



Dave Yost • Auditor of State

VILLAGE OF RARDEN
SCIOTO COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Auditor's Report	1
Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2012	3
Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2011	4
Notes to the Financial Statements	5
Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters	11
Schedule of Findings.....	13
Schedule of Prior Audit Findings.....	25

This page intentionally left blank.



Dave Yost • Auditor of State

AUDITOR'S REPORT

Village of Rarden
Scioto County
1693 Main Street
P.O. Box 66
Rarden, Ohio 45671

To the Village Council:

We have selectively tested certain accounts, financial records, files, and reports of the Village of Rarden, Scioto County, Ohio (the Village), as of and for the years ended December 31, 2012 and 2011 following Ohio Admin. Code Section 117-4-02.

There are reportable findings and conditions as a result of performing these procedures. Our reportable findings and conditions follow the financial presentation. Our engagement was not designed to result in expressing an opinion on the accompanying financial statements, and we express no opinion on them.

This report is intended solely for the information and use of management, the Village Council, and other officials authorized to receive this report under Ohio Rev. Code Section 117.26, and it 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 "Dave Yost".

Dave Yost
Auditor of State

Columbus, Ohio

May 19, 2014

This page intentionally left blank.

**VILLAGE OF RARDEN
SCIOTO COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

Fund/Fund Type	Balance 1/1/2012	Receipts	Disbursements	Balance 12/31/2012
General	\$23,733	\$10,437	\$32,394	\$1,776
Special Revenue:				
Fire	48,002	48,855	72,723	24,134
Ambulance	27,362	58,085	35,206	50,241
Street Lights	2,838	7,412	10,667	(417)
Street	3,159	2,875	140	5,894
State Highway	616	247	0	863
Park	1,224	1,582	3,116	(310)
Total Special Revenue	83,201	119,056	121,852	80,405
Total All Funds	\$106,934	\$129,493	\$154,246	\$82,181

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

**VILLAGE OF RARDEN
SCIOTO COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

Fund/Fund Type	Balance 1/1/2011	Receipts	Disbursements	Balance 12/31/2011
General	\$30,395	\$13,095	\$19,757	\$23,733
Special Revenue:				
Fire	46,363	52,212	50,573	48,002
Ambulance	51,701	31,912	56,251	27,362
Street Lights	2,577	6,245	5,984	2,838
Street	1,766	3,502	2,109	3,159
State Highway	333	283	0	616
Park	1,617	735	1,128	1,224
Total Special Revenue	104,357	94,889	116,045	83,201
Total All Funds	\$134,752	\$107,984	\$135,802	\$106,934

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

**VILLAGE OF RARDEN
SCIOTO COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011**

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 Rarden, Scioto County (the Village), as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides road and bridge maintenance and security of persons and property services which include fire protection and ambulance services.

The Village participates in a public entity risk pool. Note 9 to the financial statements provides additional information for this entity. This organization is:

Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Government Risk Management Plan, (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("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).

For 2012 and 2011, the Village did not classify its receipts and disbursements in the accompanying financial statements. This is a material departure from the requirements of Ohio Admin. Code § 117-2-02(A).

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

C. Deposits and Investments

The Village has one demand deposit account and no investments.

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 RARDEN
SCIOTO COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (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:

Volunteer Fire Fund – This fund receives fire contract and levy monies for the operation of the volunteer fire department.

Ambulance Fund – This fund receives ambulance contract and levy monies for the operation of the volunteer ambulance service.

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 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.

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 2012 and 2011 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

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

2. Equity in Pooled Deposits

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

	2012	2011
Demand deposits	\$82,181	\$106,934

**VILLAGE OF RARDEN
SCIOTO COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

2. Equity in Pooled Deposits (Continued)

Deposits: Deposits are insured by the Federal Deposit Insurance Corporation.

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2012 and 2011 follows:

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$0	\$10,437	\$10,437
Special Revenue	0	119,056	119,056
Total	\$0	\$129,493	\$129,493

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$32,394	(\$32,394)
Special Revenue	0	121,852	(121,852)
Total	\$0	\$154,246	(\$154,246)

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$0	\$13,095	\$13,095
Special Revenue	0	94,889	94,889
Total	\$0	\$107,984	\$107,984

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$19,757	(\$19,757)
Special Revenue	0	116,045	(116,045)
Total	\$0	\$135,802	(\$135,802)

Contrary to Ohio law, the Village did not approve an appropriations measure for the years 2012 or 2011. Therefore, budgetary expenditures exceeded appropriation authority in the all funds at December 31, 2012 and 2011.

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.

**VILLAGE OF RARDEN
SCIOTO COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

4. Property Tax (Continued)

Public utilities are also taxed on personal and real property located within the Village.

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, 2012 was as follows:

	Principal	Interest Rate
Promissory Note - Ambulance	\$70,545	5%

The Village borrowed \$86,196 during 2010 to help purchase a new ambulance. The loan will be repaid in annual payments of \$19,823 over a five-year period. The payment due December 10, 2012 was not made until January 3, 2013. The ambulance is collateral for the loan.

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

Year ending December 31:	Prommissory Note - Ambulance
2013	\$39,646
2014	19,823
2015	19,823
Total	\$79,292

8. Retirement System

Village's elected officials and employees elected not to participate in PERS. Instead, all elected officials and employees have Social Security withholdings.

9. Risk Management

Risk Pool Membership

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Government Risk Management Plan, (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

**VILLAGE OF RARDEN
SCIOTO COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

9. Risk Management (Continued)

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retains 41.5% (effective November 1, 2011) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2012 the plan increased its retention to 50% of the first \$250,000 casualty treaty. The Plan's property retention remained unchanged from prior years. This change was made to balance the reinsurance market conditions. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 767 and 765 members as of December 31, 2012 and 2011 respectively.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2012 and 2011:

	2012	2011
Assets	\$13,100,381	\$12,501,280
Liabilities	(6,687,193)	(5,328,761)
Members' Equity	\$6,413,188	\$7,172,519

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

10. Contingent Liabilities

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

11. Restatement of Prior Year Balances

The Village has restatements for fund reclassifications as follows:

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total</u>
Reported Fund Balance at December 31, 2010	\$30,412	\$98,530	\$1,482	\$130,424
Prior audit errors	(17)	4,210	135	4,328
Fund Reclassifications	0	1,617	(1,617)	0
Adjusted Fund Balance at January 1, 2011	\$30,395	\$104,357	0	\$134,752

This page intentionally left blank.



Dave Yost • Auditor of State

AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS

Village of Rarden
Scioto County
1693 Main Street
P.O. Box 66
Rarden, Ohio 45671

To the Village Council:

We have selectively tested certain accounts, financial records, files, and reports of the Village of Rarden, Scioto County, Ohio (the Village), as of and for the years ended December 31, 2012 and 2011, following Ohio Admin. Code Section 117-4-02. Our engagement was not designed to result in expressing an opinion on the accompanying financial statements, internal control over financial reporting, or compliance. We therefore express no opinion on these matters.

Internal Control Over Financial Reporting

During our procedures related to the internal control over financial reporting we noted matters that, in our judgment, could adversely affect the Village's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. In addition, these matters could result in the occurrence of misstatements that are caused by error or fraud that would not be detected in a timely manner by employees when performing the assigned functions. These matters are described in the accompanying Schedule of Findings as items 2012-002 through 2012-007, 2012-009, 2012-010, and 2012-012 through 2012-015.

Compliance and Other Matters

We tested compliance with certain provisions of laws, regulations, contract, and grant agreements, applicable to the Village. Noncompliance with these requirements could impact the Village's ability to determine financial statement amounts. The results of our tests disclosed instances of noncompliance or other matters that are reported in the accompanying Schedule of Findings as items 2012-001 through 2012-011.

Entity's Response to Findings

The Village's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. We did not audit the Village's responses and, accordingly, we express no opinion on them.

Purpose of this Report

This report is intended solely for the information and use of management, the Village Council, and other officials authorized to receive this report under Section 117.26, Ohio Rev. Code. 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

Columbus, Ohio

May 19, 2014

VILLAGE OF RARDEN
SCIOTO COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011

FINDINGS RELATED TO THE FINANCIAL STATEMENTS

FINDING NUMBER 2012-001

Noncompliance/Finding for Recovery - Public Monies Illegally Expended

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951), provides that expenditures made by a governmental unit should serve a public purpose. Typically the determination of what constitutes a "proper public purpose" rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion No. 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only. Auditor of State Bulletin 2003-005, *Expenditure of Public Funds/Proper Public Purpose*, states that the Auditor of State's Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect.

Testing of nonpayroll disbursements indicated checks issued to the Fiscal Officer without proper documentation or approval of Village Council as follows:

<u>Date</u>	<u>Check Number</u>	<u>Amount</u>	<u>Purpose</u>
1/6/2011	5798	\$65.94	Lelia Copas reimbursement for internet
2/2/2011	5811	65.94	Lelia Copas reimbursement for internet
3/3/2011	5844	65.94	Lelia Copas reimbursement for internet
4/7/2011	5878	65.97	Lelia Copas reimbursement for internet
5/5/2011	5912	65.94	Lelia Copas reimbursement for internet
6/13/2011	5939	65.94	Lelia Copas reimbursement for internet
7/7/2011	5977	65.94	Lelia Copas reimbursement for internet
8/4/2011	6017	65.94	Lelia Copas reimbursement for internet
9/1/2011	6022	65.94	Lelia Copas reimbursement for internet
9/1/2011	6032	65.94	Lelia Copas reimbursement for internet
9/1/2011	6044	<u>65.94</u>	Lelia Copas reimbursement for internet
		\$725.37	

Testing also noted the check number 6011 issued on December 31, 2011, in the amount of \$1,128.77 to the former Mayor, Delbert Copas, was indicated as reimbursement for 2011 expenses for the Mayor and Fiscal Officer. However, this expenditure was not approved by Council and did not include supporting documentation. The check did not clear the bank until May 21, 2012.

In addition, testing also noted check number 5942 issued on June 13, 2011, in the amount of \$188.46 to Frontier Communications was for an account number in the name of Delbert Copas.

Delbert Copas is the former Mayor and former Fiscal Officer Lelia Copas' husband. All of these checks were signed by Lelia Copas as Fiscal Officer. These items have resulted in public monies illegally expended totaling \$2,042.60.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is strictly liable for the amount of the expenditure. *Seward v. National Surety Corp.* (1929), 120 Ohio St. 47; 1980 Op. Att'y Gen. No. 80-074; Ohio Rev. Code § 9.39; *State, ex. Rel. Village of Linndale v. Masten* (1985), 18 Ohio St.3d 228.

**VILLAGE OF RARDEN
SCIOTO COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS (Continued)

FINDING NUMBER 2012-001 (Continued)

Noncompliance/Finding for Recovery - Public Monies Illegally Expended (Continued)

In accordance with the foregoing facts and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Lelia Copas, and Ohio Plan Risk Management, Inc., her bonding company, jointly and severally, and in favor of the Village of Rarden General Fund, in the amount of \$2,042.

Officials' Response: Revocation of bond in favor of Village of Rarden General Fund. Two signatures are now required on checks.

FINDING NUMBER 2012-002

Noncompliance/Internal Control - Annual Financial Report

Ohio Rev. Code § 117.38 provides that cash-basis entities must file annual reports with the Auditor of State within 60 days of the fiscal year end. The Auditor of State may prescribe by rule or guidelines the forms for these reports. However, if the Auditor of State has not prescribed a reporting form, the public office shall submit its report on the form used by the public office. Any public office not filing the report by the required date shall pay a penalty of twenty-five dollars for each day the report remains unfiled, not to exceed seven hundred fifty dollars. The Auditor of State may waive these penalties, upon the filing of the past due financial report.

The report shall contain the following: (A) amount of collections and receipts, and accounts due from each source; (B) amount of expenditures for each purpose; (C) income of any public service industry that the entity owns or operates, as well as the costs of ownership or operation; and (D) amount of public debt of each taxing district, the purpose of the debt, and how the debt will be repaid.

Also, the public office must publish notice in a local newspaper stating the financial report is available for public inspection at the office of the chief fiscal officer.

The Village did not file its 2012 or 2011 annual report with the Auditor of State. Failure to file the annual financial report within 60 days of the fiscal year-end can result in fines and penalties. Further, failing to file an annual report could be a symptom of an inadequate accounting system, inadequate training of personnel in understanding the accounting and reporting process, unposted or unreconciled records or other significant issues affecting the control environment, and may even pose fraud risks.

The lack of financial reports makes it difficult for management to monitor financial performance and impossible for the Village to be transparent to the public in its financial activity. In addition, the Village failed to publish public notice in the local newspaper stating the financial report is available for public inspection. This prevents transparency to the public of the Village's activities.

We recommend the Fiscal Officer file the Village's annual financial reports with the Auditor of State within 60 days of the fiscal year end. We also recommend the Village establish an accounting system capable of accurate financial reporting. We further recommend all the Village's officials obtain the necessary training needed to obtain an understanding in accounting information and reporting.

Officials' Response: The fiscal officer will file annual financial reports with the Auditor of State within time limits. We are in the process of establishing an accounting system.

VILLAGE OF RARDEN
SCIOTO COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011
(Continued)

FINDINGS RELATED TO THE FINANCIAL STATEMENTS (Continued)

FINDING NUMBER 2012-003

Noncompliance/Internal Control - Supporting Documentation

Ohio Rev. Code § 149.351(A) states that all records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commissions provided for under §§ 149.38 to 149.42 of the Revised Code or under the records programs established by the boards of trustees of state-supported institutions of higher education under § 149.33 of the Revised Code. Such records shall be delivered by outgoing officials and employees to their successors and shall not be otherwise removed, transferred, or destroyed unlawfully.

During 2011 and 2012, 100% of expenditures were not matched to supporting documentation, such as an invoice; therefore, expenditures could not be determined to be for a proper public purpose due to lack of supporting documentation.

We recommend all records be maintained for audit purposes and that no disbursements are made unless supporting documentation is available.

Officials' Response: All supporting documentation shall be maintained for audit purposes and no disbursements will be made without documentation.

FINDING NUMBER 2012-004

Noncompliance/Internal Control - Minute Record

Ohio Rev. Code §§ 733.27 and 733.28 provide that all official actions of the Village and all pertinent information shall be recorded in the Record of Proceedings (minutes).

Ohio Rev. Code § 121.22 states all meetings of any public body are to be open to the public at all times. The minutes of a regular or special meeting of any such public body shall be promptly recorded and open to public inspection. The minutes need only reflect the general subject matter of discussions in executive sessions.

The Fiscal Officer was unable to provide signed copies the minute record for the Council meetings for the period January 1, 2011 through December 31, 2012. Some minutes were provided by a Council member. However, they were not signed and all months were not available. This resulted in the lack of a permanent document of all official actions of the Village Council and could result in unauthorized changes taking place and going undetected for an extended period of time

We recommend the minutes of a regular or special meeting of any such public body shall be promptly recorded and maintained in a manner in which they are available and open to public inspection.

Officials' Response: Minutes of regular or special meetings will be promptly recorded and maintained in a manner which they are available and open to public inspection. Council will sign and approve minutes.

VILLAGE OF RARDEN
SCIOTO COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011
(Continued)

FINDINGS RELATED TO THE FINANCIAL STATEMENTS (Continued)

FINDING NUMBER 2012-005

Noncompliance/Internal Control - Accounting Records

Ohio Rev. Code § 733.28 requires the fiscal officer to maintain the books of the Village and exhibit accurate statements of all monies received and expended.

Ohio Admin. Code § 117-2-02(A) requires public offices to maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

Per Ohio Admin. Code § 117-2-02(D), accounting records that can help achieve these objectives include:

1. Cash journal, which typically includes the amount, date, receipt number, check number, account code, purchase order number, and any other information necessary to properly classify the transaction.
2. Receipts ledger, which typically assembles and classifies receipts into separate accounts for each type of receipt of each fund the public office uses. The amount, date, name of payor, purpose, receipt number, and other information required for such transactions to be recorded on this ledger.
3. Appropriation ledger, which assembles and classifies disbursements into separate accounts, for at a minimum, each account listed in the appropriation resolution. The amount, fund, date, check number, purchase order number, encumbrance amount, unencumbered balance, amount of disbursement, and any other information required may be entered in the appropriate columns.

Using these accounting records will provide the Village with information required to monitor compliance with the budget and prepare annual reports in the format required by the Auditor of State.

The Fiscal Officer did not maintain the cash journal, appropriation ledger or receipt ledger during 2012 or 2011. There were no payroll records provided for audit. In addition, the Fiscal Officer did not maintain a check register and frequently issued checks out of sequence. This resulted in an inability of the Fiscal Officer to provide Council with adequate information for the performance of their duties and an inability to issue classified financial statements required for audit.

We recommend the Fiscal Officer properly maintain the accounting records and reconcile the cash journal to the bank balances and to the receipts ledger and appropriation ledger monthly.

Officials' Response: Fiscal officer will maintain accounting records and reconcile the cash journal to bank balances and to receipts ledger and appropriation ledger monthly.

VILLAGE OF RARDEN
SCIOTO COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011
(Continued)

FINDINGS RELATED TO THE FINANCIAL STATEMENTS (Continued)

FINDING NUMBER 2012-006

Noncompliance/Internal Control - Appropriation Measures

Ohio Rev. Code § 5705.38(A) requires that on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until no later than April 1.

Additionally, Ohio Rev. Code § 5705.38(C) requires the following minimum level of budgetary control for subdivisions other than schools: "Appropriation measures shall be classified so as to set forth separately the amounts appropriated for each office, department, and division, and within each, the amount appropriated for personal services."

The Village Council did not adopt temporary or permanent appropriations in 2011. The Village Council did adopt temporary appropriations on January 5, 2012. However, the Village Council did not adopt permanent appropriations for 2012 and did not provide the temporary appropriations for audit. No appropriations were filed with the Scioto County Auditor for 2011 or 2012. As a result, all expenditures between January 1, 2011 and December 31, 2012 lacked legal appropriation authority.

We recommend the Village Council pass an appropriation measure on or about the first day of each fiscal year. If the Village adopts a temporary measure, they must adopt a permanent measure no later than April 1. In addition, approved appropriation measures should be filed with the Scioto County Auditor's office for the approval of the Budget Commission.

Officials' Response: Approved appropriations will be filed by the due date with the Scioto County Auditor's office for approval of the Budget Commission.

FINDING NUMBER 2012-007

Noncompliance/Internal Control - Appropriation Authority

Ohio Rev. Code § 5705.41(B) provides that no subdivision or taxing unit shall make any expenditure of money unless it has been appropriated.

The Village Council did not adopt appropriations for 2011 or 2012. Therefore all expenditures lacked appropriation authority. Expenditures exceeding appropriations can result in overspending available resources and deficit fund balances.

We recommend the Village Council adopt appropriations and file them with the County Budget Commission before incurring obligations that would cause expenditures to exceed appropriations. The Fiscal Officer should deny any payments until the legislative authority has passed the appropriation measure.

Officials' Response: The Village Council will adopt appropriations and file with the County Budget Commission before incurring obligations.

VILLAGE OF RARDEN
SCIOTO COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011
(Continued)

FINDINGS RELATED TO THE FINANCIAL STATEMENTS (Continued)

FINDING NUMBER 2012-008

Noncompliance - Proper Encumbering

Ohio Rev. Code § 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the Fiscal Officer is attached thereto. The Fiscal Officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is 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 shall be null and void.

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 §§ 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" Certificate – If the Fiscal Officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the Fiscal Officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.

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 entity may also make expenditures and contracts for any amount from a specific line-item appropriation account 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 certificate may be outstanding at a particular time for any line-item appropriation.

The Fiscal Officer did not certify the availability of funds prior to purchase commitment for any of the expenditures during 2011 and 2012. There was no evidence the Village followed the aforementioned exceptions. The Village did not have sufficient internal controls in place to ensure the certification of the availability of funds. Failure to certify the availability of funds properly can result in overspending funds and negative cash fund balances. This also resulted in unrecorded encumbrances for both 2012 and 2011. However, due to a lack of supporting documentation we were unable to determine a dollar amount.

VILLAGE OF RARDEN
SCIOTO COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011
(Continued)

FINDINGS RELATED TO THE FINANCIAL STATEMENTS (Continued)

FINDING NUMBER 2012-008 (Continued)

Noncompliance - Proper Encumbering (Continued)

Unless the Village uses the exceptions noted above, 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, we recommend that the Fiscal Officer 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. In addition, the budgetary presentation should include outstanding encumbrances at year end.

We recommend the Village officials and employees obtain the Fiscal Officer's certification of the availability of funds prior to the commitment being incurred. The most convenient certification method is to use purchase orders that include the certification language Ohio Rev. Code § 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification at the time the Village incurs a commitment, and only when the requirements of Ohio Rev. Code § 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase orders to the proper appropriation code to reduce the available appropriation.

Officials' Response: We have appointed a new fiscal officer. We have implemented the use of certificates with a specific amount. Village officials shall make sure the funds are available prior to certificate being issued.

FINDING NUMBER 2012-009

Noncompliance/Internal Control - Bank Reconciliations

Ohio Admin. Code §§ 117-2-01(D)(3) and (5) state that when designing the public office's system of internal control and the specific control activities, management should ensure adequate security of assets and records, and verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.

The Fiscal Officer did not prepare monthly bank reconciliations to reconcile the bank statements to the cash journal. Not performing these monthly reconciliations resulted in errors that went undetected by the Fiscal Officer. This resulted in the Village financial records being inaccurate and carrying incorrect fund balances.

We recommend the Fiscal Officer prepare monthly bank reconciliations in a timely manner so that reconciling items can be easily identified and corrections, if necessary, can be made in a timely manner. These reconciliations should be reviewed and approved by the Village Council.

Officials' Response: Monthly bank reconciliations will be done in a timely manner and reviewed and approved by council members.

VILLAGE OF RARDEN
SCIOTO COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011
(Continued)

FINDINGS RELATED TO THE FINANCIAL STATEMENTS (Continued)

FINDING NUMBER 2012-010

Noncompliance/Internal Control - Monitoring by Council

Ohio Admin. Code § 117-2-01(D)(4) states that when designing the public office's system of internal control and the specific control activities, management should plan for adequate segregation of duties or compensating controls.

The size of the Village's staff did not allow for an adequate segregation of duties; the Fiscal Officer performed all accounting functions, including receipting, depositing, disbursing, and reconciling. It is therefore important that the Village Council monitor financial activity closely.

The Village Council did not receive or review financial reports. The Fiscal Officer did not maintain the cash journal and monthly financial report showing total balances, receipts, and disbursements by fund. There was no Council signature or approval in the minute record proving board review. The cash journal was not completed and reconciled to the bank balances and the receipt and appropriation ledgers were not completed. Vouchers were not prepared or presented to Council prior to payment and only the Fiscal Officer's signature was required on the checks. Therefore, there were no records provided to the Council to provide any reliance that internal controls were in place. Bank reconciliations were not prepared so there were no processes or procedures in place to ensure transactions were posted in the proper period. Further, no processes exist to identify unusual fluctuations between accounts or between fiscal years.

Estimated resources and appropriations were not recorded in the manual ledger accounting system. This prevented accurate monitoring by the Village Council and could result in an inaccurate presentation of budget to actual financial reports.

We recommend the Fiscal Officer maintain record of budget and actual information in a format easily reviewable by the Village Council. We further recommend the Village Council review detailed financial reports, budget versus actual information, and bank reconciliations on a monthly basis. This should be documented in the minute record and/or initialed and dated as reviewed. We also recommend the Village Council make appropriate inquiries to help determine the continued integrity of financial information. Appropriate inquiries would include:

- Are current receipts sufficient to cover expenditures?
- Are receipts and expenditures in line with prior years?
- If unusual fluctuations in receipts or expenditures occur, is the reason understood?
- Are anticipated receipts being received in a timely manner?

The information obtained as a result of such reviews and inquiries will provide important data necessary to properly manage the Village.

Officials' Response: Council now reviews financial reports and banking information monthly, signs each expense as reviewed, and signs and approves the minute record.

VILLAGE OF RARDEN
SCIOTO COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011
(Continued)

FINDINGS RELATED TO THE FINANCIAL STATEMENTS (Continued)

FINDING NUMBER 2012-011

Noncompliance - Federal Payroll Taxes

26 U.S.C. §3401, §3402, §3403, §3404, §3405, and §3102(a) require the employing government to withhold federal income and employment related taxes (such as Medicare). They also require the government to report and remit those tax matters to the appropriate tax authorities and to the recipients.

The Fiscal Officer did not submit the required federal payroll taxes throughout 2012 or 2011. She did not submit the required Form 941 quarterly report as required by the Internal Revenue Service for any of the four quarters of 2012 or 2011. This resulted in an underpayment of \$982.71 in federal income taxes. This could also result in charges for penalties and interest for the Village when these reports are filed.

We recommend the Fiscal Officer file the required reports when completing the last payroll of the quarter to avoid accrual of interest and penalties.

Officials' Response: New fiscal officer shall file required reports when completing the last payroll of each quarter to avoid interest and penalties.

FINDING NUMBER 2012-012

Internal Control - Sound Financial Reporting

Sound financial reporting is the responsibility of the fiscal officer and governing board and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

As a result of the audit procedures performed, we noted the following errors in the financial statements that required audit adjustment or reclassification:

The Village did not post tax receipts, intergovernmental receipts, charges for services, investment earnings, or miscellaneous receipts, as well as security of persons and property, public health, leisure time, basic utility services, transportation, general government, and capital outlay disbursements, including salaries and benefits, to the Village receipt and disbursement ledgers and to the annual financial report for fiscal years 2011 and 2012. The Village cashbook was reconstructed by Local Government Services (LGS). However, LGS relied on the Village elected officials to determine the fund classifications for the receipts and disbursements. Testing indicated numerous errors in fund allocations. These misstatements had the following net effect on the Village's financial statements as of December 31, 2012 and 2011:

**VILLAGE OF RARDEN
SCIOTO COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS (Continued)

FINDING NUMBER 2012-012 (Continued)

Internal Control - Sound Financial Reporting (Continued)

<u>Fund</u>	Cashbook Fund Balance <u>December 31, 2012</u>	Audited Fund Balance <u>December 31, 2012</u>	<u>Adjustment</u>
General Fund	\$16,952	\$1,776	(\$15,176)
Fire Fund	(10,946)	24,134	35,080
Ambulance Fund	61,679	50,241	(11,438)
Street Light Fund	3,805	(417)	(4,222)
Street Fund	2,433	5,894	3,461
State Highway Fund	4,021	863	(3,158)
Park Fund	0	(310)	(310)
Capital Improvement Fund	3,662	0	(3,662)

<u>Fund</u>	Cashbook Fund Balance <u>December 31, 2011</u>	Audited Fund Balance <u>December 31, 2011</u>	<u>Adjustment</u>
General Fund	\$28,302	\$23,733	(\$4,569)
Fire Fund	30,456	48,002	17,546
Ambulance Fund	42,218	27,362	(14,856)
Street Light Fund	1,013	2,838	1,825
Street Fund	1,900	3,159	1,259
State Highway Fund	1,807	616	(1,191)
Park Fund	0	1,224	1,224
Capital Improvement Fund	4,237	0	(4,237)

Lack of posting to financial records resulted in audit adjustments. The Village has agreed to these adjustments and the audited financial statements and the Village's accounting system reflect the above adjustments.

To ensure the Village's financial statements and notes to the financial statements are complete and accurate, we recommend the Fiscal Officer review the Village Handbook for guidance on the correct line item to post various receipts and expenditures of the Village.

Officials' Response: Fiscal officer will post receipts and expenditures to proper line item and shall be complete and accurate.

VILLAGE OF RARDEN
SCIOTO COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011
(Continued)

FINDINGS RELATED TO THE FINANCIAL STATEMENTS (Continued)

FINDING NUMBER 2012-013

Internal Control – Ambulance Billing

The Village provided ambulance services for the Village and Township throughout the audit period. The Village contracted with Faithful Medical Billing for third party administration of the medical claims associated with these services. Procedures required the Fiscal Officer to fax the ambulance run sheets to Faithful Medical Billing for processing. On August 2, 2012, the Village entered into an agreement with MBI Solutions, Inc., for third-party administration of the medical claims. At that time they also changed the procedures for submission of run sheets and appointed a liaison within the department to work with MBI Solutions, Inc.

The Village did not receive any revenue from medical claims for the period February, 2011 through October 2012. Confirmation with Faithful Medical Billing indicated they had not received any run sheets during calendar year 2011 or 2012. We were unable to confirm if the run sheets were maintained or submitted by the former Fiscal Officer. This lack of due care resulted in a significant loss of revenue for Village ambulance service.

We recommend the Village Council request reports documenting information such as, the number of ambulance runs, the number of run sheets submitted, and revenue from medical claims on a monthly basis to assure run sheets are being submitted and processed in a timely manner.

Officials' Response: We will follow auditor's recommendations to make sure items are submitted and processed in a timely manner.

FINDING NUMBER 2012-014

Internal Control - Timely Deposit

The Fiscal Officer should deposit receipts exceeding \$1,000 with the designated depository within three business days of collection.

During the audit period, the Village regularly made one deposit at month end. In addition, a deposit made on December 30, 2011 in the amount of \$63,989 included receipts from October, November, and December, 2011. Delays of this nature could cause Village daily receipts to be lost or misplaced without being detected in a timely manner.

Testing of the State Distribution Transaction List indicated a check in the amount of \$76.45 issued April 15, 2011 for the Gas Tax Fund which was voided by the state due to age. Testing of the County Auditor Vendor Audit Trail report also indicated a check in the amount of \$100.12 which was redeemed and was included in the county's unclaimed funds in 2013.

We recommend the Village Council develop and implement policies that would provide for the deposit of monies received in a timely manner. Further, the Village should take steps to develop safeguards over these receipts prior to deposit, including, but not limited to, placement in a safe, vault, locked cabinet, or other secure and restricted area.

Officials' Response: Any deposits over \$1,000 will be made within three business days of collection. Receipts will be kept in a secure and restricted area until deposited.

VILLAGE OF RARDEN
SCIOTO COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011
(Continued)

FINDINGS RELATED TO THE FINANCIAL STATEMENTS (Continued)

FINDING NUMBER 2012-015

Internal Control - Budgetary Amounts

The Village did not have a control procedure in place to ensure that appropriations and estimated receipts, as authorized by the Village Council, were approved by the County Budget Commission, were reconciled to the appropriations and estimated receipts, or were posted to the accounting system.

As a result, there were no appropriations or estimated receipts Certified by the County Budget Commission for the audit period. There were no budgetary amounts posted to the accounting system. Information was not available for Village officials to monitor year-to-date total comparison of budgeted amounts versus actual amounts. Adjustments were made to the budgetary activity reported in Note 3 to the financial statements in order to accurately present the lack of budgetary activity for the Village throughout the audit period.

We recommend the Village Council implement procedures to ensure appropriations and estimated receipts are approved, accurately posted to the accounting system, and reconciled to the amounts approved by the budget commission after each amendment.

Officials' Response: The Village will implement proper procedures for appropriations, receipts, and reconciled amounts.

**VILLAGE OF RARDEN
SCIOTO COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2012 AND 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-001	Posting receipts and expenditures.	No	Not Corrected. Reissued as Finding Number 2012-012.
2010-002	Posting estimated revenues and appropriations.	No	Not Corrected. Reissued as Finding Number 2012-015.
2010-003	Manual financial statement presentation.	No	Not Corrected. Reissued as Finding Number 2012-002.
2010-004	Management monitoring for internal control.	No	Not Corrected. Reissued as Finding Number 2012-010.
2010-005	Ohio Rev. Code § 5705.41(D).	No	Not Corrected. Reissued as Finding Number 2012-008.
2010-006	Ohio Rev. Code § 9.38 and depositing only once per month.	No	Not Corrected. Reissued as Finding Number 2012-014.

This page intentionally left blank.



Dave Yost • Auditor of State

VILLAGE OF RARDEN

SCIOTO 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
JUNE 3, 2014**