

Village of Rarden
Scioto County
Regular Audit
For the Year Ended December 31, 2013



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Village of Rarden
Scioto County
Table of Contents
For the Year Ended December 31, 2013

Title	Page
Independent Auditor's Report.....	1
Combined Statement of Unclassified Cash Receipts, Unclassified Cash Disbursements and Changes in Fund Cash Balances – All Governmental Fund Types – For the Year Ended December 31, 2013	3
Notes to the Financial Statements	4
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	10
Schedule of Findings and Responses	12
Schedule of Prior Audit Findings.....	21

Independent Auditor's Report

Village Council
Village of Rarden
1693 Main Street
Rarden, Ohio 45671

Report on the Financial Statements

We were engaged to audit the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Rarden, Scioto County, Ohio (the Village) as of and for the year ended December 31, 2013.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on conducting the audit in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Because of the matter described in the *Basis for Disclaimer of Opinion* paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

The accompanying financial statements for the year ended December 31, 2013 present receipts and disbursements by fund type totals only. Ohio Administrative Code Section 117-2-02(A) requires villages to classify receipt and disbursement transactions.

Non-payroll disbursements are reported as follows for the year ended December 31, 2013: general fund in the amount of \$17,692, or 74% of total general fund disbursements and special revenue funds in the amount of \$176,535, or 100% of total special revenue funds' disbursements. We were unable to obtain sufficient appropriate audit evidence supporting the amounts recorded as non-payroll disbursements for the general fund or special revenue funds for the year ended December 31, 2013. Consequently, we were unable to determine whether any adjustments to these amounts were necessary. Cash receipts are reported as \$32,570 and \$124,052 for the year ended December 31, 2013, for the general and special revenue funds, respectively. We were unable to obtain sufficient appropriate audit evidence supporting the amounts recorded as cash receipts. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

Village of Rarden
Scioto County
Independent Auditor's Report

Disclaimer of Opinion

Because of the significance of the matters described in the *Basis for Disclaimer of Opinion* paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on these financial statements.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 30, 2016 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Natalie Millhuff-Stang, CPA, CITP
President/Owner
Millhuff-Stang, CPA, Inc.
Portsmouth, Ohio

May 30, 2016

Village of Rarden
Scioto County
*Combined Statement of Unclassified Cash Receipts, Unclassified Cash Disbursements and
Changes in Fund Cash Balances*
All Governmental Fund Types
For the Year Ended December 31, 2013

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	General	Special Revenue	
Cash Receipts:			
Cash Receipts	\$32,570	\$124,052	\$156,622
Total Cash Receipts	32,570	124,052	156,622
Cash Disbursements:			
Cash Disbursements	23,957	176,535	200,492
Total Cash Disbursements	23,957	176,535	200,492
Net Change in Fund Cash Balance	8,613	(52,483)	(43,870)
Fund Cash Balances, January 1	1,776	80,405	82,181
Restricted			
Street Lights	0	3,001	3,001
Emergency Medical Services	0	16,348	16,348
Fire Operations	0	2,567	2,567
Road Maintenance and Improvements	0	7,480	7,480
Unassigned	10,389	(1,474)	8,915
Fund Cash Balances, December 31	\$10,389	\$27,922	\$38,311

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

Village of Rarden
Scioto County
Notes to the Financial Statements
For the Year Ended December 31, 2013

Note 1 – Summary of Significant Accounting Policies

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 person and property services which include fire protection and ambulance services.

The Village participates in a public entity risk pool. Note 7 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.

Basis of Accounting

These financial statements follow the accounting basis the Auditor of State of Ohio 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).

The Village did not classify its receipts and disbursements in the accompanying financial statements. This is a material departure from the requirements of Ohio Administrative Code Section 117-2-02(A). This Ohio Administrative Code Section requires classifying receipts and disbursements.

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

Deposits and Investments

The Village has one demand deposit account and no investments.

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:

General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

Village of Rarden
Scioto County
Notes to the Financial Statements
For the Year Ended December 31, 2013

Special Revenue Funds

These funds account for proceeds from specific sources (other than those from private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. 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.

Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year-end.

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.

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 during 2013.

A summary of the 2013 budgetary activity appears in Note 3.

Fund Balance

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

Nonspendable

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

Restricted

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

Village of Rarden
Scioto County
Notes to the Financial Statements
For the Year Ended December 31, 2013

Committed

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

Assigned

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

Unassigned

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

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

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.

Note 2 – Equity in Pooled Deposits

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

	2013
Demand deposits	<u>\$38,311</u>

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

Village of Rarden
Scioto County
Notes to the Financial Statements
For the Year Ended December 31, 2013

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2013 follows:

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$0	\$32,570	\$32,570
Special Revenue	0	124,052	124,052
Total	\$0	\$156,622	\$156,622

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$23,957	(\$23,957)
Special Revenue	0	176,535	(176,535)
Total	\$0	\$200,492	(\$200,492)

Note 4 – Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Village 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. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

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

Note 5 – Debt

Debt outstanding at December 31, 2013 was as follows:

	Principal	Interest Rate
Promissory Note - Ambulance	\$37,038	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 ambulance is collateral for the loan.

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

Year ending	Milton
December 31:	Banking
	<u>Company</u>
2014	\$19,823
2015	19,823
	\$39,646

Village of Rarden
Scioto County
Notes to the Financial Statements
For the Year Ended December 31, 2013

Note 6 - Retirement Systems

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

Note 7 – Risk Management

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) – formerly known as the Ohio 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.

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 (and through October 2014) 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 774 members as of December 31, 2013.

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 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 amount 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 equity at December 31, 2013:

	<u>2013</u>
Assets	\$13,774,304
Liabilities	<u>(7,968,395)</u>
Members' Equity	<u>\$5,805,909</u>

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

Note 8 – Contingent Liabilities

Grants

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor, principally the federal government. Grants 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.

Village of Rarden
Scioto County
Notes to the Financial Statements
For the Year Ended December 31, 2013

Litigation

The Village is not currently party to any legal proceedings.

Note 9 – Compliance

The Village did not properly certify the total amounts available for expenditure or prepare the appropriate official certificate of estimated resources, which is contrary to Ohio Revised Code Section 5705.36.

The Village did not properly maintain documentation of adoption of appropriations or file those appropriations measures with the County Auditor, which is contrary to Ohio Revised Code Section 5705.38.

The Village did not file its annual financial report with the Auditor of State, which is contrary to Ohio Revised Code Section 117.38.

The Village did not properly certify the availability of funds through an encumbrance process, which is contrary to Ohio Revised Code Section 5705.41(D).

The Village did not properly file appropriations with the County Auditor which led to no appropriation authority for 2013 resulting in expenditures in excess of appropriations, which is contrary to Ohio Revised Code Section 5705.41(B).

The Village had negative fund balances during the year and at year-end, which is contrary to Ohio Revised Code Section 5705.10.

The Village did not properly report to the Bureau of Workers Compensation or remit the appropriate coverage premiums, which is contrary to Ohio Revised Code Sections 4123.35 and 4123.323.

The Village did not properly report to the Internal Revenue Service or remit the appropriate contributions or withholdings, which is contrary to 26 U.S.C. Sections 3401, 3402, 3403, 3404, 3405, and 3102(a).

The Village did not reconcile its bank accounts, which is contrary to Ohio Administrative Code Section 117-2-01(D)(3) and (5).

The Council did not properly monitor financial activity of the Village, which is contrary to Ohio Administrative Code Section 117-2-01(D)(4).

The Village did not properly maintain supporting documentation for various financial transactions, contrary to Ohio Revised Code Section 149.351(A).

The Village did not properly maintain accounting records with resulted in failure in properly present statements as prescribed by the Auditor of State, which is contrary to Ohio Revised Code Section 733.28 and Ohio Administrative Code Sections 117-2-02(A) and (D).

The Village did not properly maintain minute records, which is contrary to Ohio Revised Code Sections 733.27 and 733.28. The Village also did not properly document executive sessions, which is contrary to Ohio Revised Code Section 121.22.

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Village Council
Village of Rarden
1693 Main Street
Rarden, Ohio 45671

We were engaged to 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, the financial statements of the Village of Rarden, Scioto County, Ohio (the Village) as of and for the year ended December 31, 2013, and the related notes to the financial statements and have issued our report thereon dated May 30, 2016, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. We did not opine on these financial statements because we were unable to obtain sufficient audit evidence supporting the amounts recorded as disbursements and receipts.

Internal Control Over Financial Reporting

As part of our financial statement engagement, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. 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 corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2013-002, 2013-003, 2013-005, 2013-007, and 2013-009 through 2013-017, that we consider to be material weaknesses.

Village of Rarden

Scioto County

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Page 2

Compliance and Other Matters

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 grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2013-001 through 2013-009, 2013-011 through 2013-013, and 2013-017.

Village's Responses to Findings

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Village's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Natalie Millhuff-Stang, CPA, CITP
President/Owner
Millhuff-Stang, CPA, Inc.
Portsmouth, Ohio

May 30, 2016

Village of Rarden
Scioto County
Schedule of Findings and Responses
For the Year Ended December 31, 2013

Findings Related to the Financial Statements Required to be Reported in Accordance With GAGAS

Finding 2013-001 – Noncompliance – Certificate of Total Amounts Available & Certificates of Estimated Resources

Ohio Revised Code Section 5705.36 states that on or about the first day of each fiscal year, the fiscal officers of subdivisions and other taxing units shall certify to the County Auditor the total amount from all sources available for expenditure from each fund in the tax budget along with any unencumbered balances existing at the end of the preceding year.

Ohio Revised Code Section 5705.36(A)(2) allows all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources.

Ohio Revised Code Section 5705.36(A)(3) requires obtaining an increased amended certificate from the budget commission if the legislative authority intends to appropriate and expend excess revenue.

Ohio Revised Code Section 5705.36(A)(4) requires obtaining a reduced amended certificate if the amount of the deficiency will reduce available resources below the current level of appropriation. The total appropriations made during a fiscal year from any fund must not exceed the amount contained in the certificate of estimated resources or the amended certificate of estimated resources which was certified prior to making the appropriation or supplemental appropriation.

The Fiscal Officer did not prepare or file a certificate of total amounts from all sources available for expenditure and the balances existing at the end of the preceding year or an official certificate of estimated resources with the County Auditor for 2013. The Village should implement the appropriate procedures to ensure that the required budgetary documents are prepared and filed with the County Auditor.

Client Response:

Officials chose not to respond.

Finding 2013-002 – Noncompliance/Material Weakness – Adoption of Appropriations

Ohio Revised Code Section 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 1st.

The Council adopted temporary appropriations on January 28, 2013 and final appropriations on April 18, 2013 for 2013 per the minute record. However, the Village could not provide copies of the formally adopted appropriations for audit. We also noted that they were not filed with the County Auditor. As a result, all expenditures in 2013 lacked legal appropriation authority.

The Council should 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 County Auditor for the approval of the Budget Commission.

Client Response:

Officials chose not to respond.

Village of Rarden
Scioto County
Schedule of Findings and Responses
For the Year Ended December 31, 2013

Finding 2013-003 – Noncompliance/Material Weakness – Annual Financial Report

Ohio Revised Code Section 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 sources; (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.

The Village did not file its 2013 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.

The Fiscal Officer should file the Village’s annual financial reports with the Auditor of State within 60 days of the fiscal year end. Also, the Village should establish an accounting system capable of accurate financial reporting. Further, the Village’s officials should obtain the necessary training needed to obtain an understanding in accounting information and reporting.

Client Response:

Officials chose not to respond.

Finding 2013-004 – Noncompliance – Proper Encumbering

Ohio Revised Code Section 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditures 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 Sections 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.

Village of Rarden
Scioto County
Schedule of Findings and Responses
For the Year Ended December 31, 2013

Finding 2013-004 – Noncompliance – Prior Encumbrance of Funds (Continued)

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 Village 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 expenses. 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 expenditures during 2013. 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 2013. However, due to lack of supporting documentation we were unable to determine a dollar amount.

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.

The Village officials and employees should 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 Revised Code Section 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 Revised Code Section 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase orders to the proper appropriation code to reduce the available appropriation.

Client Response:

Officials chose not to respond.

Finding 2013-005 – Noncompliance/Material Weakness – Appropriation Authority

Ohio Revised Code Section 5705.41(B) provides that no subdivision or taxing unit shall make any expenditure of money unless it has been appropriated. The Council could not provide copies of formally adopted appropriations for 2013. We also noted that formally adopted appropriations were not on file with the County Auditor. Therefore all expenditures lacked appropriation authority. Expenditures exceeding appropriations can result in overspending available resources and deficit fund balances. The Council should adopt appropriations and file them with the County Auditor 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.

Village of Rarden
Scioto County
Schedule of Findings and Responses
For the Year Ended December 31, 2013

Finding 2013-005 – Noncompliance/Material Weakness – Appropriation Authority (Continued)

Client Response:

Officials chose not to respond.

Finding 2013-006 – Noncompliance – Negative Fund Balances

Ohio Revised Code Section 5705.10(H) states that money paid into a fund must be used only for the purposes for which such fund has been established. As a result, a negative fund cash balance indicates that money from one fund was used to cover the expenses of another fund. During 2013, the Village had negative fund balances in the Fire, State Highway and Park Funds. The Village should implement proper budgetary procedures to ensure that fund balance deficits do not occur.

Client Response:

Officials chose not to respond.

Finding 2013-007 – Noncompliance/Material Weakness – Workers Compensation

Ohio Revised Code Sections 4123.35 and 4123.323, in part, requires the Village to file a workers compensation report and pay premiums. The Fiscal Officer did not submit the required workers compensation report nor did she submit the required premium for 2012, payable in 2013. The Fiscal Officer should ensure that the required reports are filed annually and that the required premiums are paid to ensure the Village is sufficiently covered against workers compensation claims.

Client Response:

Officials chose not to respond.

Finding 2013-008 – Noncompliance – Federal Payroll Taxes

26 U.S.C. Sections 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 the recipients. The Fiscal Officer did not timely submit the required federal payroll taxes or quarterly Tax Forms 941 as required by the Internal Revenue Service for any of the four quarters of 2013. These taxes and reports were not filed until April 2014. As a result, the Village incurred \$93.95 in penalties and interest. The Fiscal Officer should submit the required reports and contribution/withholding remittances in a timely manner to ensure compliance with applicable laws and regulations and avoid interest and penalties.

Client Response:

Officials chose not to respond.

Finding 2013-009 – Noncompliance/Material Weakness – Bank Reconciliations

Ohio Administrative Code Section 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.

Village of Rarden
Scioto County
Schedule of Findings and Responses
For the Year Ended December 31, 2013

Finding 2013-009 – Noncompliance/Material Weakness – Bank Reconciliations (Continued)

The Fiscal Officer did not prepare monthly bank reconciliations to reconcile the bank statements to the cash journal for their main account. Further, it was noted that the Village opened an EMS bank account without approval from the board and the activity was not record in a cash book. Bank reconciliations were not performed for this account either.

The Fiscal Officer should perform monthly 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 Council. Furthermore, all activity of the Village, including activity in outside bank accounts, should be properly accounted for within the Village’s accounting records.

Client Response:

Officials chose not to respond.

Finding 2013-010 – Material Weakness – Sound Financial Reporting

Sound financial reporting is the responsibility of the Fiscal Officer and the Council 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 various errors in the financial statements that required audit adjustment or reclassification. The Village should implement procedures to ensure that all financial transactions are properly recorded within the accounting system to ensure that financial statements can be properly presented to Council for planning and decision-making purposes and to external sources to ensure that an accurate and complete presentation of the Village’s finances can be provided. The Village should also review the Village Handbook for guidance on the correct line item to post various receipts and expenditures of the Village.

Client Response:

Officials chose not to respond.

Finding 2013-011 – Noncompliance/Material Weakness – Monitoring by Council

Ohio Administrative Code Section 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 Council monitor financial activity closely.

The Council did not receive or review financial reports. During 2013, 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 balance 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 for 2013. This prevented accurate monitoring by the Council.

Village of Rarden
Scioto County
Schedule of Findings and Responses
For the Year Ended December 31, 2013

Finding 2013-011 – Noncompliance/Material Weakness – Monitoring by Council (Continued)

The Fiscal Officer should maintain record of budget and actual information in a format easily reviewable by the Council. Further, the Council should 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. The Council should also 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 inquires will provide important data necessary to properly manage the Village.

Client Response:

Officials chose not to respond.

Finding 2013-012 – Noncompliance/Material Weakness – Supporting Documentation

Ohio Revised Code Section 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 Section 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 Section 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 testing, we were unable to match several expenditures 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. In addition, we noted two checks that were written to cash that did not have support. Lastly, we were unable to agree several receipts to supporting documentation.

The Village should implement procedures to ensure all records are properly maintained for audit purposes, to support properly recording within the accounting system, and to demonstrate proper public purpose. Furthermore, no disbursements should be made unless supporting documentation is available.

Client Response:

Client chose not to respond.

Finding 2013-013 – Noncompliance/Material Weakness – Accounting Records/Classified Financial Statements

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

Ohio Administrative Code Section 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.

Village of Rarden
Scioto County
Schedule of Findings and Responses
For the Year Ended December 31, 2013

Finding 2013-013 – Noncompliance/Material Weakness – Accounting Records/Classified Financial Statements (Continued)

Per Ohio Administrative Code Section 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 2013. 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. The Village had to procure the services of the Auditor of State's Local Government Services to reconstruct records and prepare financial statements for audit.

The Village's financial records for 2013 were not maintained in a fashion that allowed for the presentation of financial statements in a classified format as required by the Ohio Administrative Code. The Village should implement the appropriate procedures to ensure that financial records are sufficiently maintained in order to properly present financial statements in the required format.

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

Client Response:

Client chose not to respond.

Finding 2013-014 – Material Weakness – Monitoring of Ambulance Billing Service Provider

The Village provided ambulance services for the Village and Rarden Township throughout the audit period. The Village entered into an agreement with MBI Solutions, Inc., for third-party administration of medical claims in a prior year. At this time they also changed the procedures for submission of run sheets and appointed a liaison within the department to work with MBI Solutions, Inc. (now Medi-Count).

We were able to obtain a Service Organization Controls (SOC) 1 report, but we were unable to determine whether the Village is properly monitoring the billing and collections of the service provider. The Village should review the service organization's SOC 1 report for user control considerations and implement the appropriate procedures to ensure that the service provider is properly billing for services provided by the Village and that collections remitted to the Village from the service provider are accurate and complete.

Client Response:

Client chose not to respond.

Village of Rarden
Scioto County
Schedule of Findings and Responses
For the Year Ended December 31, 2013

Finding 2013-015 – Material Weakness – Timely Deposits

Ohio Revised Code Section 9.38 states that public money must be deposited with the treasurer of the public office or to a designated depository on the business day following the day of receipt. If the amount of daily receipts does not exceed \$1,000 and the receipts can be safeguarded, public offices may adopt a policy permitting their officials who receive this money to hold it past the next business day, but the deposit must be made no later than 3 business days after receiving it. If the public office is governed by a legislative authority (counties, municipalities, townships, and school districts), only the legislative authority may adopt the policy. The policy must include provisions and procedures to safeguard the money during the intervening period. If the amount exceeds \$1,000 or a lesser amount cannot be safeguarded, the public official must then deposit the money on the first business day following the date of receipt.

During 2013, the Village would regularly make large deposits close to month end. The Council should develop and implement policies and procedures 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 another secure and restricted area.

Client Response:

Client chose not to respond.

Finding 2013-016 – Material Weakness – Budgetary Amounts

A budgetary cycle should be in place for all governments. The budgetary process is a plan to coordinate expenditures and resources. The State Legislature has adopted laws to control expenditures using tax budgets and appropriations. Budgeting, properly used, provides the most important monitoring control a government has. It is impossible to incur a cash deficit if a government complies with the budgetary law. Additionally, the budget is an instrument of public policy. A governing board expresses its desire for using a government's limited resources through its appropriations.

While performing budgetary cycle testing for the Village, it was determined that the Village does not have a control procedure in place to ensure that appropriations and estimated receipts, as authorized by the Council, were approved by the County Budget Commission, were reconciled to the appropriations and estimated receipts, or were posted to the accounting system.

The Council should 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.

Client Response:

Client chose not to respond.

Finding 2013-017 – Noncompliance/Material Weakness – Minute Record

Ohio Revised Code Sections 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 Revised Code Section 121.22 states that all meetings of any public body are 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. Section 121.22(G) further states that the members of a public body determine, by a roll call vote, to hold such a session and only at a regular or special meeting for the sole purpose of the consideration of any of the following matter:

Village of Rarden
Scioto County
Schedule of Findings and Responses
For the Year Ended December 31, 2013

Finding 2013-017 – Noncompliance/Material Weakness – Minute Record (Continued)

- (1) The appointment, employment, dismissal, discipline, promotion, demotion, or compensation of a public employee or officials, or the investigation of charges or complaints against a public employee, official, licensee, or regulated individual, unless the public employee, official licensee, or regulated individual requests a public hearing.
- (2) The purchase of property for public purposes, or for the sale of property at competitive bidding, if premature disclosure of information would give an unfair competitive or bargaining advantage to a person whose personal private interest is adverse to the general public interest.
- (3) Conducting conferences with an attorney for the public body, concerning disputes involving the public body that are the subject of pending or imminent court action.
- (4) Preparing for, conducting, or reviewing negotiations or bargaining sessions with public employees concerning their compensation or other terms and conditions of their employment.
- (5) Matters required to be kept confidential by federal laws or rules or state statutes.
- (6) Specialized details of security arrangements and emergency response protocols where disclosure of the matters discussed could reasonably be expected to jeopardize the security of the public body or public office.

The Fiscal Officer was unable to provide copies of the minute record for the Council meetings for 10 meetings in 2013. Also, for 2013 the minute records that were provided were not signed. Further, during 2013, we noted that the Council entered into executive session twice without a roll call vote.

The Village should implement the appropriate procedures to ensure that minutes of a regular or special meeting of any such public body be promptly recorded and maintained in a manner in which they are available and open to public inspection. In addition, these minutes should be signed by the Fiscal Officer and the Council President to indicate they are the official copies of the formally adopted minutes. Lastly, the Council should ensure that roll call is taken prior to entering into executive session.

Client Response:

Client chose not to respond.

Village of Rarden
Scioto County
Schedule of Prior Audit Findings
For the Year Ended December 31, 2013

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2012-001	Noncompliance/Finding for Recovery – State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951) – Public Monies Illegally Expended	Yes	Finding fully repaid
2012-002	Noncompliance/Material Weakness – ORC 117.38 – Annual Financial Report	No	Reissued as 2013-003
2012-003	Noncompliance/Material Weakness – ORC 149.351(A) – Supporting Documentation	No	Reissued as 2013-012
2012-004	Noncompliance/Material Weakness – ORC 733.27, 733.28, & 121.22 – Minute Record	No	Reissued as 2013-017
2012-005	Noncompliance/Material Weakness – ORC 733.28 and OAC 117-2-02(A) & (D) – Accounting Records	No	Reissued as 2013-013
2012-006	Noncompliance/Material Weakness – ORC 5705.38(A) & (C) – Appropriation Measures	No	Reissued as 2013-002
2012-007	Noncompliance/Material Weakness – ORC 5705.41(B) – Appropriation Authority	No	Reissued as 2013-005
2012-008	Noncompliance – ORC 5705.41(D) – Proper Encumbering	No	Reissued as 2013-004
2012-009	Noncompliance/Material Weakness – OAC 117-2-01(D)(3) & (5) – Bank Reconciliations	No	Reissued as 2013-009
2012-010	Noncompliance/Material Weakness – OAC 117-2-01(D)(4) – Monitoring by Council	No	Reissued as 2013-011
2012-011	Noncompliance – 26 USC 3401-3405 & 3102(a) – Federal Payroll Taxes	No	Reissued as 2013-008
2012-012	Material Weakness – Sound Financial Reporting	No	Reissued as 2013-010
2012-013	Material Weakness – Ambulance Billing	No	Reissued as 2013-014
2012-014	Material Weakness – Timely Deposits	No	Reissued as 2013-015
2012-015	Material Weakness – Budgetary Amounts	No	Reissued as 2013-016