



Dave Yost • Auditor of State



VILLAGE OF RAYLAND  
JEFFERSON COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Village of Rayland  
Jefferson County  
P.O. Box 188  
Rayland, Ohio 43943

To Village Council:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Rayland, Jefferson County, (the Village) as of and for the years ended December 31, 2015 and 2014.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 1 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

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

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

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2015 and 2014, or changes in financial position thereof for the years then ended.

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 7, 2016, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

October 7, 2016

**VILLAGE OF RAYLAND  
JEFFERSON COUNTY**

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

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$19,589	\$1,725		\$21,314
Intergovernmental	21,689	16,958	\$96,233	134,880
Charges for Services	4,203			4,203
Fines, Licenses and Permits	2,427			2,427
Miscellaneous	9,248			9,248
<i>Total Cash Receipts</i>	<u>57,156</u>	<u>18,683</u>	<u>96,233</u>	<u>172,072</u>
<b>Cash Disbursements</b>				
Current:				
Security of Persons and Property	3,774			3,774
Public Health Services	905			905
Leisure Time Activities	8,169			8,169
Basic Utility Services	100			100
Transportation	0	15,241		15,241
General Government	37,589			37,589
Capital Outlay	9,610		96,233	105,843
<i>Total Cash Disbursements</i>	<u>60,147</u>	<u>15,241</u>	<u>96,233</u>	<u>171,621</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(2,991)</u>	<u>3,442</u>	<u>0</u>	<u>451</u>
<b>Other Financing Receipts (Disbursements)</b>				
Sale of Capital Assets	50			50
<i>Total Other Financing Receipts (Disbursements)</i>	<u>50</u>	<u>0</u>	<u>0</u>	<u>50</u>
<i>Net Change in Fund Cash Balances</i>	(2,941)	3,442	0	501
<i>Fund Cash Balances, January 1</i>	<u>82,080</u>	<u>27,532</u>	<u>0</u>	<u>109,612</u>
<b>Fund Cash Balances, December 31</b>				
Restricted		30,974		30,974
Unassigned (Deficit)	79,139			79,139
<i>Fund Cash Balances, December 31</i>	<u>\$79,139</u>	<u>\$30,974</u>	<u>\$0</u>	<u>\$110,113</u>

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

**VILLAGE OF RAYLAND  
JEFFERSON COUNTY**

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

	<u>Proprietary Fund Types</u>
	<u>Enterprise</u>
<b>Operating Cash Receipts</b>	
Charges for Services	\$124,379
Miscellaneous	2,587
	<u>126,966</u>
<i>Total Operating Cash Receipts</i>	<u>126,966</u>
<b>Operating Cash Disbursements</b>	
Personal Services	12,398
Employee Fringe Benefits	1,716
Contractual Services	81,891
Supplies and Materials	788
Claims	2,888
	<u>99,681</u>
<i>Total Operating Cash Disbursements</i>	<u>99,681</u>
<i>Operating Income (Loss)</i>	<u>27,285</u>
<b>Non-Operating Receipts (Disbursements)</b>	
Other Debt Proceeds	30,565
Miscellaneous Receipts	40
Capital Outlay	(5,759)
Principal Retirement	(40,308)
Interest and Other Fiscal Charges	(1,637)
	<u>(17,099)</u>
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(17,099)</u>
<i>Net Change in Fund Cash Balances</i>	10,186
<i>Fund Cash Balances, January 1</i>	<u>33,971</u>
<i>Fund Cash Balances, December 31</i>	<u>\$44,157</u>

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



**VILLAGE OF RAYLAND  
JEFFERSON COUNTY**

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

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$20,830	\$1,763	\$22,593
Intergovernmental	15,240	17,312	32,552
Charges for Services	5,631		5,631
Fines, Licenses and Permits	5,841		5,841
Miscellaneous	41,563	150	41,713
<i>Total Cash Receipts</i>	<u>89,105</u>	<u>19,225</u>	<u>108,330</u>
<b>Cash Disbursements</b>			
Current:			
Security of Persons and Property	4,725		4,725
Public Health Services	724		724
Leisure Time Activities	4,117		4,117
Transportation		11,337	11,337
General Government	29,320	1,016	30,336
<i>Total Cash Disbursements</i>	<u>38,886</u>	<u>12,353</u>	<u>51,239</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>50,219</u>	<u>6,872</u>	<u>57,091</u>
<i>Net Change in Fund Cash Balances</i>	50,219	6,872	57,091
<i>Fund Cash Balances, January 1</i>	<u>31,861</u>	<u>20,660</u>	<u>52,521</u>
<b>Fund Cash Balances, December 31</b>			
Restricted		27,532	27,532
Unassigned (Deficit)	<u>82,080</u>		<u>82,080</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$82,080</u></u>	<u><u>\$27,532</u></u>	<u><u>\$109,612</u></u>

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

**VILLAGE OF RAYLAND  
JEFFERSON COUNTY**

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

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
<b>Operating Cash Receipts</b>	
Charges for Services	\$128,566
Miscellaneous	30
	<u>128,596</u>
<i>Total Operating Cash Receipts</i>	<u>128,596</u>
<b>Operating Cash Disbursements</b>	
Personal Services	9,765
Employee Fringe Benefits	1,353
Contractual Services	74,563
Supplies and Materials	8,333
Other	5,479
	<u>99,493</u>
<i>Total Operating Cash Disbursements</i>	<u>99,493</u>
<i>Operating Income (Loss)</i>	<u>29,103</u>
<b>Non-Operating Receipts (Disbursements)</b>	
Other Debt Proceeds	30,000
Miscellaneous Receipts	165
Capital Outlay	(30,729)
Principal Retirement	(10,120)
Interest and Other Fiscal Charges	(1,746)
	<u>(12,430)</u>
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(12,430)</u>
<i>Net Change in Fund Cash Balances</i>	16,673
<i>Fund Cash Balances, January 1</i>	<u>17,298</u>
<i>Fund Cash Balances, December 31</i>	<u>\$33,971</u>

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

**VILLAGE OF RAYLAND  
JEFFERSON COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Rayland, Jefferson County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water, sanitation and sewer utilities, street maintenance, park operations, and police services. The Village contracts with Rayland Volunteer Fire Department to receive fire protection services and emergency medical services.

The Village participates in Ohio Municipal Joint Self Insurance, a public entity risk pool available to Ohio local Villages. Note 7 to the financial statements provides additional information for this entity. This organization is:

**Public Entity Risk Pool:**

The Village belongs to the *Ohio Municipal Joint Self Insurance Pool*, a risk-sharing pool available to Ohio local Villages. The Pool provides property, liability and casualty coverage for its members.

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

**B. Accounting Basis**

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

**C. Deposits and Investments**

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

**D. Fund Accounting**

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

**1. General Fund**

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

**VILLAGE OF RAYLAND  
JEFFERSON COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**2. Special Revenue Funds**

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

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

**3. Capital Project Funds**

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

Sewer Project Fund – This fund received proceeds of Ohio Public Works Commission (OPWC) grant. The proceeds are being used to construct a Sanitary Sewer and Pump Station.

**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.

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

**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. Appropriations lapse at year end.

**VILLAGE OF RAYLAND  
JEFFERSON COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**2. Estimated Resources**

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

**3. Encumbrances**

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

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

**F. Fund Balance**

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

**1. Nonspendable**

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

**2. Restricted**

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

**3. Committed**

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

**4. Assigned**

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

**5. Unassigned**

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

**VILLAGE OF RAYLAND  
JEFFERSON COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available.

Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**G. Property, Plant, and Equipment**

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

**2. EQUITY IN POOLED DEPOSITS**

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

	2015	2014
Demand deposits	\$154,270	\$143,583
Total deposits	154,270	143,583

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

**3. Budgetary Activity**

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

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$126,080	\$57,206	(\$68,874)
Special Revenue	47,532	18,683	(28,849)
Capital Projects	96,233	96,233	0
Enterprise	444,371	157,571	(286,800)
Total	\$714,216	\$329,693	(\$384,523)

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$81,390	\$60,147	\$21,243
Special Revenue	44,667	15,241	29,426
Capital Projects	139,000	96,233	42,767
Enterprise	295,050	147,385	147,665
Total	\$560,107	\$319,006	\$241,101

**VILLAGE OF RAYLAND  
JEFFERSON COUNTY**

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

**3. Budgetary Activity (Continued)**

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$78,413	\$89,105	\$10,692
Special Revenue	40,961	19,225	(21,736)
Enterprise	149,498	158,761	9,263
Total	\$268,872	\$267,091	(\$1,781)

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$78,413	\$38,885	\$39,528
Special Revenue	40,961	12,354	28,607
Enterprise	155,139	142,088	13,051
Total	\$274,513	\$193,327	\$81,186

**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.

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

**5. DEBT**

Debt outstanding at December 31, 2015 was as follows:

OWDA # 4635	\$40,662	3.28%
OWDA # 5286	157,060	0.00%
OWDA # 6931	30,056	2.74%
Total	\$227,778	

The Ohio Water Development Authority (OWDA) loan # 4365 relates to a Tiltonsville waste water treatment plant improvements project approved in 2007. The Village will repay the loan in semiannual installments of \$2,281, including interest, over 20 years. Sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

**VILLAGE OF RAYLAND  
JEFFERSON COUNTY**

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

**5. DEBT (Continued)**

The Ohio Water Development Authority (OWDA) loan # 5286 relates to water main replacement project approved in 2009. The Village will repay the loan in semiannual installments over 30 years. Water receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Village also had Ohio Water Development Authority (OWDA) loan #6604 in 2015 and 2014 which was rolled into OWDA loan # 6931 and relates to a water and sewer plant expansion project the Ohio Environmental Protection Agency mandated. The OWDA loan # 6931 project is not complete and amortization information is not yet available.

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

Year ending December 31:	OWDA #4635	OWDA # 5286
2016	\$4,562	\$6,544
2017	4,562	6,544
2018	4,562	6,544
2019	4,562	6,544
2020	4,562	6,544
2021-2025	22,810	32,721
2026-2030	4,562	32,721
2031-2035		32,721
2036-2039		26,177
Total	\$50,182	\$157,060

**6. RETIREMENT SYSTEM**

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

The Ohio Revised Code also prescribes contribution rates. For 2015 and 2014, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2015.

**7. RISK MANAGEMENT**

The Village belongs to the Ohio Municipal Joint Self-Insurance Pool, (the "Pool"), an unincorporated non-profit association available to municipal corporations and their instrumentalities. The Pool is a separate legal entity per Section 2744 of the Ohio Revised Code. The Pool provides property and casualty insurance for its members. The Pool pays judgments, settlements and other expenses resulting for covered claims that exceed the members' deductibles.

The Pool changed its fiscal year end to March 31, effective in 2011, in order to align its financial reporting and budgeting with the renewal terms of its excess reinsurance policies.

The Pool cedes portions of its gross contribution written to a reinsurer under excess reinsurance agreements in order to limit its losses.



VILLAGE OF RAYLAND  
JEFFERSON COUNTY

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

7. RISK MANAGEMENT (Continued)

Treaty basis excess-of-loss contracts in force protect the Pool against losses over the retention level; at March 31, 2015, retention levels are \$50,000 and \$100,000 for property and casualty coverages, respectively.

The Pool remains liable to the extent the reinsuring companies are unable to meet their contractual obligations under reinsurance agreements.

The Pool's financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained surplus at March 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Assets	\$ 1,339,719	\$ 1,030,198
Liabilities	<u>(1,051,927)</u>	<u>(882,203)</u>
Accumulated Surplus	\$ <u>287,792</u>	\$ <u>147,995</u>

8. CONTINGENT LIABILITIES

The Village is defendant in a lawsuit. Although management cannot presently determine the outcome of these suits, management believes that the resolution of these matters will not materially adversely affect the Village's financial condition.

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Village of Rayland  
Jefferson County  
P.O. Box 188  
Rayland, Ohio 43943

To Village Council:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Village of Rayland, Jefferson County, (the Village) as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements and have issued our report thereon dated October 7, 2016 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a significant deficiency. We consider finding 2015-001 to be a significant deficiency.

***Compliance and Other Matters***

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

**Dave Yost**  
Auditor of State  
Columbus, Ohio

October 7, 2016

**VILLAGE OF RAYLAND  
JEFFERSON COUNTY**

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

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

**FINDING NUMBER 2015-001**

**Significant Deficiency – Fund Balance**

Governmental Accounting Standards Board Statement 54 requires the Village to establish a fund balance policy. The Village failed to adopt a fund balance policy and did not have procedures in place to properly classify fund balances. The Village misclassified the following fund balance.

**2014**

Fund	Reclassified to:	Amount	Reclassified from:
General	Ending Equity - Unassigned	\$3,250	Ending Equity - Restricted

**2015**

Fund	Reclassified to:	Amount	Reclassified from:
General	Ending Equity - Unassigned	\$5,890	Ending equity - Restricted

The Village should adopt a fund balance policy and take steps to ensure fund balances are properly classified. The policy should define whether the Village considers restricted or unrestricted amounts to have been spent when an expenditure is incurred for purposes from which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available.

For unrestricted fund balances, the classification should be based on the government's accounting policies regarding whether it considers committed, assigned, or unassigned amounts to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

If a government does not establish a policy for its use of unrestricted fund balance amounts, it should consider that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

**Officials Response: No response was received from officials.**

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**VILLAGE OF RAYLAND  
JEFFERSON COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2013-001	Ohio Rev. Code 5705.41(D) – Proper Certification	No	Cited in the management letter
2013-002	Ohio Rev. Code 5705.10(I) - Negative Fund Balance	No	Cited in management letter
2013-003	Ohio Admin. Code 117-2-02(D) – Maintaining Proper Records	No	Verbal Recommendation in 2015
2013-004	Ohio Rev. Code 5705.39 – Appropriations Exceeding Estimated Resources	No	Cited in the management letter
2013-005	Proper Coding & Classifying Receipts and Expenditures	Yes	

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# Dave Yost • Auditor of State

VILLAGE OF RAYLAND

JEFFERSON COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
NOVEMBER 10, 2016