
ALGER & ASSOCIATES, Inc.



PROFESSIONAL FINANCIAL AND COMPLIANCE AUDIT SERVICES

VILLAGE OF RAYLAND

JEFFERSON COUNTY

REGULAR AUDIT

A&A

For the Years Ended

December 31, 2019 and 2018

6927 Burgundy Ave NW
North Canton, OH 44720
Phone (330) 353-5851
Fax (330) 768-7574

OHIO AUDITOR OF STATE
KEITH FABER



88 East Broad Street
Columbus, Ohio 43215
IPAReport@ohioauditor.gov
(800) 282-0370

Members of Council
Village of Rayland
P.O. Box 188
Rayland, OH 43943

We have reviewed the *Independent Auditor's Report* of the Village of Rayland, Jefferson County, prepared by Alger & Associates, Inc., for the audit period January 1, 2018 through December 31, 2019. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Rayland is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

August 19, 2020

This page intentionally left blank.

VILLAGE OF RAYLAND
JEFFERSON COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2019	3
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Proprietary and Fiduciary Fund Types - For the Year Ended December 31, 2019	4
2019 Notes to the Financial Statements	5
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) – All Governmental Fund Types - For the Year Ended December 31, 2018	13
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Proprietary and Fiduciary Fund Types - For the Year Ended December 31, 2018	14
2018 Notes to the Financial Statements	15
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	21
Schedule of Audit Findings	23
Schedule of Prior Audit Findings.....	27

This page intentionally left blank



ALGER & ASSOCIATES, Inc.
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Rayland, Jefferson County, Ohio (the Village) as of and for the years ended December 31, 2019 and December 31, 2018.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

6927 Burgundy Ave NW
North Canton, OH 44720
Phone – 330-353-5851
Fax – 330-768-7574

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2019 and December 31, 2018, and the respective changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Village of Rayland, Jefferson County, as of December 31, 2019 and 2018, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Emphasis of Matter

As discussed in Note 12 to the financial statements, during 2019, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Village. We did not modify our opinion regarding this matter.

The accompanying financial statements have been prepared assuming the Village will continue as a going concern. As discussed in Note 13 to the financial statements, the Village has suffered recurring net losses in prior years from operations in the General Fund. These conditions raise substantial doubt about the Village's ability to continue as a going concern. Management's plans regarding those matters are also described in Note 14. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2020, 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.

Karen S
Alger, CPA
Alger & Associates, Inc.
Certified Public Accountants
North Canton, Ohio

Digitally signed by Karen S Alger,
CPA
DN: cn=Karen S Alger, CPA,
o=Alger & Associates, Inc, ou,
email=ksalger46@att.net, c=US
Date: 2020.07.13 13:35:18 -04'00'

June 30, 2020

Village of Rayland, Ohio
Jefferson County
*Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)*
All Governmental Fund Types
For the Year Ended December 31, 2019

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$20,636	\$1,950	\$22,586
Intergovernmental	18,898	48,582	67,480
Charges for Services	5,019		5,019
Fines, Licenses and Permits	2,387	74	2,461
Miscellaneous	7,441	8,712	16,153
<i>Total Cash Receipts</i>	<u>54,381</u>	<u>59,318</u>	<u>113,699</u>
Cash Disbursements			
Current:			
Security of Persons and Property	4,139		4,139
Public Health Services	1,972		1,972
Leisure Time Activities	11,188		11,188
Transportation		22,646	22,646
General Government	42,135	3,210	45,345
Capital Outlay	19,252	8,667	27,919
<i>Total Cash Disbursements</i>	<u>78,686</u>	<u>34,523</u>	<u>113,209</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(24,305)</u>	<u>24,795</u>	<u>490</u>
Other Financing Receipts (Disbursements)			
Sale of Capital Assets	108	1,259	1,367
<i>Total Other Financing Receipts (Disbursements)</i>	<u>108</u>	<u>1,259</u>	<u>1,367</u>
<i>Net Change in Fund Cash Balances</i>	(24,197)	26,054	1,857
<i>Fund Cash Balances, January 1</i>	<u>62,689</u>	<u>26,434</u>	<u>89,123</u>
Fund Cash Balances, December 31			
Restricted		52,488	52,488
Assigned	32,860		32,860
Unassigned (Deficit)	5,632		5,632
<i>Fund Cash Balances, December 31</i>	<u>\$38,492</u>	<u>\$52,488</u>	<u>\$90,980</u>

See accompanying notes to the basic financial statements

Village of Rayland, Ohio
Jefferson County
*Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)*
Proprietary Fund Types
For the Year Ended December 31, 2019

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts	
Charges for Services	\$119,892
Fines, Licenses and Permits	416
Miscellaneous	320
	120,628
<i>Total Operating Cash Receipts</i>	<i>120,628</i>
Operating Cash Disbursements	
Personal Services	10,485
Employee Fringe Benefits	1,501
Contractual Services	79,374
Supplies and Materials	227
Other	826
	92,413
<i>Total Operating Cash Disbursements</i>	<i>92,413</i>
<i>Operating Income (Loss)</i>	<i>28,215</i>
Non-Operating Receipts (Disbursements)	
Principal Retirement	(16,274)
Interest and Other Fiscal Charges	(4,530)
	(20,804)
<i>Total Non-Operating Receipts (Disbursements)</i>	<i>(20,804)</i>
<i>Net Change in Fund Cash Balances</i>	<i>7,411</i>
<i>Fund Cash Balances, January 1</i>	<i>42,448</i>
<i>Fund Cash Balances, December 31</i>	<i>\$49,859</i>

See accompanying notes to the basic financial statements

VILLAGE OF RAYLAND, Ohio
Jefferson County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 1 - Reporting Entity

The Village of Raylan, Jefferson County, Ohio, (the Village), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly elected six-member Council directs the Village. The Village provides water, sewer, sanitation, and street light utilities, park operations, and police services. The Village contracts with the Rayland Volunteer Fire Department to receive fire protection services.

The Village participates in the Ohio Municipal Joint Self-Insurance Pool public entity risk pool, a risk-sharing pool available to Ohio local Villages. The Pool provides property, liability, and casualty coverage for its members. Note 7 to the financial statements provides additional information for this entity.

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

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

Street Construction, Maintenance and Repair The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

Permissive Motor Vehicle License Tax This fund receives locally levied permissive tax money for constructing, maintaining, and repairing Village streets.

F.E.M.A. Funds – The Federal Emergency Management Agency, in response to two separate weather-related disasters, issued money to the Village to aid in mitigating and/or evaluating damages from those disasters. In accordance with best practices, two separate F.E.M.A. funds were established – one for each incident.

Enterprise Funds These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Funds:

VILLAGE OF RAYLAND, Ohio
Jefferson County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 2 - Summary of Significant Accounting Policies *(continued)*

Fund Accounting *(continued)*

Water Fund The water fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village.

Sewer Fund The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

Sanitation Fund The sanitation fund accounts for the provision of garbage collection services to the residents and commercial users within the Village.

Basis of Accounting

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

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

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 object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

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 approve estimated resources.

Encumbrances The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2018 budgetary activity appears in Note 4.

Deposits and Investments

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

Capital Assets

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

Fund Balance

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

VILLAGE OF RAYLAND, Ohio
Jefferson County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 2 - Summary of Significant Accounting Policies *(continued)*

Fund Balance *(continued)*

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.

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.

Note 3 – Compliance

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Street Construction Maintenance & Repair fund by \$8,384 for the year ended December 31, 2019. Also, contrary to Ohio law, the certificate of all sources and estimated unencumbered balances was not filed with the County Auditor causing appropriations to exceed estimated resources in FEMA and FEMA Engineer Narrows fund by \$12,260 and \$8,667, respectively. In addition, contrary to Ohio law, appropriations exceeded actual resources in the FEMA fund and Water Operating fund by \$1,688 and \$11,622, respectively.

Note 4 - Budgetary Activity

Budgetary activity for the year ending December 31, 2019 follows:

2019 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$46,200	\$54,489	\$8,289
Special Revenue	17,100	60,577	43,477
Enterprise	134,000	120,628	(13,372)
Total	\$197,300	\$235,694	\$38,394

VILLAGE OF RAYLAND, Ohio
Jefferson County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 4 - Budgetary Activity *(continued)*

2019 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$107,248	\$79,341	\$27,907
Special Revenue	62,778	34,718	28,060
Enterprise	169,070	113,400	55,670
Total	\$339,096	\$227,459	\$111,637

Note 5 – Deposits and Investments

The Village maintains a deposit and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at December 31 was \$140,839 – all demand deposits.

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation.

Note 6 – Taxes

Property Taxes

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 February or March. If the property owner elects to pay semiannually, the first half is due at the beginning of March. The second half payment is due the following July.

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

Note 7 - Risk Management

Risk Pool Membership

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

The Pool cedes portions of its gross contribution written to a reinsurer under excess reinsurance agreements in order to limit its losses. Treaty basis excess-of-loss contracts in force protect the Pool against losses over the retention level; at March 31, 2019, retention levels are \$50,000 and \$100,000 for property and casualty coverages, respectively.

VILLAGE OF RAYLAND, Ohio
Jefferson County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 7 - Risk Management *(continued)*

Risk Pool Membership

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

The Pool's financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and accumulated surplus at March 31, 2019.

Assets	\$1,582,183
Liabilities	<u>(1,087,219)</u>
Accumulated Surplus	\$ 494,964

Note 8 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10%, of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2019.

Note 9 - Postemployment Benefits

OPERS offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2019. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2019.

Note 10 – Debt

Debt outstanding at December 31, 2019 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan #4635	\$27,790	3.82%
Ohio Water Development Authority Loan #5286	130,883	0.0%
Ohio Water Development Authority Loan #6931	121,460	2.74%
Ohio Public Works Commission Loan CT 48/49R	85,795	0%
Total	\$365,928	

The Ohio Water Development Authority (OWDA) loan #4635 relates to the Tiltonsville waste water treatment plant improvements project approved in 2007. The Village will repay the loan in semiannual installments of \$2,281, including interest, over 20 years. Sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

VILLAGE OF RAYLAND, Ohio
Jefferson County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 10 – Debt (continued)

The Ohio Water Development Authority (OWDA) loan #5286 relates to a water main replacement project approved in 2009. The Village will repay the loan in semiannual installments of \$3,272 over 30 years. Water receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Water Development Authority (OWDA) loan #6931 relates to a sewer pump station and sewer line replacement project approved in 2014 and completed in 2016. The Village will repay the loan in semi-annual installments that total \$3,260.52 per year over 30 years. Sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Public Works Commission (OPWC) loan CT48/49R also relates to the aforementioned sewer pump station and sewer line replacement project approved in 2014 and completed in 2016. The Village will repay the loan in semi-annual installments of \$1,589 over 30 years. Sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements.

Amortization

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

Year Ending December 31:	OWDA Loan #4635	OWDA Loan #5286	OWDA Loan #6931	OPWC Loan CT48/49R
2020	\$4,562	\$6,544	\$6,521	\$3,178
2021	4,562	6,544	6,521	3,178
2022	4,562	6,544	6,521	3,178
2023	4,562	6,544	6,521	3,178
2024	4,562	6,544	6,521	3,178
2025-2029	9,124	32,721	32,605	15,888
2030-2034		32,721	32,605	15,888
2035-2039		32,721	32,605	15,888
2040-2044			32,605	15,888
2045-2046			6,521	6,353
Total	\$31,934	\$130,883	\$169,546	\$85,795

Note 11 – Contingent Liabilities

The Village was not part of any lawsuits in 2019.

Note 12 – Subsequent Events

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Village. The impact on the Village’s future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

Note 13 – Going Concern

The Village’s expenses have exceeded revenues as reflected in the financial statements since 2017 in the General Fund. The unassigned fund balance for 2019 is \$5,632.

VILLAGE OF RAYLAND, Ohio
Jefferson County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 13 – Going Concern *(continued)*

In the environment of the COVID-19 pandemic, there is a heightened degree of uncertainty associated with trying to project for a 12-month period into the future. The concerns are raised with the revenue generating from businesses shutting down, to the relief stimulus from the federal government are tax free, to possible State funding reduction such as fuel tax and sales tax decreases. These concerns can lead to the Auditor of State determining a Fiscal Watch, Caution or Emergency exits and appointment of a financial planning and supervision commission to assure certain management responsibilities for duration of this emergency pursuant to Chapter 118 of the Ohio Revised Code.

Note 14 – Management’s Plan Regarding Going Concern

Council takes seriously the concern and is working diligently into various way to operate efficiently.

The accompanying financial statements do not include any adjustments that might be necessary if the Village is unable to continue as a going concern.

This page intentionally left blank

Village of Rayland, Ohio
Jefferson County
*Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)*
All Governmental Fund Types
For the Year Ended December 31, 2018

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$20,918	\$1,933	\$22,851
Intergovernmental	19,741	18,478	38,219
Charges for Services	6,059		6,059
Fines, Licenses and Permits	2,430		2,430
Miscellaneous	8,969		8,969
<i>Total Cash Receipts</i>	<u>58,117</u>	<u>20,411</u>	<u>78,528</u>
Cash Disbursements			
Current:			
Security of Persons and Property	7,240		7,240
Public Health Services	853		853
Leisure Time Activities	10,432		10,432
Transportation		20,030	20,030
General Government	39,190	518	39,708
Capital Outlay	1,426		1,426
<i>Total Cash Disbursements</i>	<u>59,141</u>	<u>20,548</u>	<u>79,689</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(1,024)</u>	<u>(137)</u>	<u>(1,161)</u>
Other Financing Receipts (Disbursements)			
Sale of Capital Assets	100		100
<i>Total Other Financing Receipts (Disbursements)</i>	<u>100</u>	<u>0</u>	<u>100</u>
<i>Net Change in Fund Cash Balances</i>	(924)	(137)	(1,061)
<i>Fund Cash Balances, January 1</i>	<u>63,613</u>	<u>26,571</u>	<u>90,184</u>
Fund Cash Balances, December 31			
Restricted		26,434	26,434
Assigned	60,793		60,793
Unassigned (Deficit)	1,896		1,896
<i>Fund Cash Balances, December 31</i>	<u>\$62,689</u>	<u>\$26,434</u>	<u>\$89,123</u>

See accompanying notes to the basic financial statements

Village of Rayland, Ohio
Jefferson County
*Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)*
Proprietary Fund Types
For the Year Ended December 31, 2018

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts	
Charges for Services	\$120,909
<i>Total Operating Cash Receipts</i>	120,909
Operating Cash Disbursements	
Personal Services	13,426
Employee Fringe Benefits	1,638
Contractual Services	85,368
Supplies and Materials	2,538
Other	3,854
<i>Total Operating Cash Disbursements</i>	106,824
<i>Operating Income (Loss)</i>	14,085
Non-Operating Receipts (Disbursements)	
Principal Retirement	(21,832)
Interest and Other Fiscal Charges	(7,281)
<i>Total Non-Operating Receipts (Disbursements)</i>	(29,113)
<i>Net Change in Fund Cash Balances</i>	(15,028)
<i>Fund Cash Balances, January 1</i>	57,476
<i>Fund Cash Balances, December 31</i>	\$42,448

See accompanying notes to the basic financial statements

VILLAGE OF RAYLAND, Ohio
Jefferson County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 1 - Reporting Entity

The Village of Raylan, Jefferson County, Ohio, (the Village), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly elected six-member Council directs the Village. The Village provides water, sewer, sanitation, and street light utilities, park operations, and police services. The Village contracts with the Rayland Volunteer Fire Department to receive fire protection services.

The Village participates in the Ohio Municipal Joint Self-Insurance Pool public entity risk pool, a risk-sharing pool available to Ohio local Villages. The Pool provides property, liability, and casualty coverage for its members. Note 7 to the financial statements provides additional information for this entity.

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

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

Street Construction, Maintenance and Repair The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

Permissive Motor Vehicle License Tax This fund receives locally levied permissive tax money for constructing, maintaining, and repairing Village streets.

Enterprise Funds These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Funds:

Water Fund The water fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village.

Sewer Fund The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

VILLAGE OF RAYLAND, Ohio
Jefferson County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 2 - Summary of Significant Accounting Policies *(continued)*

Fund Accounting

Sanitation Fund The sanitation fund accounts for the provision of garbage collection services to the residents and commercial users within the Village.

Basis of Accounting

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

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

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 object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

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 approve estimated resources.

Encumbrances The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2018 budgetary activity appears in Note 4.

Deposits and Investments

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

Capital Assets

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

Fund Balance

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

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

VILLAGE OF RAYLAND, Ohio
Jefferson County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 2 - Summary of Significant Accounting Policies *(continued)*

Fund Balance *(continued)*

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.

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.

Note 3 - Compliance

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Sewer Operating fund by \$1,322 for the year ended December 31, 2018. Also, contrary to Ohio law, appropriations are limited by estimated resource; the Street Construction Maintenance and Repair fund appropriations exceeded estimated resources by \$967.

Note 4 - Budgetary Activity

Budgetary activity for the year ending December 31, 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$49,382	\$58,217	\$8,835
Special Revenue	18,550	20,411	1,861
Enterprise	128,100	120,909	(7,191)
Total	\$196,032	\$199,537	\$3,505

VILLAGE OF RAYLAND, Ohio
Jefferson County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 4 - Budgetary Activity *(continued)*

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$101,973	\$59,395	\$42,578
Special Revenue	44,713	20,613	24,100
Enterprise	174,477	136,067	38,410
Total	\$321,163	\$216,075	\$105,088

Note 5 – Deposits and Investments

The Village maintains a deposit and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at December 31 was \$131,571 – all demand deposits.

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation.

Note 6 – Taxes

Property Taxes

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 February or March. If the property owner elects to pay semiannually, the first half is due at the beginning of March. The second half payment is due the following July.

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

Note 7 - Risk Management

Risk Pool Membership

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

The Pool cedes portions of its gross contribution written to a reinsurer under excess reinsurance agreements in order to limit its losses. Treaty basis excess-of-loss contracts in force protect the Pool against losses over the retention level; at March 31, 2018, retention levels are \$50,000 and \$100,000 for property and casualty coverages, respectively.

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

VILLAGE OF RAYLAND, Ohio
Jefferson County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 7 - Risk Management *(continued)*

Risk Pool Membership

The Pool's financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and accumulated surplus at March 31, 2018.

Assets		\$1,341,128
Liabilities		<u>(884,941)</u>
Accumulated Surplus		\$ <u>456,187</u>

Note 8 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10%, of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2018.

Note 9 - Postemployment Benefits

OPERS offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2018. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2018.

Note 10 – Debt

Debt outstanding at December 31, 2018 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan #4635	\$31,193	3.82%
Ohio Water Development Authority Loan #5286	137,427	0.0%
Ohio Water Development Authority Loan #6931 [A]	124,609	2.74%
Ohio Public Works Commission Loan CT 48/49R	88,973	0%
Total	\$382,202	

[A] = OWDA adjusted principal outstanding down by \$370 in 2018

The Ohio Water Development Authority (OWDA) loan #4635 relates to the Tiltonsville waste water treatment plant improvements project approved in 2007. The Village will repay the loan in semiannual installments of \$2,281, including interest, over 20 years. Sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Water Development Authority (OWDA) loan #5286 relates to a water main replacement project approved in 2009. The Village will repay the loan in semiannual installments of \$3,272 over 30 years. Water receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

VILLAGE OF RAYLAND, Ohio
Jefferson County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 10 – Debt (continued)

The Ohio Water Development Authority (OWDA) loan #6931 relates to a sewer pump station and sewer line replacement project approved in 2014 and completed in 2016. The Village will repay the loan in semi-annual installments that total \$3,260.52 per year over 30 years. Sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Public Works Commission (OPWC) loan CT48/49R also relates to the aforementioned sewer pump station and sewer line replacement project approved in 2014 and completed in 2016. The Village will repay the loan in semi-annual installments of \$1,589 over 30 years. Sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements.

Amortization

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

Year Ending December 31:	OWDA Loan #4635	OWDA Loan #5286	OWDA Loan #6931	OPWC Loan CT48/49R
2019	\$4,562	\$6,544	\$6,521	\$3,178
2020	4,562	6,544	6,521	3,178
2021	4,562	6,544	6,521	3,178
2022	4,562	6,544	6,521	3,178
2023	4,562	6,544	6,521	3,178
2024-2028	13,686	32,721	32,605	15,888
2029-2033		32,721	32,605	15,888
2034-2038		32,721	32,605	15,888
2039-2043		6,544	32,605	15,888
2044-2046			13,043	9,531
Total	<u>\$36,496</u>	<u>\$137,427</u>	<u>\$176,068</u>	<u>\$88,973</u>

Note 11 – Contingent Liabilities

The Village was not part of any lawsuits in 2018.



ALGER & ASSOCIATES, Inc.
Certified Public Accountants

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

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

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of Rayland, Jefferson County, (the Village) as of and for the years ended December 31, 2019 and December 31, 2018, and the related notes to the financial statements, and have issued our report thereon dated June 30, 2020, 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. In addition, as disclosed in Note 12, the United States and the State of Ohio declared a state of emergency in March, 2020 due to the COVID-19 pandemic. The ensuing emergency measures will impact subsequent periods of the Village. The impact on the Village's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated. In addition, we noted that the accompanying financial statements have been prepared assuming the Village of Rayland will continue as a going concern. As discussed in Note 13 to the financial statements, the Village has suffered recurring net losses in prior years from operations in the General Fund that raise doubts about its ability to continue as a going concern.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2019-001 through 2019-005 to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2019-001 through 2019-004

Purpose of this Report

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

**Karen S
Alger, CPA**



Digitally signed by Karen S Alger,
CPA
DN: cn=Karen S Alger, CPA, o=Alger
& Associates, Inc, ou,
email=ksalger46@att.net, c=US
Date: 2020.07.13 13:36:07 -04'00'

Alger & Associates, Inc.
Certified Public Accountants
North Canton, Ohio

June 30, 2020

VILLAGE OF RAYLAND, Ohio
Jefferson County

SCHEDULE OF FINDINGS
December 31, 2018 - 2019

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

FINDING NUMBER 2019-001

Material Noncompliance/Material Weakness - Disbursements Exceeded Appropriations

Ohio Revised Code § 5705.41(B) prohibits a subdivision or taxing unit from spending money unless it has been properly appropriated.

At December 31, 2019 and December 31, 2018, disbursements plus encumbrances exceeded appropriations as follows.

<u>Year/Fund</u>	<u>Appropriations</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
<i>2019</i>			
Street Cons. Maint. & Repair Fund	\$18,985	\$27,369	\$(8,384)
<i>2018</i>			
Sewer Operating Fund	\$58,340	\$59,662	\$(1,322)

The Village did not have procedures in place to limit disbursements to the available appropriations. Failure to limit disbursements to the amount of appropriations could result in overspending and negative cash balances.

The Fiscal Officer should not certify the availability of funds and should deny payment requests exceeding appropriations. The Fiscal Officer should request Council to approve increased disbursement levels by increasing appropriations in the minutes and amending estimated resources, if necessary and available.

FINDING NUMBER 2019-002

Material Noncompliance/Material Weakness – Appropriations Limited by Estimated Resources

Ohio Rev. Code §5705.39 states total appropriations are limited by estimated resources (estimated receipts plus unencumbered balances).

At December 31, 2018, appropriations exceeded estimated resources in Street Construction Maintenance and Repair by \$967. Estimated resources were \$20,995 compared to \$21,962 appropriations. At December 31, 2019, appropriations exceeded estimated resources in F.E.M.A fund by \$12,260 FEMA Engineer Narrows fund by \$8,667 due to no estimated resources being certified.

Failure to limit appropriations to the amount of estimated resources could result in deficit spending.

The Fiscal Officer should periodically compare amounts recorded in the Receipt Ledger to amounts recorded on the Amended Official Certificate of Estimated Resources to assure they agree. If the amounts do not agree, Council may be using inaccurate information for budgeting and monitoring purposes. In addition, management should monitor the budgetary cycle throughout the year to ensure appropriations do not exceed the amounts on the certificate of estimated resources and obtain any amendments thereto as well as compare estimated resources to the actual resources to assure estimates are in-line with actual revenues.

VILLAGE OF RAYLAND, Ohio
Jefferson County

SCHEDULE OF FINDINGS
December 31, 2018 - 2019

FINDING NUMBER 2019-003

Material Noncompliance/Material Weakness – Amended Official Certificate of Estimated Resources & Estimated Resources Limited by Actual Resources

Ohio Rev. Code §5705.36(A)(1) states that on or about the first day of each fiscal year, the fiscal officer of subdivisions and other taxing units are to certify to the county auditor the total amount from all sources available for expenditures from each fund in the tax budget along with any unencumbered balances existing at the end of the preceding year. This form includes the actual fund balances at December 31st and any revisions to estimated revenue.

In 2019, the Village did not have procedures in place to assure the certificate of all sources and unencumbered balances was filed with the County Auditor which resulted in appropriations exceeded the actual resources in the F.E.M.A fund by \$1,688 and Water Operating fund by \$11,622.

The Fiscal Officer should on or about the first day of each fiscal year, certify to the County Auditor the total amount from all sources and unencumbered balances available for expenditures from each fund and obtain the approved amended certificate of estimated resources. In addition, the Fiscal Officer should periodically compare amounts recorded in the Receipt Ledger to amounts recorded on the Amended Official Certificate of Estimated Resources to assure estimated receipts are reasonable to the amount of actual receipts and appropriations are not in excess of either estimated resources or actual resources. The Fiscal Officer should monitor the estimated resources compare to actual resources and obtain an amended certificate of estimated resources before any appropriations be approved.

FINDING NUMBER 2019-004

Material Noncompliance/Material Weakness

Ohio Revised Code Section 5705.41(D) prohibits a subdivision or taxing authority 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.

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.

- 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 30 days from the receipt of the “then and now” certificate to approve payment by ordinance or resolution.

Amounts 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 the expenditures by the Village.

VILLAGE OF RAYLAND, Ohio
Jefferson County

SCHEDULE OF FINDINGS
December 31, 2018 - 2019

FINDING NUMBER 2019-004 *(continued)*

Material Noncompliance/Material Weakness *(continued)*

- Blanket Certificates. Fiscal officers may prepare “blanket” certificates if the Village has approved their use and established maximum amounts.
- Super Blanket Certificates. 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 reasonable predictable operation expense. This certification is not to extend beyond the current year. More than one so-called “super blanket” certificate may be outstanding at a particular time for any line item appropriation.

During the audit period, the Fiscal Officer did not certify the availability of funds prior to the purchase commitment for 100% of expenditures tested. For these items the Village also did not prepare blanket certificates, super blankets certificates or then and now certificates in accordance with the Ohio Revised Code. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

We recommend the Village certify purchases to which Section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 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 5705.41(D) are satisfied.

FINDING NUMBER 2019-005

Material Weakness - Accurate Posting of Transactions

In our audit engagement letter, as required by AU-C Section 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in AU-C Section 210 paragraphs .A14 & .A16.

Sound financial reporting is the responsibility of the Fiscal Officer and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. The Fiscal Officer did not abide by the adopted chart of account in coding and classifying various transactions in 2019 and 2018. This resulted in reclassifications to the financial statements. The corrected amounts are reflected in the accompanying financial statements.

Homestead receipts totaling \$3,823 and \$2,008 in 2019 and 2018 respectively, posted in the General Fund, were improperly posted to the Property and Other Taxes account rather than as Intergovernmental account.

Failure to accurately report transactions or balances could lead to undetected material audit adjustments.

Also based on provisions in GASB 54, paragraph 16 and Implementation Guide Z.54.13 assigned balances include year-end general fund balances appropriated in the subsequent year. The Village’s 2020 appropriations of \$83,220 within the General Fund were higher than the estimated resources of \$50,360 by \$32,860 therefore the fund amount at year-end balance of \$32,860 should be reported as assigned fund in 2019 with the remaining \$5,632 as unassigned. The Village’s 2019 appropriations of \$106,993 within the General Fund were higher than the estimated resources of \$46,200 by \$60,793, therefore the fund amount at year-end balance of \$60,793 should be reported as assigned fund in 2018 with the remainder \$1,896 as unassigned.

The financial statements reflect all of the above corrections.

VILLAGE OF RAYLAND, Ohio
Jefferson County

SCHEDULE OF FINDINGS
December 31, 2018 - 2019

FINDING NUMBER 2019-005 *(continued)*

Material Weakness - Accurate Posting of Transactions *(continued)*

The Fiscal Officer should utilize the Ohio Village's accounting manual and Uniform Accounting Network Accounting (UAN) manual to assist in identifying proper accounts and funds. In addition, the Board should review monthly receipt and disbursement reports to help ensure transactions are properly classified. This may help ensure the Village's financial activity is accurately reported. Also, the Fiscal Officer should review the subsequent year appropriations and estimated resources to determine if the General Fund appropriations exceed estimated resources. The excess amount should be reported as assigned fund balance within the General Fund's fund balance in accordance with the provisions of GASB 54, paragraph 16 and Implementation Guide Z.54.13

**Village of Rayland, Ohio
Jefferson County**

**SCHEDULE OF PRIOR AUDIT FINDINGS
December 31, 2018 and December 31, 2019**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2017-001	Non-compliance/Material Weakness Ohio Rev. Code §5705.41(B) Expenditure exceeding appropriations	No	Not Corrected Repeated as 2019-001
2017-002	Material Weakness: Accurate Posting of Transactions Control Fund Balance and Fund Type Classification GASB No 54.	No	Not Corrected Repeated as 2019-004

This page intentionally left blank.

OHIO AUDITOR OF STATE KEITH FABER



VILLAGE OF RAYLAND

JEFFERSON COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 9/1/2020

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov