



Dave Yost • Auditor of State

VILLAGE OF RAYLAND
JEFFERSON COUNTY

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Dave Yost • Auditor of State

Village of Rayland
Jefferson County
PO Box 188
Rayland, Ohio 43943-0188

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.

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Dave Yost
Auditor of State

May 20, 2011

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Rayland
Jefferson County
PO Box 188
Rayland, Ohio 43943-0188

To the Village Council:

We have audited the accompanying financial statements of the Village of Rayland, Jefferson 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. 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 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 of the Village of Rayland, Jefferson 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 May 20, 2011, 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.

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Dave Yost
Auditor of State

May 20, 2011

VILLAGE OF RAYLAND
JEFFERSON 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

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash Receipts:					
Property and Local Taxes	\$20,942				\$20,942
Intergovernmental	18,434	\$22,811			41,245
Special Assessments			\$2,046		2,046
Charges for Services	1,195				1,195
Fines, Licenses and Permits	6,215				6,215
Earnings on Investments	700				700
Miscellaneous	7,716				7,716
Total Cash Receipts	<u>55,202</u>	<u>22,811</u>	<u>2,046</u>		<u>80,059</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	19,797				19,797
Public Health Services	334				334
Leisure Time Activities	4,747				4,747
Transportation		20,100			20,100
General Government	35,268		19		35,287
Total Cash Disbursements	<u>60,146</u>	<u>20,100</u>	<u>19</u>		<u>80,265</u>
Total Receipts Over/(Under) Disbursements	<u>(4,944)</u>	<u>2,711</u>	<u>2,027</u>		<u>(206)</u>
Fund Cash Balances, January 1	<u>13,653</u>	<u>17,890</u>	<u>7,939</u>	<u>\$10</u>	<u>39,492</u>
Fund Cash Balances, December 31	<u>\$8,709</u>	<u>\$20,601</u>	<u>\$9,966</u>	<u>\$10</u>	<u>\$39,286</u>

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

VILLAGE OF RAYLAND
JEFFERSON COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Proprietary Fund Types	Fiduciary Fund Types	Totals (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts:			
Charges for Services	\$96,984		\$96,984
Miscellaneous	18,731		18,731
Total Operating Cash Receipts	<u>115,715</u>		<u>115,715</u>
Operating Cash Disbursements:			
Personal Services	9,596		9,596
Employee Fringe Benefits	1,265		1,265
Contractual Services	51,488		51,488
Supplies and Materials	64,195		64,195
Other	550		550
Total Operating Cash Disbursements	<u>127,094</u>		<u>127,094</u>
Operating Income/(Loss)	<u>(11,379)</u>		<u>(11,379)</u>
Non-Operating Cash Receipts:			
Property and Other Local Taxes		\$3,523	3,523
Intergovernmental	480,529		480,529
Sale of Notes	511,289		511,289
Total Non-Operating Cash Receipts	<u>991,818</u>	<u>3,523</u>	<u>995,341</u>
Non-Operating Cash Disbursements:			
Capital Outlay	511,289		511,289
Redemption of Principal	482,860		482,860
Interest and Other Fiscal Charges	2,231		2,231
Other Non-Operating Cash Disbursements		3,523	3,523
Total Non-Operating Cash Disbursements	<u>996,380</u>	<u>3,523</u>	<u>999,903</u>
Net Receipts Over/(Under) Disbursements	(15,941)		(15,941)
Fund Cash Balances, January 1	<u>34,704</u>		<u>34,704</u>
Fund Cash Balances, December 31	<u>\$18,763</u>		<u>\$18,763</u>

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

VILLAGE OF RAYLAND
JEFFERSON 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	Debt Service	Capital Projects	
Cash Receipts:					
Property and Local Taxes	\$19,540	\$1,920			\$21,460
Intergovernmental	21,244	22,151			43,395
Special Assessments			\$2,378		2,378
Charges for Services	1,785				1,785
Fines, Licenses and Permits	5,841				5,841
Earnings on Investments	708				708
Miscellaneous	8,712				8,712
Total Cash Receipts	57,830	24,071	2,378		84,279
Cash Disbursements:					
Current:					
Security of Persons and Property	14,534				14,534
Public Health Services	671				671
Leisure Time Activities	3,067				3,067
Transportation		23,918			23,918
General Government	32,635		24		32,659
Capital Outlay					0
Total Cash Disbursements	50,907	23,918	24		74,849
Total Receipts Over/(Under) Disbursements	6,923	153	2,354		9,430
Fund Cash Balances, January 1	6,730	17,737	5,585	\$10	30,062
Fund Cash Balances, December 31	\$13,653	\$17,890	\$7,939	\$10	\$39,492

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

VILLAGE OF RAYLAND
JEFFERSON COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$93,358		\$93,358
Miscellaneous	2,281		2,281
	<hr/>		<hr/>
Total Operating Cash Receipts	95,639		95,639
Operating Cash Disbursements:			
Personal Services	8,523		8,523
Employee Fringe Benefits	1,300		1,300
Contractual Services	64,591		64,591
Supplies and Materials	43,433		43,433
Other	1,172		1,172
	<hr/>		<hr/>
Total Operating Cash Disbursements	119,019		119,019
Operating Income/(Loss)	<u>(23,380)</u>		<u>(23,380)</u>
Non-Operating Cash Receipts:			
Property and Other Local Taxes		\$5,793	5,793
		<hr/>	<hr/>
Total Non-Operating Cash Receipts		5,793	5,793
Non-Operating Cash Disbursements:			
Capital Outlay	3,356		3,356
Redemption of Principal	3,487		3,487
Other Non-Operating Cash Disbursements		5,793	5,793
	<hr/>	<hr/>	<hr/>
Total Non-Operating Cash Disbursements	6,843	5,793	12,636
Net Receipts Over/(Under) Disbursements	(30,223)		(30,223)
Fund Cash Balances, January 1	<hr/>		<hr/>
	64,927		64,927
Fund Cash Balances, December 31	<u>\$34,704</u>		<u>\$34,704</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, 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 Rayland, Jefferson 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, sanitation, park operations, and police services. The Village contracts with the Rayland Volunteer Fire Department to provide fire protection services and emergency medical services within the Village.

The Village participates in the Ohio Municipal League public entity risk pool. Note 7 to the financial statements provide 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 governments. 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 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 their 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 RAYLAND
JEFFERSON 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. Debt Service Funds

These funds account for resources the Village accumulates to pay bond and note debt. The Village had the following significant Debt Service Fund:

Sewer Bond Assessment Fund - This fund receives special assessments from the county real estate tax settlements to pay off debt.

4. 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 capital project fund was not active during 2008 and 2009; a small balance remains.

5. 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.

6. Fiduciary Funds

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village has the following Agency Fund:

**VILLAGE OF RAYLAND
JEFFERSON COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

East Ohio Regional Transit Authority (EORTA) Bus Fund - This fund receives tax monies which are paid to East Ohio Regional Transit Authority. The Authority provides bus service for Village residents.

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) 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. Appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law.

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.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

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 and investments at December 31 was as follows:

**VILLAGE OF RAYLAND
JEFFERSON COUNTY**

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

2. EQUITY IN POOLED DEPOSITS - (Continued)

	2009	2008
Demand deposits	\$22,399	\$31,546
Certificates of deposit	35,650	42,650
Total deposits	58,049	74,196

Deposits: Deposits are 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, 2009 and 2008 follows:

2009 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General		\$55,202	\$55,202
Special Revenue		22,811	22,811
Debt Service		2,046	2,046
Enterprise		1,107,533	1,107,533
Total	\$0	\$1,187,592	\$1,187,592

2009 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$69,960	\$60,146	\$9,814
Special Revenue	44,960	20,100	24,860
Debt Service		19	(19)
Enterprise	1,139,947	1,123,474	16,473
Total	\$1,254,867	\$1,203,739	\$51,128

2008 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General		\$57,830	\$57,830
Special Revenue		24,071	24,071
Debt Service		2,378	2,378
Enterprise		95,639	95,639
Total	\$0	\$179,918	\$179,918

**VILLAGE OF RAYLAND
JEFFERSON COUNTY**

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

3. BUDGETARY ACTIVITY - (Continued)

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$69,960	\$50,907	\$19,053
Special Revenue	44,960	23,918	21,042
Debt Service		24	(24)
Enterprise	148,120	125,862	22,258
Total	\$263,040	\$200,711	\$62,329

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in 2009. Also contrary to Ohio law, the appropriations exceeded the total available estimated resources in all funds during the years ended December 31, 2009 and 2008, as no certificate of the total amount from all sources available was filed by the Village with the county auditor.

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.

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:

	Principal	Interest Rate
Ohio Water Development Authority Loan # 4635	\$56,659	3.82%
Ohio Water Development Authority Loan # 5286	30,760	0%
Total	\$87,419	

The Ohio Water Development Authority (OWDA) loan # 4635 relates to a Tiltonsville waste water treatment plant improvements 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, 2009 AND 2008
(Continued)**

5. DEBT - (Continued)

The Ohio Water Development Authority (OWDA) loan # 5286 relates to a 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. Since the project is not complete, there is no amortization schedule for this loan.

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

Year ending December 31:	OWDA Loan #
	4635
2010	\$4,562
2011	4,562
2012	4,562
2013	4,562
2014	4,562
2015-2019	22,810
2020-2024	22,810
2025-2027	9,124
Total	\$77,554

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 plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code 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 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 cedes certain premiums to reinsurers or excess reinsurers. The Pool is contingently liable should any reinsurer be unable to meet its reinsurance obligations.

VILLAGE OF RAYLAND
JEFFERSON COUNTY

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

7. RISK MANAGEMENT - (Continued)

Members may withdraw at the end of any coverage period upon 60 days' prior notice to the Pool. A withdrawing member not providing the required notification remains responsible for its unpaid claims, and also remains liable for additional assessments (if any) for years during which they were members.

The Pool's financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained deficit at December 31, 2008 and 2007 (the latest information available):

	2008	2007
Assets	\$2,552,519	\$2,405,834
Liabilities	(2,814,306)	(2,877,385)
Accumulated deficit	(\$261,787)	(\$471,551)

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Dave Yost • 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 Rayland
Jefferson County
PO Box 188
Rayland, Ohio 43943-0188

To the Village Council:

We have audited the financial statements of the Village of Rayland, Jefferson County, (the Village) as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated May 20, 2011, 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 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2009-04 described in the accompanying schedule of findings to be a material weakness.

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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2009-01 through 2009-04.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated May 20, 2011.

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

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

May 20, 2011

VILLAGE OF RAYLAND
JEFFERSON COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008

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

FINDING NUMBER 2009-01

Noncompliance Citation

Ohio Revised Code Section 5705.36 provides that on or about the first day of each fiscal year, the fiscal officers of subdivisions and other taxing units are to certify to the county auditor the total amount from all sources available for expenditures from each fund in the tax budget along with any unencumbered balances existing at the end of the preceding year. Also, **Ohio Revised Code Section 5705.39** provides in part that total appropriations from each fund shall not exceed estimated resources.

The Village Clerk/Treasurer did not certify to the county auditor the total amount from all sources available for expenditures from each fund in the tax budget for 2009 or 2008, therefore, appropriations exceeded estimated resources by 100% in all of the funds for 2008 and 2009.

Failure to certify the total amount from all sources available for expenditures could result in overspending and negative cash balances. The Clerk/Treasurer should certify amounts available for expenditures for each fund in the tax budget.

FINDING NUMBER 2009-02

Noncompliance Citation

Ohio Revised Code Section 5705.41(B) provides that expenditures shall not exceed appropriations. Expenditures exceeded appropriations in the Water Fund by \$11,275 (19.7% of expenditures) in 2009.

The Clerk/Treasurer should not certify the availability of funds and should deny payment requests exceeding appropriations. The Clerk/Treasurer may request Council to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary and the resources are available.

FINDING NUMBER 2009-03

Noncompliance Citation

Ohio Revised Code Section 5705.41(D) provides that no subdivision shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively of the Ohio Revised Code.

1. Then and Now Certificate – If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Village Council may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.

If the amount involved is less than \$3,000 the fiscal officer may authorize payment through a Then and Now Certificate without affirmation of the Village Council if such expenditure is otherwise valid.

2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not be, limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

3. Super Blanket Certificate – The Village may also make expenditures and contracts for any amount from a specific line item appropriation in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket may be outstanding a particular time for any line item appropriation.

The Clerk/Treasurer did not certify the amount against the applicable appropriation accounts for 93% and 35% of tested expenditures in 2009 and in 2008, respectively. The Village did not utilize the certification exceptions described above.

Failure to certify the availability of funds and encumber appropriations could result in overspending and in negative cash balances. Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, the fiscal officer should certify that the funds are or will be available prior to obligation by the Village. When prior certification is not possible, "then and now" certification should be used.

The Village should certify purchases to which Ohio Revised Code Section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language which Ohio Revised Code Section 5705.41(D) requires authorizing disbursements. The Clerk/Treasurer should sign the certification at the time the District incurs a commitment, and only when the requirements of Ohio Revised Code Section 5705.41(D) are satisfied. The Clerk/Treasurer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

FINDING NUMBER 2009-04

Noncompliance Citation/Material Weakness

Ohio Revised Code Section 733.28 states that the village clerk shall keep the books of the village, exhibit accurate statement of all moneys received and expended, of all the property owned by the village and income derived there from, and of all the taxes and assessments. Ohio Revised Code Section 733.43 states that the treasurer of a municipal corporation shall keep an accurate account of: all monies received by him, showing the amount thereof, the time received, from whom, and on what account received; and all disbursements made by him, showing the amount thereof, the time thereof, the time made, to whom, and on what account paid. Ohio Revised Code Section 733.261(C) states that the village clerk/treasurer shall perform the duties provided by law for the clerk and the treasurer.

The Clerk/Treasurer did not keep accurate or complete books of the Village, and failed to exhibit accurate statements of all moneys received and expended, of all the property owned by the Village and of income derived there from and of all taxes and assessments. The Village Clerk/Treasurer did not record all monies received and expended by the Village during 2009 and 2008 and did not prepare accurate monthly bank to book reconciliations.

The conditions described in the previous paragraph resulted in coding and classification errors when transactions were being posted; other transactions were not posted to the ledgers. The Clerk/Treasurer has agreed to the following reclassifications and adjustments and these corrected amounts are reflected in the accompanying financial statements. The adjustments have been posted to the Village ledgers.

Fund Name	Account Type	Amount	Description
Reclassifications – 2008			
Sewer Bond Assessment	Special Assessment Receipts	\$2,378	Misclassified as Local Tax Receipts.
Sewer	Debt – Principal Payments	\$3,356	Misclassified as Supplies and Materials Disbursements
Sewer	Debt – Interest Payments	\$3,487	Misclassified as Supplies and Materials Disbursements
Adjustment – 2009			
Sewer	Loan Proceeds	\$480,529	Not posted on the ledger.
Sewer	Principal Debt Forgiveness Payment	\$480,529	Not posted on the ledger.
Sewer	Capital Outlay Disbursement	\$511,289	Not posted on the ledger.
Sewer	Loan Proceeds	\$511,289	Not posted on the ledger.
Reclassifications - 2009			
General	Local Taxes Receipts	\$7,574	Misclassified as Miscellaneous Receipts.
Sewer Bond Assessment Fund	Special Assessment Receipts	\$2,046	Misclassified as Local Tax Receipts.
Sewer	Debt – Principal Payments	\$2,331	Misclassified as Supplies and Materials Disbursements
Sewer	Debt – Interest Payments	\$2,231	Misclassified as Supplies and Materials Disbursements

The Clerk/Treasurer should record all financial activity of the Village in the receipts ledger, appropriation ledger and cash journal, as appropriate, so that accurate statements of all monies received and expended can be prepared. The Village Clerk/Treasurer should perform monthly bank reconciliations. Periodically, financial statements and monthly bank reconciliations should be submitted to Council for review. These periodic reviews should be noted in the minutes and the reviewed documents should be initialed by the reviewer.

Failure to consistently follow a uniform chart of accounts increases the possibility that the Village will not be able to identify, assemble, analyze, classify, record, and report its transactions correctly or to document compliance with finance-related legal and contractual requirements. The Clerk/Treasurer should maintain the accounting system to enable the Village to identify, assemble, analyze, classify, record, and report all transactions and to maintain accountability. All transactions should be properly coded and classified according to the chart of accounts to help ensure that financial activity of the Village is accurately recorded and reported. In addition, the Village should adopt procedures for the review of posting of transactions and subsequent posting to the financial statements.

Officials Response:

We did not receive a response to the findings reported above.

**VILLAGE OF RAYLAND
JEFFERSON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2009 AND 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid;
2007-001	Ohio Revised Code Section 5705.39 Appropriations exceeded estimated resources in the General Fund.	No	Cited again as Finding Number 2009-01.
2007-002	Ohio Revised Code Section 5705.41(B) Disbursements exceeded appropriations in the Special Revenue and Debt Service Fund Types.	No	Cited again as Finding Number 2009-02.

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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
AUGUST 2, 2011