



**VILLAGE OF RAWSON
HANCOCK COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2009



Mary Taylor, CPA
Auditor of State

VILLAGE OF RAWSON
HANCOCK COUNTY

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Mary Taylor, CPA
Auditor of State

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

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

Mary Taylor

Mary Taylor, CPA
Auditor of State

August 11, 2010

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Mary Taylor, CPA

Auditor of State

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 Village of Rawson, Hancock County, (the Village) as of and for the years ended December 31, 2009 and 2008. 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 processes its financial transactions with 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 audit 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 our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following

paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2009 and 2008 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2009 and 2008, or its changes in financial position or cash flows, where applicable for the years then ended.

Also, 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 Village of Rawson, Hancock County, as of December 31, 2009 and 2008, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 11, 2010, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

August 11, 2010

**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, 2009**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property and Local Taxes	\$10,080	\$4,138		\$14,218
Intergovernmental	74,867	23,987		98,854
Special Assessments		13,993		13,993
Charges for Services	220			220
Earnings on Investments	556	29		585
Miscellaneous	4,925	71		4,996
Total Cash Receipts	<u>90,648</u>	<u>42,218</u>		<u>132,866</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	14,596	13,101		27,697
Public Health Services	1,487			1,487
Leisure Time Activities	4,851			4,851
Basic Utility Service		217		217
Transportation		19,668		19,668
General Government	62,195			62,195
Debt Service:				
Redemption of Principal		2,525		2,525
Interest and Fiscal Charges		741		741
Capital Outlay	4,591			4,591
Total Cash Disbursements	<u>87,720</u>	<u>36,252</u>		<u>123,972</u>
Excess Receipts Over Disbursements	2,928	5,966		8,894
Fund Cash Balances, January 1	<u>90,833</u>	<u>76,455</u>	<u>\$78,849</u>	<u>246,137</u>
Fund Cash Balances, December 31	<u>\$93,761</u>	<u>\$82,421</u>	<u>\$78,849</u>	<u>\$255,031</u>
Reserve for Encumbrances, December 31	<u>\$6,573</u>	<u>\$1,477</u>		<u>\$8,050</u>

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 - ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Enterprise
Operating Cash Receipts:	
Charges for Services	\$129,584
Operating Cash Disbursements:	
Personal Services	32,880
Employee Fringe Benefits	5,553
Supplies and Materials	61,208
Total Operating Cash Disbursements	99,641
Operating Income	29,943
Non-Operating Cash Receipts:	
Intergovernmental	35,876
Special Assessments	368,079
Earnings on Investments	3,194
Total Non-Operating Cash Receipts	407,149
Non-Operating Cash Disbursements:	
Redemption of Principal	56,441
Interest and Other Fiscal Charges	61,126
Total Non-Operating Cash Disbursements	117,567
Net Receipts Over Disbursements	319,525
Fund Cash Balances, January 1	309,454
Fund Cash Balances, December 31	\$628,979
Reserve for Encumbrances, December 31	\$6,264

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, 2008**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash Receipts:				
Property and Local Taxes	\$10,634			\$10,634
Intergovernmental	64,265	\$25,799		90,064
Special Assessments		13,961		13,961
Charges for Services	395			395
Earnings on Investments	3,809	233		4,042
Miscellaneous	28,673	57		28,730
	107,776	40,050		147,826
Cash Disbursements:				
Current:				
Security of Persons and Property	10,806	8,318		19,124
Public Health Services	1,470			1,470
Leisure Time Activities	20,296			20,296
Community Environment	33	4,800		4,833
Transportation		26,486		26,486
General Government	68,611			68,611
Debt Service:				
Redemption of Principal		1,731		1,731
Interest and Fiscal Charges		601		601
Capital Outlay			\$3,780	3,780
	101,216	41,936	3,780	146,932
Excess Receipts Over/(Under) Disbursements	6,560	(1,886)	(3,780)	894
Fund Cash Balances, January 1	84,273	78,341	82,629	245,243
Fund Cash Balances, December 31	\$90,833	\$76,455	\$78,849	\$246,137
Reserve for Encumbrances, December 31	\$8,957	\$1,721		\$10,678

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 - ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Enterprise
Operating Cash Receipts:	
Charges for Services	\$124,550
Operating Cash Disbursements:	
Personal Services	23,188
Employee Fringe Benefits	4,191
Contractual Services	19,313
Supplies and Materials	30,583
Other	59
Total Operating Cash Disbursements	77,334
Operating Income	47,216
Non-Operating Cash Receipts:	
Intergovernmental	29,944
Special Assessments	35,779
Earnings on Investments	4,842
Total Non-Operating Cash Receipts	70,565
Non-Operating Cash Disbursements:	
Redemption of Principal	56,604
Interest and Other Fiscal Charges	62,526
Total Non-Operating Cash Disbursements	119,130
Net Disbursements Over Receipts	(1,349)
Fund Cash Balances, January 1	310,803
Fund Cash Balances, December 31	\$309,454
Reserve for Encumbrances, December 31	\$7,254

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, 2009 AND 2008**

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, (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 appropriates general fund money and has a special assessment in the special revenue fund to support a volunteer fire department.

The Village participates in the Public Entities Pool of Ohio (PEP) a public entity risk pool. This pool provides property and casualty coverage for its members. Note 7 to the financial statements provides additional information for this entity.

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Deposits 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 certificates of deposit 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 reports 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, 2009 AND 2008
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

2. Special Revenue Funds

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

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

3. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant Capital Project Fund:

Sanitary Sewer Construction Fund – This fund receives grants and bond proceeds from the United States Department of Agriculture for the construction of a waste water system for the Village.

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 - This fund receives assessments for sewer tap in fees to pay for the sewer construction project and a sewer plant expansion.

**VILLAGE OF RAWSON
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

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 Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

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 individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2009 and 2008 budgetary activity appears in Note 3.

F. 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:

	2009	2008
Demand deposits	\$313,236	\$310,361
Certificates of deposit	246,360	144,937
Other time deposits (savings and NOW accounts)	324,414	100,293
Total deposits	\$884,010	\$555,591

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

**VILLAGE OF RAWSON
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2009 and 2008 follows:

2009 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$80,939	\$90,648	\$9,709
Special Revenue	31,868	42,218	10,350
Capital Projects	1,100		(1,100)
Enterprise	512,400	536,733	24,333
Total	<u>\$626,307</u>	<u>\$669,599</u>	<u>\$43,292</u>

2009 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$106,412	\$94,293	\$12,119
Special Revenue	101,994	37,729	64,265
Capital Projects	117,923		117,923
Enterprise	496,968	223,472	273,496
Total	<u>\$823,297</u>	<u>\$355,494</u>	<u>\$467,803</u>

2008 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$106,668	\$107,776	\$1,108
Special Revenue	29,468	40,050	10,582
Capital Projects	1,450		(1,450)
Enterprise	181,300	195,115	13,815
Total	<u>\$318,886</u>	<u>\$342,941</u>	<u>\$24,055</u>

2008 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$153,298	\$110,173	\$43,125
Special Revenue	104,640	43,657	60,983
Capital Projects	82,692	3,780	78,912
Enterprise	370,319	203,718	166,601
Total	<u>\$710,949</u>	<u>\$361,328</u>	<u>\$349,621</u>

**VILLAGE OF RAWSON
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(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.

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, 2009 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan #2852	\$207,959	2%
Ohio Water Development Authority Loan #2853	11,946	2%
Ohio Public Work Commission Loan #CM02C	65,000	0%
Ohio Public Work Commission Loan #CT31B	187,211	0%
Mortgage Revenue Bonds	1,226,000	4.5%
Loan	24,984	4.45%
Total	<u>\$1,723,100</u>	

The Ohio Water Development Authority (OWDA) loans 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.

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 OWDA 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 OWDA debt service requirements.

Mortgage Revenue Bonds were issued to finance construction of a wastewater treatment plant. Sewer receipts collateralize the loan. 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. The balance in the fund at December 31, 2009 is \$83,580.

**VILLAGE OF RAWSON
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

The Village obtained a \$45,000 loan for the purchase of a garage to store Village equipment and office space for the Clerk/Treasurer and Board of Public Affairs Clerk and Superintendent. The garage collateralizes the loan.

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

Year ending December 31:	OWDA Loan #2852	OWDA Loan #2853	OPWC Loan #CM02C	OPWC Loan #CT31B	Mortgage Revenue Bonds	Loan
2010	\$12,739	\$545	\$2,500	\$6,933	\$70,170	\$5,600
2011	25,477	1,090	5,000	13,868	70,495	5,600
2012	25,477	1,089	5,000	13,867	69,775	5,600
2013	25,477	1,090	5,000	13,868	70,055	5,600
2014	25,477	1,090	5,000	13,867	70,290	5,560
2015-2019	114,651	5,449	25,000	69,338	351,445	
2020-2024		3,269	17,500	55,470	352,155	
2025-2029					350,565	
2030-2034					350,370	
2035-2039					350,680	
2040-2044					350,795	
Total	<u>\$229,298</u>	<u>\$13,622</u>	<u>\$65,000</u>	<u>\$187,211</u>	<u>\$2,456,795</u>	<u>\$27,960</u>

6. Retirement System

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

The Ohio Revised Code also prescribes contribution rates. For 2009 and 2008, 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, 2009.

7. Risk Management

Risk Pool Membership

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

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

**VILLAGE OF RAWSON
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

7. Risk Management (Continued)

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 coverage for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of 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 ARPCO. 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, 2009, PEP retained \$350,000 for casualty claims and \$150,000 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 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, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Assets	\$36,374,898	\$35,769,535
Liabilities	<u>(15,256,862)</u>	<u>(15,310,206)</u>
Net Assets	<u>\$21,118,036</u>	<u>\$20,459,329</u>

At December 31, 2009 and 2008, respectively, the liabilities above include approximately \$14.1 million and \$13.7 million of estimated incurred claims payable. The assets above also include approximately \$13.7 million and \$12.9 million of unpaid claims to be billed to approximately 447 member governments in the future, as of December 31, 2009 and 2008, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2009, the Government's share of these unpaid claims collectible in future years is approximately \$6,000.

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.

VILLAGE OF RAWSON
HANCOCK COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)

7. Risk Management (Continued)

<u>Contributions to PEP</u>	
<u>2009</u>	<u>2008</u>
\$6,395	\$6,290

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.

8. Contingent Liabilities

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

9. Subsequent Events

In April 2010, the United State Department of Agriculture approved the Village to receive a loan for \$257,000 and a grant for \$150,000 with the Village contributing \$100,000 for the construction of a Lagoon expansion.

In July 2010, the Village signed an agreement with Ohio Public Works Commission for a loan for \$315,500 and a grant for \$250,000 for an additional water tower and waterline updates.



Mary Taylor, CPA
Auditor of State

**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
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 financial statements of the Village of Rawson, Hancock County, (the Village) as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated August 11, 2010, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village. 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 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

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 more than a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

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, providing an opinion 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated August 11, 2010.

We intend this report solely for the information and use of management, the finance committee, Village Council and others within the Village. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

August 11, 2010



Mary Taylor, CPA
Auditor of State

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
AUGUST 31, 2010**