



**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, 2002. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserve for encumbrances of the Village as of December 31, 2002, and its combined cash receipts and disbursements for the year then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 21, 2003 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.

The accompanying federal awards expenditures schedule is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. We subjected this information to the auditing procedures applied in the audit of the financial statements. In our opinion, it is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

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

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

Betty Montgomery
Auditor of State

August 21, 2003

**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, 2002**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$7,915			\$7,915
Special Assessments		\$8,342	\$3,326	11,668
Intergovernmental Receipts	62,144	16,983	100,000	179,127
Charges for Services	5,631			5,631
Earnings on Investments	4,820	58		4,878
Miscellaneous	1,507			1,507
Total Cash Receipts	<u>82,017</u>	<u>25,383</u>	<u>103,326</u>	<u>210,726</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	10,975	4,794		15,769
Public Health Services	1,099			1,099
Leisure Time Activities	19,589			19,589
Basic Utility Services	2,037	5,306		7,343
Transportation	1,278			1,278
General Government	46,053	3,346		49,399
Debt Service:				
Principal Payments		5,086	300,000	305,086
Interest Payments		783	36,180	36,963
Capital Outlay			1,272,399	1,272,399
Total Cash Disbursements	<u>81,031</u>	<u>19,315</u>	<u>1,608,579</u>	<u>1,708,925</u>
Total Receipts Over/(Under) Disbursements	<u>986</u>	<u>6,068</u>	<u>(1,505,253)</u>	<u>(1,498,199)</u>
Other Financing Receipts and (Disbursements):				
OWDA Loan Proceeds			1,234,374	1,234,374
OPWC Loan Proceeds			271,626	271,626
Other Sources	648		5	653
Total Other Financing Receipts/(Disbursements)	<u>648</u>		<u>1,506,005</u>	<u>1,506,653</u>
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements	1,634	6,068	752	8,454
Fund Cash Balances, January 1	<u>53,848</u>	<u>22,065</u>	<u>159,440</u>	<u>235,353</u>
Fund Cash Balances, December 31	<u>\$55,482</u>	<u>\$28,133</u>	<u>\$160,192</u>	<u>\$243,807</u>
Reserves for Encumbrances, December 31			<u>\$977,719</u>	<u>\$977,719</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 - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2002**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$111,050
Miscellaneous	120
	111,170
Total Operating Cash Receipts	111,170
Operating Cash Disbursements:	
Personal Services	18,274
Contractual Services	63,513
Supplies and Materials	10,779
Capital Outlay	2,000
	94,566
Total Operating Cash Disbursements	94,566
Operating Income	16,604
Non-Operating Cash Receipts:	
Other Non-Operating Receipts	902
	902
Non-Operating Cash Disbursements:	
Debt Service	26,567
Other Non-Operating Cash Disbursements	209
	26,776
Total Non-Operating Cash Disbursements	26,776
Net Disbursements Over Receipts	(9,270)
Fund Cash Balances, January 1	52,561
Fund Cash Balances, December 31	\$43,291
Reserve for Encumbrances, December 31	\$2,697

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, 2002**

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.

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.

**VILLAGE OF RAWSON
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

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 interim from the Ohio Water Development Authority for the construction of a waste water system for the Village. The interim financing will be retired with grants and loans received from 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 for services from residents to cover the future costs of providing and maintaining this utility.

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, function or object level of control, and appropriations may not exceed estimated resources. The Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. 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. The Village did not encumber all commitments required by Ohio law. The budgetary presentations have been adjusted to include material items that should have been encumbered.

**VILLAGE OF RAWSON
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

A summary of 2002 budgetary activity appears in Note 3.

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

	2002
Demand deposits	\$287,098

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2002 follows:

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$67,144	\$82,665	\$15,521
Special Revenue	20,550	25,383	4,833
Capital Projects	1,297,200	1,609,331	312,131
Enterprise	89,375	112,072	22,697
Total	\$1,474,269	\$1,829,451	\$355,182

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$111,283	\$81,031	\$30,252
Special Revenue	38,540	19,315	19,225
Capital Projects	1,298,774	2,586,298	(1,287,524)
Enterprise	160,751	124,039	36,712
Total	\$1,609,348	\$2,810,683	(\$1,201,335)

The Village did not certify all funds as required by Ohio Revised Code § 5705.41 (D). In addition, the Village had \$977,719 in outstanding purchase commitments in the capital projects funds and \$2,697 in the enterprise funds that were not certified as of December 31, 2002.

**VILLAGE OF RAWSON
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

During 2002 expenditures exceeded appropriations by \$1,289,019 in the Sanitary Sewer Construction Fund.

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 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, 2002 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Storm Sewer Construction Note	\$10,233	5.75%
Ohio Water Development Authority Loan #2852	345,931	2.00%
Ohio Water Development Authority Loan #2853	17,452	2.00%
Ohio Public Works Loan #CT31B	196,847	0.00%
Ohio Public Works Loan #CM02C	74,779	0.00%
Ohio Water Development Authority Loan #3663	1,234,374	2.56%
Total	<u><u>\$1,879,616</u></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. The loan will be retired when the project is complete with a loan issued by the United States Department of Agriculture. This loan is not included in the amortization schedule since there are still funds available to the Village and the actual amortization has not been determined.

Ohio Public Works Loan CT31B was approved for \$277,350 for improvement due to sewer line installation; of this loan \$196,847 was received during 2002. An amortization schedule of payments has not yet been received and as a result the schedule below does not include this loan.

**VILLAGE OF RAWSON
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

Ohio Public Works Loan CM02C was approved for \$100,000 for improvement due to sewer line installation; of this loan \$74,779 was received during 2002. An amortization schedule of payments has not yet been received and as a result the schedule below does not include this loan.

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

<u>Year ending December 31:</u>	<u>Storm Sewer Note</u>	<u>OWDA Loan #2852</u>	<u>OWDA Loan #2853</u>
2003	\$5,869	\$12,739	\$545
2004	4,994	25,478	1,090
2005		25,478	1,090
2006		25,478	1,090
2007		25,478	1,090
2008-2012		127,388	5,449
2013-2017		127,388	5,448
Subsequent		38,215	5,448
Total	<u>\$10,863</u>	<u>\$407,642</u>	<u>\$21,250</u>

6. RETIREMENT SYSTEMS

The Village Officials and 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. Members of OPERS contributed 8.5 percent of their wages. The Village contributed an amount equal to 13.55 percent of participants' gross salaries for 2002. The Village has paid all contributions required through December 31, 2002

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 insurance for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

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

**VILLAGE OF RAWSON
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

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 \$10,000 on any specific loss with an annual aggregate of \$700,000 for 2001 and \$1,250,000 for 2002. The Travelers Indemnity Company reinsures losses exceeding \$10,000 if the annual aggregate is reached and all specific losses exceeding \$100,000. APEEP's Operating Fund and Guarantee Fund pay for losses and loss adjustment expenses should they exceed 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 government.

Financial Position

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

<u>Casualty Coverage</u>	<u>2002</u>	<u>2001</u>
Assets	\$20,174,977	\$19,358,458
Liabilities	8,550,749	8,827,588
Retained Earnings	<u>\$11,624,228</u>	<u>\$10,530,870</u>

<u>Property Coverage</u>	<u>2002</u>	<u>2001</u>
Assets	\$2,565,408	\$1,890,323
Liabilities	655,318	469,100
Retained Earnings	<u>\$1,910,090</u>	<u>\$1,421,223</u>

8. CONTINGENT LIABILITIES

Federal Funding

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the federal government. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.

9. CONTRACTUAL OBLIGATIONS

The Village had the following outstanding contractual commitments as of December 31, 2002:

**VILLAGE OF RAWSON
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

Contract	Project	Original Contract Amount	Contract Balance 12/31/02
Degan Excavating Co.	Sanitary Sewer Improvements	\$1,328,672	\$607,474
B Hill'z Excavating	Waster Water Lagoon	814,373	347,320

10. 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 is being built and owned by the Village of Rawson, with construction completion dates in the summer of 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.

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VILLAGE OF RAWSON
HANCOCK COUNTY

SCHEDULE OF FEDERAL AWARD EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2002

FEDERAL GRANTOR <i>Pass-Through Grantor</i> Program Title	Federal CFDA Number	Disbursements
UNITED STATES DEPARTMENT OF AGRICULTURE <i>Direct Program</i>		
Water and Waste Disposal Systems for Rural Communities	10.760	<u>\$893,776</u>
Total Federal Award Expenditures		<u>\$893,776</u>

The notes to the accompanying schedule are an integral part of this statement.

**VILLAGE OF RAWSON
HANCOCK COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FISCAL YEAR ENDED DECEMBER 31, 2002**

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 years ended December 31, 2002, and have issued our report thereon dated August 21, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2002-001 and 2002-002.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated August 21, 2003.

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

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

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

Betty Montgomery
Auditor of State

August 21, 2003



**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 Village of Rawson, Hancock County, (the Village) 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, 2002. 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, 2002.

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

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

Betty Montgomery
Auditor of State

August 21, 2003

**VILLAGE OF RAWSON
HANCOCK COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505
DECEMBER 31, 2002**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

FINDING NUMBER 2002-001

Noncompliance Citation

Ohio Revised Code § 5705.41(D) states that no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certification should be considered null and void.

**FINDING NUMBER 2002-001
(Continued)**

This section also provides two exceptions to the above requirements:

- A. Then and Now Certificate - if no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the purchase order or contract and at the time of the certificate, appropriated and free of any previous encumbrance, Council may authorize the issuance of a check in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.
- B. If the amount involved is less than \$1000 (\$3000 effective April 2003), the fiscal officer may authorize it to be paid without the affirmation of Council, if such expenditure is otherwise valid.

Fifty-three percent of the transactions tested were not certified before the invoice date or with a then-and-now certification. In addition, the Village had \$977,719 in outstanding purchase commitments in the capital projects funds and \$2,697 in the enterprise funds that were not certified as of December 31, 2002. The accompanying financial statements have been adjusted to reflect these amounts as an outstanding encumbrance in the appropriate funds.

Certification is not only required by Ohio law but is also a key control in the disbursement process to help assure that purchase commitments receive prior approval and to help reduce the possibility of Village funds being over expended. To improve controls over disbursements we recommend all Village disbursements receive prior certification of the Clerk and the Village Council periodically review the expenditures made to ensure they are certified by the Clerk and recorded against appropriations.

Finding Number 2002-002

Noncompliance Citation

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

For 2002 the Village appropriated \$1,294,700 in the Sanitary Sewer Construction Fund, however, total budgetary expenditures were \$2,583,719 which caused expenditures to exceed appropriations by \$1,289,019.

The Village Clerk should not issue purchase orders for expenditures that will exceed appropriations. She should advise Council of the deficiency in the appropriations and if resources permit an increase in appropriations. If Council desires they should amend the appropriations and request an increased certificate of estimated resources if necessary.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

**VILLAGE OF RAWSON
HANCOCK COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2001-30232-001	ORC § 5705.41(D) certification of funds	No	Finding has not been corrected and it is repeated in this report as item # 2002-001.
2001-30232-002	ORC § 5705.41(B) expenditures in excess of appropriations.	No	Finding has not been corrected and it is repeated in this report as item # 2002-002.



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Betty Montgomery**

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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
SEPTEMBER 18, 2003**