction Note	\$ 4,858	5.75%
Ohio Water Development Authority Loan #2852	327,373	5.25%
Ohio Water Development Authority Loan #2853	16,711	2.00%
Ohio Water Development Authority Loan #3663	1,267,000	2.00%
Ohio Public Works Commission Loan #CM02C	95,000	
Ohio Public Works Commission Loan #CT31B	270,416	
Total	<u>\$ 1,981,358</u>	

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. Loan #3663 was issued to provide interim financing for the Village's waste water treatment system construction. This loan was retired in 2004 with mortgage revenue bonds purchased by the United States Department of Agriculture.

**VILLAGE OF RAWSON
HANCOCK COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)

Ohio Public Works Commission Loan CM02C was approved for \$100,000 for improvements due to sewer line installation.

Ohio Public Works Commission Loan CT31B was approved for \$277,350 for improvements due to sewer line installation.

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

Year ending December 31:	Storm Sewer Note	OWDA Loan #2852	OWDA Loan #2853	OWDA Loan #3663	OPWC Loan #CM02C	OPWC Loan #CT31B
2004	\$ 4,994	\$ 12,739	\$ 545	\$ 1,267,000	\$ 2,500	\$ 6,934
2005	-	25,477	1,090	-	5,000	13,867
2006	-	25,477	1,090	-	5,000	13,867
2007	-	25,477	1,090	-	5,000	13,867
2008	-	25,477	1,090	-	5,000	13,867
2009-2013	-	127,388	5,448	-	25,000	69,338
2014-2018	-	127,388	5,448	-	25,000	69,338
2019-2023	-	12,739	4,359	-	22,500	69,338
Total	<u>\$ 4,994</u>	<u>\$ 382,162</u>	<u>\$ 20,160</u>	<u>\$ 1,267,000</u>	<u>\$ 95,000</u>	<u>\$ 270,416</u>

The Village also had an outstanding lease at December 31, 2003 in the amount of \$30,443 for a truck. The truck is used for sanitary sewer operations and the lease is paid from the Sewer Fund.

6. RETIREMENT SYSTEMS

The Village's officials and full-time employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS 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.

Contribution rates are also prescribed by the Ohio Revised Code. For 2003 members of OPERS contributed 8.5 percent of their wages. The Village contributed an amount equal to 13.55 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2003.

**VILLAGE OF RAWSON
HANCOCK COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)

7. RISK MANAGEMENT

Risk Pool Membership

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. 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 claim, including loss adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, 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-claim limit of \$2,000,000.

Property Coverage

PEP retains property risks, including automobile physical damage, up to \$100,000 on any specific loss with an annual aggregate of \$1,250,000 for 2002. There is no aggregate for 2003 and future accident years. Beginning in 2003, PEP retains property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsures losses exceeding \$100,000. APEEP's Guarantee Fund pays losses and loss adjustment expenses exceeding operating contributions.

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 village.

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, 2003 and 2002.

**VILLAGE OF RAWSON
HANCOCK COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)

Casualty Coverage	<u>2003</u>	<u>2002</u>
Assets	\$ 25,288,098	\$ 20,174,977
Liabilities	<u>(12,872,985)</u>	<u>(8,550,749)</u>
Retained Earnings	<u>\$ 12,415,113</u>	<u>\$ 11,624,228</u>
Property Coverage	<u>2003</u>	<u>2002</u>
Assets	\$ 3,158,813	\$ 2,565,408
Liabilities	<u>(792,061)</u>	<u>(655,318)</u>
Retained Earnings	<u>\$ 2,366,752</u>	<u>\$ 1,910,090</u>

8. SUBSEQUENT EVENTS

In 2002, the Village was approved for a \$1,267,000 loan through the Ohio Water Development Authority (OWDA) with a maturity date of May 30, 2004, to help finance a sanitary sewer construction project. Subsequently on March 26, 2004, the Village issued mortgage revenue bonds in the same amount in order to retire the loan through OWDA. These mortgage revenue bonds were purchased by the United States Department of Agriculture.

9. INTERGOVERNMENTAL AGREEMENT

The Village has entered into an intergovernmental agreement with the Villages of Mount Cory and Benton Ridge for the construction of a waste water treatment facility. The facility was near completion as of December 31, 2003. Mount Cory and Benton Ridge will be entitled to utilize 23 percent and 31 percent 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.

**VILLAGE OF RAWSON
HANCOCK COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2003**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	<u>Disbursements</u>
U.S. DEPARTMENT OF AGRICULTURE <i>Direct Program</i>		
Water and Waste Disposal Systems for Rural Communities	10.760	<u>\$ 930,486</u>
Total		<u>\$ 930,486</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS SCHEDULE.

**VILLAGE OF RAWSON
HANCOCK COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 2003**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the Village's federal award programs. The schedule has been prepared on the cash basis of accounting.



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT 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, Hancock County, (the Village) as of and for the year ended December 31, 2003, and have issued our report thereon dated September 14, 2004 wherein we noted the Village's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of the Village because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. 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 tested its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2003-001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting 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 the Village's management in a separate letter dated September 14, 2004.

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



Betty Montgomery
Auditor of State

September 14, 2004



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO MAJOR FEDERAL PROGRAMS
AND INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH *OMB CIRCULAR A-133***

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

To the Village Council:

Compliance

We have audited the compliance of the Village of Rawson, Hancock County, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2003. The Village's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the Village's management. Our responsibility is to express an opinion on the Village's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and *OMB Circular A-133* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the Village's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Village's compliance with those requirements.

In our opinion, the Village complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2003.

Internal Control Over Compliance

The management of the Village is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Village's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with *OMB Circular A-133*.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control 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 noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program 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 compliance and its operation that we consider to be material weaknesses.

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



Betty Montgomery
Auditor of State

September 14, 2004

**VILLAGE OF RAWSON
HANCOCK COUNTY**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 ' .505
DECEMBER 31, 2003

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Water and Waste Disposal Systems for Rural Communities CFDA #10.760
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

FINDING NUMBER 2003-001

Noncompliance Citation

Ohio Revised Code § 5705.41(D) states no orders or contracts involving the expenditure of money are to be made unless there is attached thereto a certificate of the fiscal officer certifying that the amount required for the order or contract 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 encumbrances. Every such contract made without such a certificate shall be null and void and no warrant shall be issued in payment of any amount due thereon.

This section also provides two "exceptions" to the above requirement:

- 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 contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Council may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.
- b. If the amount involved is less than \$1000 (\$3000 effective April 7, 2003) the fiscal officer may authorize it to be paid without the affirmation of Council, upon completion of a then and now certificate, if such expenditure is otherwise valid.

Fifty-three percent of the transactions tested were not certified by the fiscal officer at the time the commitment was incurred and neither of the exceptions provided for were used. Certification is not only required by Ohio law but is a key control in the disbursements process to help assure 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 Council. To improve controls over disbursements, we recommend all Village disbursements received prior certification of the Fiscal Officer and the Council periodically review the expenditures made to ensure they are within the appropriations adopted by the Council, certified by the Fiscal Officer, and recorded against appropriations.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

**VILLAGE OF RAWSON
HANCOCK COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2002-001	ORC § 5705.41(D) certification of funds	No	The finding has not been corrected and is repeated in this report as item 2003-001
2002-002	ORC § 5705.41(B) expenditures in excess of appropriations	Yes	



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VILLAGE OF RAWSON

HANCOCK COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
OCTOBER 18, 2004**