



OHIO AUDITOR OF STATE
KEITH FABER



**VILLAGE OF RAWSON
HANCOCK COUNTY
DECEMBER 31, 2019 AND 2018**

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**VILLAGE OF RAWSON
HANCOCK COUNTY
DECEMBER 31, 2019 AND 2018**

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INDEPENDENT AUDITOR'S REPORT

Village of Rawson
Hancock County
111 South Main Street
P.O. Box 525
Rawson, Ohio 45881-0525

To the Village Council:

Report on the Financial Statements

We have audited the accompanying cash-basis financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Village of Rawson, Hancock County, Ohio (the Village), as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Village, as of December 31, 2019 and 2018, and the respective changes in cash financial position and the respective budgetary comparison for the General, Street Construction, Maintenance and Repair, and Sidewalks & Trees Special Assessment Funds thereof for the years then ended and the Storm Sewers, Drains and Curbing Fund for the year ended 2018 in accordance with the accounting basis described in Note 2.

Accounting Basis

We draw attention to Note 2 of the financial statements, which describes the accounting basis. The financial statements are prepared on the cash basis of accounting, which differs from generally accepted accounting principles. We did not modify our opinion regarding this matter.

Emphasis of Matters

As discussed in Note 3 to the financial statements, during 2019, the Village adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*. We did not modify our opinion regarding this matter.

Additionally, as discussed in Note 12 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Village. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 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.



Keith Faber
Auditor of State
Columbus, Ohio

December 9, 2020

Village of Rawson
Hancock County
Statement of Net Position - Cash Basis
December 31, 2019

	Governmental Activities	Business - Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$202,428	\$406,944	\$609,372
Net Position			
Restricted for:			
Debt Service		\$164,692	\$164,692
Other Purposes	\$139,241	233,398	372,639
Unrestricted	63,187	8,854	72,041
<i>Total Net Position</i>	\$202,428	\$406,944	\$609,372

See accompanying notes to the basic financial statements

Village of Rawson
Hancock County
Statement of Activities - Cash Basis
For the Year Ended December 31, 2019

	Program Cash Receipts			
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
Current:				
Security of Persons and Property	\$23,554	\$265		
Public Health Services	1,335			
Leisure Time Activities	16,009	575	\$10,000	
Community Environment	5,614	11,292		
Transportation	28,526	11,288	30,133	
General Government	33,678	6,537	229	
<i>Total Governmental Activities</i>	<u>108,716</u>	<u>29,957</u>	<u>40,362</u>	
Business-Type Activities				
Water Operating	50,072	83,110		
Sewer Operating	47,469	94,117		
Enterprise Debt Service	80,270			\$35,359
Enterprise Debt Service Reserve	14,692			
Water Enterprise Deposit Fund	354	1,275		
Sewer Deposit Fund	354	1,276		
<i>Total Business-Type Activities</i>	<u>193,211</u>	<u>179,778</u>		<u>35,359</u>
<i>Total Primary Government</i>	<u>\$301,927</u>	<u>\$209,735</u>	<u>\$40,362</u>	<u>\$35,359</u>

General Receipts:
Property Taxes
Grants and Entitlements not Restricted to Specific Programs
Earnings on Investments
Miscellaneous

Total General Receipts

Change in Net Position

Net Position Beginning of Year

Net Position End of Year

See accompanying notes to the basic financial statements

Net (Disbursements) Receipts and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
(\$23,289)		(\$23,289)
(1,335)		(1,335)
(5,434)		(5,434)
5,678		5,678
12,895		12,895
<u>(26,912)</u>		<u>(26,912)</u>
<u>(38,397)</u>		<u>(38,397)</u>
	\$33,038	33,038
	46,648	46,648
	(44,911)	(44,911)
	(14,692)	(14,692)
	921	921
	<u>922</u>	<u>922</u>
	<u>21,926</u>	<u>21,926</u>
<u>(38,397)</u>	<u>21,926</u>	<u>(16,471)</u>
16,090		16,090
38,561		38,561
	3,066	3,066
<u>1,002</u>		<u>1,002</u>
<u>55,653</u>	<u>3,066</u>	<u>58,719</u>
17,256	24,992	42,248
<u>185,172</u>	<u>381,952</u>	<u>567,124</u>
<u>\$202,428</u>	<u>\$406,944</u>	<u>\$609,372</u>

Village of Rawson
Hancock County
Statement of Assets and Fund Balances - Cash Basis
Governmental Funds
December 31, 2019

	General	Street Construction, Maintenance and Repair	Sidewalks & Trees Special Assessment	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$63,187	\$24,026	\$35,610	\$79,605	\$202,428
Fund Balances					
Restricted		\$24,026	\$35,610	\$79,605	\$139,241
Assigned	\$62,527				62,527
Unassigned	660				660
<i>Total Fund Balances</i>	\$63,187	\$24,026	\$35,610	\$79,605	\$202,428

See accompanying notes to the basic financial statements

Village of Rawson
Hancock County
Statement of Receipts, Disbursements and Changes in Fund Balances - Cash Basis
Governmental Funds
For the Year Ended December 31, 2019

	General	Street Construction, Maintenance and Repair	Sidewalks & Trees Special Assessment	Other Governmental Funds	Total Governmental Funds
Receipts					
Property Taxes	\$12,299				\$12,299
Intergovernmental	31,673	\$25,683		\$24,050	81,406
Special Assessments			\$5,644	20,025	25,669
Charges for Services	575				575
Earnings on Investments	4,792	229			5,021
Miscellaneous	1,002				1,002
<i>Total Receipts</i>	<u>50,341</u>	<u>25,912</u>	<u>5,644</u>	<u>44,075</u>	<u>125,972</u>
Disbursements					
Current:					
Security of Persons and Property	1,075			22,479	23,554
Public Health Services	1,335				1,335
Leisure Time Activities	10,489			5,520	16,009
Community Environment			5,614		5,614
Transportation		18,727		9,799	28,526
General Government	32,976	702			33,678
<i>Total Disbursements</i>	<u>45,875</u>	<u>19,429</u>	<u>5,614</u>	<u>37,798</u>	<u>108,716</u>
<i>Net Change in Fund Balances</i>	4,466	6,483	30	6,277	17,256
<i>Fund Balances Beginning of Year</i>	<u>58,721</u>	<u>17,543</u>	<u>35,580</u>	<u>73,328</u>	<u>185,172</u>
<i>Fund Balances End of Year</i>	<u>\$63,187</u>	<u>\$24,026</u>	<u>\$35,610</u>	<u>\$79,605</u>	<u>\$202,428</u>

See accompanying notes to the basic financial statements

Village of Rawson
Hancock County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Year Ended December 31, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property Taxes	\$13,230	\$13,230	\$12,299	(\$931)
Intergovernmental	23,772	23,772	31,673	7,901
Charges for Services	550	550	575	25
Earnings on Investments			4,792	4,792
Miscellaneous			1,002	1,002
<i>Total Receipts</i>	37,552	37,552	50,341	12,789
Disbursements				
Current:				
Security of Persons and Property			1,075	(1,075)
Public Health Services	1,335	1,335	1,335	
Leisure Time Activities	20,742	20,742	10,553	10,189
General Government	74,195	74,195	33,319	40,876
<i>Total Disbursements</i>	96,272	96,272	46,282	49,990
<i>Net Change in Fund Balance</i>	(58,720)	(58,720)	4,059	62,779
<i>Unencumbered Fund Balance Beginning of Year</i>	58,440	58,440	58,440	
Prior Year Encumbrances Appropriated	281	281	281	
<i>Unencumbered Fund Balance End of Year</i>	\$1	\$1	\$62,780	\$62,779

See accompanying notes to the basic financial statements

Village of Rawson
Hancock County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Street Construction, Maintenance and Repair Fund
For the Year Ended December 31, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Intergovernmental	\$20,330	\$20,330	\$25,683	\$5,353
Earnings on Investments			229	229
<i>Total Receipts</i>	20,330	20,330	25,912	5,582
Disbursements				
Current:				
Transportation	32,077	32,077	18,763	13,314
General Government	2,012	2,012	702	1,310
<i>Total Disbursements</i>	34,089	34,089	19,465	14,624
<i>Net Change in Fund Balance</i>	(13,759)	(13,759)	6,447	20,206
<i>Unencumbered Fund Balance Beginning of Year</i>	17,484	17,484	17,484	
Prior Year Encumbrances Appropriated	59	59	59	
<i>Unencumbered Fund Balance End of Year</i>	\$3,784	\$3,784	\$23,990	\$20,206

See accompanying notes to the basic financial statements

Village of Rawson
Hancock County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Sidewalks & Trees Special Assessment Fund
For the Year Ended December 31, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Special Assessments	\$6,191	\$6,191	\$5,644	(\$547)
Disbursements				
Current:				
Community Environment	41,771	41,771	5,614	36,157
<i>Net Change in Fund Balance</i>	(35,580)	(35,580)	30	35,610
<i>Unencumbered Fund Balance Beginning of Year</i>	\$35,580	\$35,580	35,580	
<i>Unencumbered Fund Balance End of Year</i>			\$35,610	\$35,610

See accompanying notes to the basic financial statements

Village of Rawson
Hancock County
Statement of Fund Net Position - Cash Basis
Proprietary Funds
December 31, 2019

	Business-Type Activities					Total Enterprise Funds
	Water Operating	Sewer Operating	Enterprise Debt Service	Enterprise Debt Service Reserve	Other Enterprise Funds	
Assets						
Equity in Pooled Cash and Cash Equivalents	<u>\$16,091</u>	<u>\$177,861</u>	<u>\$78,689</u>	<u>\$86,003</u>	<u>\$48,300</u>	<u>\$406,944</u>
Net Position						
Restricted for:						
Debt Service			\$78,689	\$86,003		\$164,692
Other Purposes	\$16,091	\$177,861			\$39,446	233,398
Unrestricted					8,854	8,854
<i>Total Net Position</i>	<u>\$16,091</u>	<u>\$177,861</u>	<u>\$78,689</u>	<u>\$86,003</u>	<u>\$48,300</u>	<u>\$406,944</u>

See accompanying notes to the basic financial statements

Village of Rawson
Hancock County
Statement of Receipts, Disbursements and Changes in Fund Net Position - Cash Basis
Proprietary Funds
For the Year Ended December 31, 2019

	Business-Type Activities					Total Enterprise Funds
	Water Operating	Sewer Operating	Enterprise Debt Service	Enterprise Debt Service Reserve	Other Enterprise Funds	
Operating Receipts						
Charges for Services	\$83,110	\$71,059			\$2,551	\$156,720
Operating Disbursements						
Personal Services	19,777	22,115				41,892
Employee Fringe Benefits	2,850	3,384				6,234
Contractual Services	7,275	3,670				10,945
Supplies and Materials	4,998	18,300				23,298
Other					708	708
<i>Total Operating Disbursements</i>	<u>34,900</u>	<u>47,469</u>			<u>708</u>	<u>83,077</u>
<i>Operating Income</i>	<u>48,210</u>	<u>23,590</u>			<u>1,843</u>	<u>73,643</u>
Non-Operating Receipts (Disbursements)						
Property and Other Local Taxes						
Intergovernmental		23,058				23,058
Special Assessments			\$35,359			35,359
Earnings on Investments			1,984	\$1,082		3,066
Principal Retirement	(15,102)	(9,434)	(26,000)			(50,536)
Interest and Other Fiscal Charges	(5,328)		(54,270)			(59,598)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(20,430)</u>	<u>13,624</u>	<u>(42,927)</u>	<u>1,082</u>		<u>(48,651)</u>
<i>Change in Net Position</i>	27,780	37,214	(42,927)	1,082	1,843	24,992
<i>Net Position Beginning of Year</i>	<u>(11,689)</u>	<u>140,647</u>	<u>121,616</u>	<u>84,921</u>	<u>46,457</u>	<u>381,952</u>
<i>Net Position End of Year</i>	<u>\$16,091</u>	<u>\$177,861</u>	<u>\$78,689</u>	<u>\$86,003</u>	<u>\$48,300</u>	<u>\$406,944</u>

See accompanying notes to the basic financial statements

Village of Rawson
Hancock County
Statement of Fiduciary Net Position - Cash Basis
Fiduciary Funds
December 31, 2019

	<u>Custodial</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$58</u>
Net Position	
Restricted for Individuals, Organizations and Other Governments	
Expendable	<u>\$58</u>

See accompanying notes to the basic financial statements

Village of Rawson
Hancock County
Statement of Changes in Fiduciary Net Position - Cash Basis
Fiduciary Funds
For the Year Ended December 31, 2019

	<u>Custodial</u>
<i>Net Position Beginning of Year</i>	<u>\$58</u>
<i>Net Position End of Year</i>	<u><u>\$58</u></u>

See accompanying notes to the basic financial statements

**VILLAGE OF RAWSON
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

Note 1 – Reporting Entity

The Village of Rawson (the Village), Hancock County, Ohio 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. The Village is directed by a six-member council elected at large for four year terms. The Mayor is elected to a four-year term, serves as the President of Council and votes only to break a tie.

The reporting entity is composed of the primary government, component units, and other organizations that are included to ensure the financial statements of the Village are not misleading.

Primary Government

The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the Village. The primary government of the Village of Rawson provides the following services to its citizens: police and fire protection, parks and recreation, street maintenance and repairs, and water/sewer utilities.

Public Entity Risk Pool

The Village participates in a public entity risk pool. 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

As discussed further in the "Basis of Accounting" section of this note, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the Village's accounting policies.

Basis of Presentation

The Village's basic financial statements consist of government-wide financial statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements The statement of net position and the statement of activities display information about the Village as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" receipts and disbursements. The statements distinguish between those activities of the Village that are governmental in nature and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of net position presents the cash balance, of the governmental and business-type activities of the Village at year end. The statement of activities compares disbursements with program receipts for each program or function of the Village's governmental activities and business-type activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish

**VILLAGE OF RAWSON
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Continued)**

a major service or regulatory program for which the Village is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental program or business activity is self-financing on a cash basis or draws from the general receipts of the Village.

Fund Financial Statements During the year, the Village segregates transactions related to certain Village functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Village at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

Proprietary fund statements distinguish operating transactions from nonoperating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the funds' principal services. Operating disbursements include costs of sales and services and administrative costs. The fund statements report all other receipts and disbursements as nonoperating.

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 in three categories: governmental, proprietary, and fiduciary.

Governmental Funds Governmental funds are those through which most governmental functions of the Village are financed. The following are the Village's major governmental funds:

General 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.

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 maintenance and repair of streets within the Village.

Sidewalks & Trees Special Assessment Fund The sidewalks & trees special assessment fund accounts for and reports resources restricted for the maintenance and replacement of sidewalks and trees in the Village right of way deemed to benefit the properties against which special assessments are levied.

The other governmental funds of the Village account for and report grants and other resources whose use is restricted, committed or assigned to a particular purpose.

Proprietary Funds The Village classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds are classified as either enterprise funds or internal service funds.

Enterprise Funds Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following are the Village's major enterprise funds:

**VILLAGE OF RAWSON
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Continued)**

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

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

Enterprise Debt Service Fund The enterprise debt service fund accounts for and reports resources restricted for the retirement of USDA debt.

Enterprise Debt Service Reserve Fund The enterprise debt service reserve fund accounts for and reports resources required to be reserved and restricted for the retirement of USDA debt.

Fiduciary Funds Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and custodial funds. Trust funds are used to account for assets held by the Village under a trust agreement for individuals, private organizations, or other governments and are not available to support the Village's own programs. The Village does not have any trust funds. Custodial funds are used to report fiduciary activities that are not required to be reported in a trust fund. The Village's custodial fund accounts for amounts unclaimed by individuals.

Basis of Accounting

The Village's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the Village's financial records and reported in the financial statements when cash is received rather than when earned, and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Village are described in the appropriate section in this note.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

Budgetary Process

All funds, except custodial funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount Village Council may appropriate.

The appropriations ordinance is Village Council's authorization to spend resources and sets annual limits on cash disbursements plus encumbrances at the level of control selected by Village Council. The legal level of control has been established by Village Council at the fund, department, and object level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Village Clerk. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by Village Council.

**VILLAGE OF RAWSON
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Continued)**

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by Village Council during the year.

Cash and Investments

To improve cash management, cash received by the Village is pooled and invested. Individual fund integrity is maintained through Village records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively. During 2019, the Village invested in nonnegotiable certificates of deposit and a money market fund.

Interest earnings are allocated to Village funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2019 was \$4,792, which includes \$958 assigned from other Village funds.

Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation.

Inventory and Prepaid Items

The Village reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

Employer Contributions to Cost-Sharing Pension Plans

The Village recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for other postemployment benefits (OPEB).

**VILLAGE OF RAWSON
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Continued)**

Long-Term Obligations

The Village's cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid.

Net Position

Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for transportation, utilities, and other purposes.

The Village's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

Fund Balance

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

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

Restricted Fund balance is reported as 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.

Enabling legislation authorizes the Village to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the Village can be compelled by an external party, such as citizens, public interest groups, or the judiciary, to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution, as both are equally binding) of Village Council. Those committed amounts cannot be used for any other purpose unless Village Council removes or changes the specified use by taking the same type of action (ordinance or resolution, as both are equally binding) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, the committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by Village Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

**VILLAGE OF RAWSON
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Continued)**

Assigned Amounts in the assigned fund balance classification are intended to be used by the Village for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the Village Council or a Village official delegated that authority by resolution or by State Statute. State Statute authorizes the Village Auditor to assign fund balance for purchases on order provided such amounts have been lawfully appropriated.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not contained 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.

Internal Activity

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general receipts.

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. Payments for interfund services provided and used are not eliminated.

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

Note 3 – Change in Accounting Principle

For fiscal year 2019, the Village has implemented GASB Statement No. 84, “*Fiduciary Activities*”.

GASB Statement No. 84 established specific criteria for identifying activities that should be reported as fiduciary activities and clarifies whether and how business-type activities should report their fiduciary activities. Due to the implementation of GASB Statement No. 84, the Village will no longer be reporting agency funds. The Village reviewed its fiduciary funds and certain funds will be reported in the new fiduciary fund classification of custodial funds. These fund reclassifications were incorporated in the Village’s 2019 financial statements; the Village’s ending balance of \$58 in the Agency funds at December 31, 2018 was restated to beginning Custodial funds at January 1, 2019.

**VILLAGE OF RAWSON
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Continued)**

Note 4 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budget Basis presented for the general fund and any major special revenue funds are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is as follows:

Outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as restricted, committed or assigned fund balance (cash basis).

Adjustments necessary to convert the results of operations at the end of the year on the budget basis to the cash basis are as follows:

	General	Street Construction, Maintenance and Repair Fund	Sidewalks & Trees Special Assessment Fund
Cash Basis	\$63,187	\$24,026	\$35,610
Encumbrances	407	36	
Budget Basis	\$62,780	\$23,990	\$35,610

Note 5 – Deposits and Investments

State statutes classify monies held by the Village into three categories.

Active deposits are public monies determined to be necessary to meet current demands upon the Village treasury. Active monies must be maintained either as cash in the Village treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that Council has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Protection of the Village's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Interim monies held by the Village can be deposited or invested in the following securities:

**VILLAGE OF RAWSON
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Continued)**

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. Bonds and other obligations of the State of Ohio, and, with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances (for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met; and
8. Written repurchase agreements in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Note 6 – Taxes

Property Taxes

Property taxes include amounts levied against all real and public utility property located in the Village. Property tax revenue received during 2019 for real and public utility property taxes represents collections of 2018 taxes.

**VILLAGE OF RAWSON
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Continued)**

2019 real property taxes are levied after October 1, 2019, on the assessed value as of January 1, 2019, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2019 real property taxes are collected in and intended to finance 2020.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2019 public utility property taxes which became a lien December 31, 2018, are levied after October 1, 2019, and are collected in 2020 with real property taxes.

The full tax rate for all Village operations for the year ended December 31, 2019, was \$2.50 per \$1,000 of assessed value. The assessed values of real property upon which 2019 property tax receipts were based are as follows:

Real Property	<u>\$5,291,970</u>
---------------	--------------------

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the Village. The County Auditor periodically remits to the Village its portion of the taxes collected.

Note 7 – Risk Management

The Village is a member of the Public Entities Pool of Ohio (The Pool). The Pool assumes the risk of loss up to the limits of the (Village's) policy. The Pool covers the following risks:

- General liability and casualty
- Public official's liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

	<u>2019</u>
Cash and investments	\$ 38,432,610
Actuarial liabilities	\$ 14,705,917

**VILLAGE OF RAWSON
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Continued)**

Note 8 – Defined Benefit Pension Plans

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description – Village employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan, and the combined plan is a combination cost-sharing, multiple-employer defined benefit/defined contribution pension plan. Participating employers are divided into state, local, law enforcement and public safety divisions. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the traditional plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost-of-living adjustments to members of the traditional and combined plans. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members in the traditional and combined plans were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional and combined plans as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information, including requirements for reduced and unreduced benefits):

**VILLAGE OF RAWSON
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Continued)**

Group A Eligible to retire prior to January 7, 2013, or five years after January 7, 2013	Group B 20 years of service credit prior to January 7, 2013, or eligible to retire ten years after January 7, 2013	Group C Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35
Combined Plan Formula: 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	Combined Plan Formula: 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	Combined Plan Formula: 1% of FAS multiplied by years of service for the first 35 years and 1.25% for service years in excess of 35
Public Safety	Public Safety	Public Safety
Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 52 with 25 years of service credit or Age 56 with 15 years of service credit
Law Enforcement	Law Enforcement	Law Enforcement
Age and Service Requirements: Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 56 with 15 years of service credit
Public Safety and Law Enforcement	Public Safety and Law Enforcement	Public Safety and Law Enforcement
Traditional Plan Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	Traditional Plan Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	Traditional Plan Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a traditional plan benefit recipient has received benefits for 12 months, an annual cost-of-living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. Members retiring under the combined plan receive a cost-of-living adjustment of the defined benefit portion of their pension benefit. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Defined contribution plan benefits are established in the plan documents, which may be amended by the Board. Member-directed plan and combined plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the combined plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. Combined plan members wishing to receive benefits must meet the requirements for both the defined benefit and defined contribution plans. Member-directed

**VILLAGE OF RAWSON
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Continued)**

participants must have attained the age of 55, have money on deposit in the defined contribution plan and have terminated public service to apply for retirement benefits. The amount available for defined contribution benefits in the member-directed plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20 percent each year. At retirement, members may select one of several distribution options for payment of the vested balance in their individual OPERS accounts. Options include the purchase of a monthly defined benefit annuity from OPERS (which includes joint and survivor options), partial lump-sum payments (subject to limitations), a rollover of the vested account balance to another financial institution, receipt of entire account balance, net of taxes withheld, or a combination of these options.

Funding Policy – The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	State and Local	Public Safety	Law Enforcement
2018 Statutory Maximum Contribution Rates			
Employer	14.0 %	18.1 %	18.1 %
Employee ***	10.0 %	*	**
 2018 Actual Contribution Rates			
Employer:			
Pension	14.0 %	18.1 %	18.1 %
Post-employment Health Care Benefits ****	0.0	0.0	0.0
Total Employer	14.0 %	18.1 %	18.1 %
Employee	10.0 %	12.0 %	13.0 %

* This rate is determined by OPERS' Board and has no maximum rate established by ORC.

** This rate is also determined by OPERS' Board, but is limited by ORC to not more than 2 percent greater than the Public Safety rate.

*** Member contributions within the combined plan are not used to fund the defined benefit retirement allowance.

**** This employer health care rate is for the traditional and combined plans. The employer contribution for the member-directed plan is 4 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

The Village's contractually required contribution was \$7,708 for the year 2019.

Social Security

Some Village employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participant.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2019.

**VILLAGE OF RAWSON
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Continued)**

Note 9 – Postemployment Benefits

Ohio Public Employees Retirement System

Plan Description – The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional pension plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit postemployment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the traditional pension and the combined plans. This trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, member-directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS CAFR referenced below for additional information.

The Ohio Revised Code permits, but does not require OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy – The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2019, State and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. For 2019, OPERS did not allocate any employer contribution to health care for members in the Traditional Pension Plan and Combined Plan. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the member-directed plan for 2019 was 4.0 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Village's contractually required contribution was \$7,708 for 2019.

**VILLAGE OF RAWSON
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Continued)**

Note 10 – Debt

Long-Term Obligations

The changes in the Village’s long-term debt during 2019 were as follows:

	Amount Outstanding 12/31/18	Additions	Deletions	Amount Outstanding 12/31/19	Amount Due in One Year
Business Type Activities					
Ohio Water Development Authority Loan 2853	\$3,648		\$1,017	\$2,631	\$1,038
Ohio Water Development Authority Loan 6303	155,545		8,827	146,718	9,132
Ohio Public Works Commission Loan CM02C	20,000		2,500	17,500	5,000
Ohio Public Works Commission Loan CT31B	62,404		6,934	55,470	13,867
Ohio Public Works Commission Loan CM04N	257,658		5,258	252,400	10,517
Mortgage Revenue Bonds 2004 (USDA)	1,063,000		22,000	1,041,000	23,000
Mortgage Revenue Bonds 2013 (USDA)	234,000		4,000	230,000	4,000
Total Business Type Activities	<u>\$1,796,255</u>		<u>\$50,536</u>	<u>\$1,745,719</u>	<u>\$66,554</u>

The Ohio Water Development Authority (OWDA) loan 2853 was issued to finance utility construction and improvements within the Village. 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 6303 and Ohio Public Works Commission (OPWC) loan CM04N were issued to finance a new water tower and improvements to the Village’s water lines. Water receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA and OPWC debt service requirements.

Ohio Public Works Commission Loan CM02C was approved for \$100,000 for improvements due to sewer line installation. Sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements. Ohio Public Works Commission Loan CT31B was approved for \$277,350 for improvements due to sewer line installation. Sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements.

Mortgage Revenue Bonds were issued in 2004 to finance construction of a wastewater treatment plant. An addendum to the bonds was issued in 2012 to finance the expansion of the sewer lagoon. Sewer receipts collateralize both loans. The Village has agreed to set utility rates sufficient to meet the debt covenant requirements of the bonds. The mortgage revenue bond covenant requires the Village to establish and fund an enterprise debt service reserve fund, included as an enterprise debt service fund.

**VILLAGE OF RAWSON
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Continued)**

Principal and interest requirements to retire long-term debt outstanding at December 31, 2019, were as follows:

Year	OWDA Loan #2853	OWDA Loan #6303	OPWC Loan #CM02C	OPWC Loan #CT31B	OPWC Loan #CM04N	Mortgage Revenue Bond 2004	Mortgage Revenue Bond 2013
2020	\$1,090	\$14,083	\$5,000	\$13,867	\$10,517	\$69,845	\$10,325
2021	1,090	14,083	5,000	13,868	10,517	70,810	10,215
2022	545	14,083	5,000	13,867	10,516	70,685	11,105
2023		14,083	2,500	13,868	10,517	70,515	10,968
2024		14,083			10,517	70,300	10,830
2025-2029		70,415			52,583	350,565	53,088
2030-2034		42,249			52,583	350,370	53,238
2035-2039					52,584	350,680	53,838
2040-2044					42,066	350,795	53,750
2045-2049							53,975
2050-2053							31,650
Total	\$2,725	\$183,079	\$17,500	\$55,470	\$252,400	\$1,754,565	\$352,982

Note 11 – Fund Balances

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Village is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General Fund	Street Construction Maintenance and Repair Fund	Sidewalks & Trees Special Assessment	Other Governmental Funds	Total
Restricted for					
Road Maintenance Improvements		\$24,026			\$24,026
Community Development			\$35,610	\$61,671	97,281
Fire Operations				14,639	14,639
Police Operations				3,295	3,295
<i>Total Restricted</i>		24,026	35,610	79,605	139,241
Assigned to					
Projected Budget Shortage	\$62,120				62,120
Unpaid Obligations	407				407
<i>Total Assigned</i>	62,527				62,527
Unassigned	660				660
<i>Total Fund Balances</i>	\$63,187	\$24,026	\$35,610	\$79,605	\$202,428

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 continuing emergency measures may impact subsequent periods of the Village. In addition, the impact on the Village's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

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Village of Rawson
Hancock County
Statement of Net Position - Cash Basis
December 31, 2018

	<u>Governmental Activities</u>	<u>Business - Type Activities</u>	<u>Total</u>
Assets			
Equity in Pooled Cash and Cash Equivalents	<u>\$185,172</u>	<u>\$381,952</u>	<u>\$567,124</u>
Net Position			
Restricted for:			
Debt Service		\$206,537	\$206,537
Other Purposes	\$126,451	166,561	293,012
Unrestricted	<u>58,721</u>	<u>8,854</u>	<u>67,575</u>
<i>Total Net Position</i>	<u>\$185,172</u>	<u>\$381,952</u>	<u>\$567,124</u>

See accompanying notes to the basic financial statements

Village of Rawson
Hancock County
Statement of Activities - Cash Basis
For the Year Ended December 31, 2018

	Program Cash Receipts			
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	
Governmental Activities				
Current:				
Security of Persons and Property	\$32,646	\$5,567		
Public Health Services	1,333			
Leisure Time Activities	12,932	1,075	\$4,500	
Community Environment	6,948	11,137		
Transportation	71,179	11,127	25,678	
General Government	29,117	3,210	187	
<i>Total Governmental Activities</i>	<u>154,155</u>	<u>32,116</u>	<u>30,365</u>	
Business-Type Activities				
Water Operating	89,973	78,960		
Sewer Operating	199,439	109,701		
Sewer/Lagoon Enterprise Improvement		3		
Enterprise Debt Service	28,875			\$33,057
Water Enterprise Deposit Fund	516	1,602		
Sewer Deposit Fund	516	1,598		
<i>Total Business-Type Activities</i>	<u>319,319</u>	<u>191,864</u>		<u>33,057</u>
<i>Total Primary Government</i>	<u>\$473,474</u>	<u>\$223,980</u>	<u>\$30,365</u>	<u>\$33,057</u>

General Receipts:
Property Taxes
Grants and Entitlements not Restricted to Specific Programs
Earnings on Investments
Miscellaneous

Total General Receipts

Change in Net Position

Net Position Beginning of Year

Net Position End of Year

See accompanying notes to the basic financial statements

Net (Disbursements) Receipts and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
(\$27,079)		(\$27,079)
(1,333)		(1,333)
(7,357)		(7,357)
4,189		4,189
(34,374)		(34,374)
(25,720)		(25,720)
(91,674)		(91,674)
	(\$11,013)	(11,013)
	(89,738)	(89,738)
	3	3
	4,182	4,182
	1,086	1,086
	1,082	1,082
	(94,398)	(94,398)
(91,674)	(94,398)	(186,072)
15,911		15,911
27,572		27,572
	4	4
772		772
44,255	4	44,259
(47,419)	(94,394)	(141,813)
232,591	476,346	708,937
<u>\$185,172</u>	<u>\$381,952</u>	<u>\$567,124</u>

Village of Rawson
Hancock County
Statement of Assets and Fund Balances - Cash Basis
Governmental Funds
December 31, 2018

	<u>General</u>	<u>Street Construction, Maintenance and Repair</u>	<u>Sidewalks & Trees Special Assessment</u>	<u>Storm Sewers, Drains & Curbing</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets						
Equity in Pooled Cash and Cash Equivalents	<u>\$58,721</u>	<u>\$17,543</u>	<u>\$35,580</u>	<u>\$21,723</u>	<u>\$51,605</u>	<u>\$185,172</u>
Fund Balances						
Restricted		\$17,543	\$35,580	\$21,723	\$51,605	\$126,451
Assigned	<u>\$58,721</u>					<u>58,721</u>
<i>Total Fund Balances</i>	<u>\$58,721</u>	<u>\$17,543</u>	<u>\$35,580</u>	<u>\$21,723</u>	<u>\$51,605</u>	<u>\$185,172</u>

See accompanying notes to the basic financial statements

Village of Rawson
Hancock County
Statement of Receipts, Disbursements and Changes in Fund Balances - Cash Basis
Governmental Funds
For the Year Ended December 31, 2018

	General	Street Construction, Maintenance and Repair	Sidewalks & Trees Special Assessment	Storm Sewers, Drains & Curbing	Other Governmental Funds	Total Governmental Funds
Receipts						
Property Taxes	\$13,137					\$13,137
Intergovernmental	27,572	\$21,048			\$9,130	57,750
Special Assessments			\$5,568	\$2,784	22,253	30,605
Charges for Services	1,075					1,075
Earnings on Investments	3,210	187				3,397
Miscellaneous	772					772
<i>Total Receipts</i>	<u>45,766</u>	<u>21,235</u>	<u>5,568</u>	<u>2,784</u>	<u>31,383</u>	<u>106,736</u>
Disbursements						
Current:						
Security of Persons and Property	4,421				28,225	32,646
Public Health Services	1,333					1,333
Leisure Time Activities	10,218				2,714	12,932
Community Environment			6,948			6,948
Transportation		67,577		3,602		71,179
General Government	28,505	612				29,117
<i>Total Disbursements</i>	<u>44,477</u>	<u>68,189</u>	<u>6,948</u>	<u>3,602</u>	<u>30,939</u>	<u>154,155</u>
<i>Net Change in Fund Balances</i>	1,289	(46,954)	(1,380)	(818)	444	(47,419)
<i>Fund Balances Beginning of Year</i>	<u>57,432</u>	<u>64,497</u>	<u>36,960</u>	<u>22,541</u>	<u>51,161</u>	<u>232,591</u>
<i>Fund Balances End of Year</i>	<u>\$58,721</u>	<u>\$17,543</u>	<u>\$35,580</u>	<u>\$21,723</u>	<u>\$51,605</u>	<u>\$185,172</u>

See accompanying notes to the basic financial statements

Village of Rawson
Hancock County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Year Ended December 31, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property Taxes	\$13,193	\$13,193	\$13,137	(\$56)
Intergovernmental	23,018	23,018	27,572	4,554
Charges for Services			1,075	1,075
Earnings on Investments			3,210	3,210
Miscellaneous			772	772
<i>Total Receipts</i>	36,211	36,211	45,766	9,555
Disbursements				
Current:				
Security of Persons and Property	5,328	5,328	4,421	907
Public Health Services	1,333	1,333	1,333	
Leisure Time Activities	31,409	31,409	10,252	21,157
General Government	55,979	55,979	28,752	27,227
<i>Total Disbursements</i>	94,049	94,049	44,758	49,291
<i>Net Change in Fund Balance</i>	(57,838)	(57,838)	1,008	58,846
<i>Unencumbered Fund Balance Beginning of Year</i>	56,953	56,953	56,953	
Prior Year Encumbrances Appropriated	479	479	479	
<i>Unencumbered Fund Balance End of Year</i>	(\$406)	(\$406)	\$58,440	\$58,846

See accompanying notes to the basic financial statements

Village of Rawson
Hancock County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Street Construction, Maintenance and Repair Fund
For the Year Ended December 31, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Intergovernmental	\$22,000	\$22,000	\$21,048	(\$952)
Earnings on Investments			187	187
<i>Total Receipts</i>	22,000	22,000	21,235	(765)
Disbursements				
Current:				
Transportation	91,422	91,422	67,636	23,786
General Government	612	612	612	
<i>Total Disbursements</i>	92,034	92,034	68,248	23,786
<i>Net Change in Fund Balance</i>	(70,034)	(70,034)	(47,013)	23,021
<i>Unencumbered Fund Balance Beginning of Year</i>	64,464	64,464	64,464	
Prior Year Encumbrances Appropriated	33	33	33	
<i>Unencumbered Fund Balance End of Year</i>	(\$5,537)	(\$5,537)	\$17,484	\$23,021

See accompanying notes to the basic financial statements

Village of Rawson
Hancock County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Sidewalks & Trees Special Assessment Fund
For the Year Ended December 31, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Receipts				
Special Assessments	<u>\$2,414</u>	<u>\$2,414</u>	<u>\$5,568</u>	<u>\$3,154</u>
Disbursements				
Current:				
Community Environment	<u>39,374</u>	<u>39,374</u>	<u>6,948</u>	<u>32,426</u>
<i>Net Change in Fund Balance</i>	(36,960)	(36,960)	(1,380)	35,580
<i>Unencumbered Fund Balance Beginning of Year</i>	<u>\$36,960</u>	<u>\$36,960</u>	<u>36,960</u>	
<i>Unencumbered Fund Balance End of Year</i>			<u><u>\$35,580</u></u>	<u><u>\$35,580</u></u>

See accompanying notes to the basic financial statements

Village of Rawson
Hancock County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Storm Sewers, Drains & Curbing Fund
For the Year Ended December 31, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Intergovernmental	\$2,421	\$2,421	\$2,784	\$363
Disbursements				
Current:				
Transportation	24,962	24,962	3,602	21,360
<i>Net Change in Fund Balance</i>	(22,541)	(22,541)	(818)	21,723
<i>Unencumbered Fund Balance Beginning of Year</i>	\$22,541	\$22,541	22,541	
<i>Unencumbered Fund Balance End of Year</i>	\$21,723	\$21,723	\$21,723	\$21,723

See accompanying notes to the basic financial statements

Village of Rawson
Hancock County
Statement of Fund Net Position - Cash Basis
Proprietary Funds
December 31, 2018

	Business-Type Activities					Total Enterprise Funds
	Water Operating	Sewer Operating	Enterprise Debt Service	Enterprise Debt Service Reserve	Other Enterprise Funds	
Assets						
Equity in Pooled Cash and Cash Equivalents	(\$11,689)	\$140,647	\$121,616	\$84,921	\$46,457	\$381,952
Net Position						
Restricted for:						
Debt Service			\$121,616	\$84,921		\$206,537
Other Purposes	(\$11,689)	\$140,647			\$37,603	166,561
Unrestricted					8,854	8,854
<i>Total Net Position</i>	(\$11,689)	\$140,647	\$121,616	\$84,921	\$46,457	\$381,952

See accompanying notes to the basic financial statements

Village of Rawson
Hancock County
Statement of Receipts, Disbursements and Changes in Fund Net Position - Cash Basis
Proprietary Funds
For the Year Ended December 31, 2018

	Business-Type Activities					Total Enterprise Funds
	Water Operating	Sewer Operating	Enterprise Debt Service	Enterprise Debt Service Reserve	Other Enterprise Funds	
Operating Receipts						
Charges for Services	\$78,960	\$69,202			\$3,203	\$151,365
Operating Disbursements						
Personal Services	18,667	14,645				33,312
Employee Fringe Benefits	2,902	2,351				5,253
Contractual Services	17,833	5,150				22,983
Supplies and Materials	12,531	78,131				90,662
Other					1,032	1,032
<i>Total Operating Disbursements</i>	<u>51,933</u>	<u>100,277</u>			<u>1,032</u>	<u>153,242</u>
<i>Operating Income (Loss)</i>	<u>27,027</u>	<u>(31,075)</u>			<u>2,171</u>	<u>(1,877)</u>
Non-Operating Receipts (Disbursements)						
Property and Other Local Taxes						
Intergovernmental		40,499				40,499
Special Assessments			\$33,057			33,057
Earnings on Investments			3	\$1		4
Principal Retirement	(50,289)	(28,299)	(26,000)			(104,588)
Interest and Other Fiscal Charges	(6,136)		(55,353)			(61,489)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(56,425)</u>	<u>12,200</u>	<u>(48,293)</u>	<u>1</u>		<u>(92,517)</u>
<i>Change in Net Position</i>	<u>(29,398)</u>	<u>(18,875)</u>	<u>(48,293)</u>	<u>1</u>	<u>2,171</u>	<u>(94,394)</u>
<i>Net Position Beginning of Year</i>	<u>17,709</u>	<u>159,522</u>	<u>169,909</u>	<u>84,920</u>	<u>44,286</u>	<u>476,346</u>
<i>Net Position End of Year</i>	<u>(\$11,689)</u>	<u>\$140,647</u>	<u>\$121,616</u>	<u>\$84,921</u>	<u>\$46,457</u>	<u>\$381,952</u>

See accompanying notes to the basic financial statements

Village of Rawson
Hancock County
Statement of Fiduciary Net Position - Cash Basis
Fiduciary Funds
December 31, 2018

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$58</u>
Net Position	
Held on Behalf of Deposit Refunds for Enterprise:	<u>\$58</u>

See accompanying notes to the basic financial statements

**VILLAGE OF RAWSON
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Note 1 – Reporting Entity

The Village of Rawson (the Village), Hancock County, Ohio, 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. The Village is directed by a six-member council elected at large for four year terms. The Mayor is elected to a four-year term, serves as the President of Council and votes only to break a tie.

The reporting entity is composed of the primary government, component units, and other organizations that are included to ensure the financial statements of the Village are not misleading.

Primary Government

The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the Village. The primary government of the Village of Rawson provides the following services to its citizens: police and fire protection, parks and recreation, street maintenance and repairs, and water/sewer utilities.

Public Entity Risk Pool

The Village participates in a public entity risk pool. 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

As discussed further in the "Basis of Accounting" section of this note, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the Village's accounting policies.

Basis of Presentation

The Village's basic financial statements consist of government-wide financial statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements The statement of net position and the statement of activities display information about the Village as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" receipts and disbursements. The statements distinguish between those activities of the Village that are governmental in nature and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

**VILLAGE OF RAWSON
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)**

The statement of net position presents the cash balance, of the governmental and business-type activities of the Village at year end. The statement of activities compares disbursements with program receipts for each program or function of the Village's governmental activities and business-type activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Village is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental program or business activity is self-financing on a cash basis or draws from the general receipts of the Village.

Fund Financial Statements During the year, the Village segregates transactions related to certain Village functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Village at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

Proprietary fund statements distinguish operating transactions from nonoperating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the funds' principal services. Operating disbursements include costs of sales and services and administrative costs. The fund statements report all other receipts and disbursements as nonoperating.

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 in three categories: governmental, proprietary, and fiduciary.

Governmental Funds Governmental funds are those through which most governmental functions of the Village are financed. The following are the Village's major governmental funds:

General 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.

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 maintenance and repair of streets within the Village.

Sidewalks & Trees Special Assessment Fund The sidewalks & trees special assessment fund accounts for and reports resources restricted for the maintenance and replacement of sidewalks and trees in the Village right of way deemed to benefit the properties against which special assessments are levied.

Storm Sewers, Drains & Curbing Fund The storm sewers, drains, & curbing fund accounts for and reports resources restricted for the maintenance and replacement of storm sewers, drains, and curbing in the Village.

The other governmental funds of the Village account for and report grants and other resources whose use is restricted, committed or assigned to a particular purpose.

**VILLAGE OF RAWSON
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)**

Proprietary Funds The Village classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds are classified as either enterprise funds or internal service funds.

Enterprise Funds Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following are the Village's major enterprise funds:

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

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

Enterprise Debt Service Fund The enterprise debt service fund accounts for and reports resources restricted for the retirement of USDA debt.

Enterprise Debt Service Reserve Fund The enterprise debt service reserve fund accounts for and reports resources required to be reserved and restricted for the retirement of USDA debt.

Fiduciary Funds Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the Village under a trust agreement for individuals, private organizations, or other governments and are not available to support the Village's own programs. The Village does not have any trust funds. Agency funds are used to report fiduciary activities that are not required to be reported in a trust fund. The Village's agency fund accounts for amounts unclaimed by individuals.

Basis of Accounting

The Village's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the Village's financial records and reported in the financial statements when cash is received rather than when earned, and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Village are described in the appropriate section in this note.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount Village Council may appropriate.

The appropriations ordinance is Village Council's authorization to spend resources and sets annual limits on cash disbursements plus encumbrances at the level of control selected by Village Council. The legal level of control has been established by Village Council at the fund, department, and object level for all funds.

**VILLAGE OF RAWSON
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)**

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Village Clerk. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by Village Council.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by Village Council during the year.

Cash and Investments

To improve cash management, cash received by the Village is pooled and invested. Individual fund integrity is maintained through Village records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively. During 2018, the Village invested in nonnegotiable certificates of deposit and a money market fund.

Interest earnings are allocated to Village funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2018 was \$3,210, which includes \$1,027 assigned from other Village funds.

Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation.

Inventory and Prepaid Items

The Village reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

**VILLAGE OF RAWSON
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)**

Employer Contributions to Cost-Sharing Pension Plans

The Village recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for other postemployment benefits (OPEB).

Long-Term Obligations

The Village's cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid.

Net Position

Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for transportation, utilities, and other purposes.

The Village's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

Fund Balance

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

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

Restricted Fund balance is reported as 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.

Enabling legislation authorizes the Village to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the Village can be compelled by an external party, such as citizens, public interest groups, or the judiciary, to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution, as both are equally binding) of Village Council. Those committed amounts cannot be used for any other purpose unless Village Council removes or changes the specified use by taking the same type of action (ordinance or resolution, as both are equally binding) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, the committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by Village Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual

**VILLAGE OF RAWSON
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)**

obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned Amounts in the assigned fund balance classification are intended to be used by the Village for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the Village Council or a Village official delegated that authority by resolution or by State Statute. State Statute authorizes the Village Auditor to assign fund balance for purchases on order provided such amounts have been lawfully appropriated.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not contained 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.

Internal Activity

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general receipts.

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. Payments for interfund services provided and used are not eliminated.

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

Note 3 – Compliance

Compliance

Contrary to Ohio law, the Water Operating Fund had a deficit fund balance of \$11,689 at December 31, 2018.

Note 4 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund and any major special revenue funds are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is as follows:

**VILLAGE OF RAWSON
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)**

Outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as restricted, committed or assigned fund balance (cash basis).

Adjustments necessary to convert the results of operations at the end of the year on the budget basis to the cash basis are as follows:

	General	Street Construction, Maintenance and Repair Fund	Sidewalks & Trees Special Assessment Fund	Storm Sewers, Drains & Curbing Fund
Cash Basis	\$58,721	\$17,543	\$35,580	\$21,723
Encumbrances	281	59		
Budget Basis	<u>\$58,440</u>	<u>\$17,484</u>	<u>\$35,580</u>	<u>\$21,723</u>

Note 5 – Deposits and Investments

State statutes classify monies held by the Village into three categories.

Active deposits are public monies determined to be necessary to meet current demands upon the Village treasury. Active monies must be maintained either as cash in the Village treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that Council has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Protection of the Village's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Interim monies held by the Village can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

**VILLAGE OF RAWSON
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)**

3. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. Bonds and other obligations of the State of Ohio, and, with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances (for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met; and
8. Written repurchase agreements in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Note 6 – Taxes

Property Taxes

Property taxes include amounts levied against all real and public utility property located in the Village. Property tax revenue received during 2018 for real and public utility property taxes represents collections of 2017 taxes.

2018 real property taxes are levied after October 1, 2018, on the assessed value as of January 1, 2018, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2018 real property taxes are collected in and intended to finance 2019.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2018 public utility property taxes which became a lien December 31, 2017, are levied after October 1, 2018, and are collected in 2019 with real property taxes.

**VILLAGE OF RAWSON
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)**

The full tax rate for all Village operations for the year ended December 31, 2018, was \$2.50 per \$1,000 of assessed value. The assessed values of real property upon which 2018 property tax receipts were based are as follows:

Real Property	<u>\$5,291,970</u>
---------------	--------------------

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the Village. The County Auditor periodically remits to the Village its portion of the taxes collected.

Note 7 – Risk Management

The Village is a member of the Public Entities Pool of Ohio (The Pool). The Pool assumes the risk of loss up to the limits of the (Village's) policy. The Pool covers the following risks:

- General liability and casualty
- Public official's liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

	<u>2018</u>
Cash and investments	\$ 35,381,789
Actuarial liabilities	\$ 12,965,015

Note 8 – Defined Benefit Pension Plans

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description – Village employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan, and the combined plan is a combination cost-sharing, multiple-employer defined benefit/defined contribution pension plan. Participating employers are divided into state, local, law enforcement and public safety divisions. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the traditional plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost-of-living adjustments to members of the traditional and combined plans. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

**VILLAGE OF RAWSON
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)**

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members in the traditional and combined plans were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional and combined plans as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information, including requirements for reduced and unreduced benefits):

Group A Eligible to retire prior to January 7, 2013, or five years after January 7, 2013	Group B 20 years of service credit prior to January 7, 2013, or eligible to retire ten years after January 7, 2013	Group C Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35
Combined Plan Formula: 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	Combined Plan Formula: 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	Combined Plan Formula: 1% of FAS multiplied by years of service for the first 35 years and 1.25% for service years in excess of 35
Public Safety	Public Safety	Public Safety
Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 52 with 25 years of service credit or Age 56 with 15 years of service credit
Law Enforcement	Law Enforcement	Law Enforcement
Age and Service Requirements: Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 56 with 15 years of service credit
Public Safety and Law Enforcement	Public Safety and Law Enforcement	Public Safety and Law Enforcement
Traditional Plan Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	Traditional Plan Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	Traditional Plan Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a traditional plan benefit recipient has received benefits for 12 months, an annual cost-of-living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. Members retiring under the combined plan receive a cost-of-living adjustment of the defined benefit portion of their pension benefit. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

**VILLAGE OF RAWSON
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)**

Defined contribution plan benefits are established in the plan documents, which may be amended by the Board. Member-directed plan and combined plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the combined plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. Combined plan members wishing to receive benefits must meet the requirements for both the defined benefit and defined contribution plans. Member-directed participants must have attained the age of 55, have money on deposit in the defined contribution plan and have terminated public service to apply for retirement benefits. The amount available for defined contribution benefits in the member-directed plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20 percent each year. At retirement, members may select one of several distribution options for payment of the vested balance in their individual OPERS accounts. Options include the purchase of a monthly defined benefit annuity from OPERS (which includes joint and survivor options), partial lump-sum payments (subject to limitations), a rollover of the vested account balance to another financial institution, receipt of entire account balance, net of taxes withheld, or a combination of these options.

Funding Policy – The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	State and Local	Public Safety	Law Enforcement
2018 Statutory Maximum Contribution Rates			
Employer	14.0 %	18.1 %	18.1 %
Employee ***	10.0 %	*	**
2018 Actual Contribution Rates			
Employer:			
Pension	14.0 %	18.1 %	18.1 %
Post-employment Health Care Benefits ****	0.0	0.0	0.0
Total Employer	<u>14.0 %</u>	<u>18.1 %</u>	<u>18.1 %</u>
Employee	<u>10.0 %</u>	<u>12.0 %</u>	<u>13.0 %</u>

- * This rate is determined by OPERS' Board and has no maximum rate established by ORC.
- ** This rate is also determined by OPERS' Board, but is limited by ORC to not more than 2 percent greater than the Public Safety rate.
- *** Member contributions within the combined plan are not used to fund the defined benefit retirement allowance.
- **** This employer health care rate is for the traditional and combined plans. The employer contribution for the member-directed plan is 4 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

The Village's contractually required contribution was \$6,557 for the year 2018.

Social Security

Some Village employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participant.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2018.

**VILLAGE OF RAWSON
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)**

Note 9 – Postemployment Benefits

Ohio Public Employees Retirement System

Plan Description – The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional pension plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit postemployment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the traditional pension and the combined plans. This trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, member-directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS CAFR referenced below for additional information.

The Ohio Revised Code permits, but does not require OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy – The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2018, State and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. For 2018, OPERS did not allocate any employer contribution to health care for members in the Traditional Pension Plan and Combined Plan. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the member-directed plan for 2018 was 4.0 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Village's contractually required contribution was \$6,557 for 2018.

**VILLAGE OF RAWSON
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)**

Note 10 – Debt

Long-Term Obligations

The changes in the Village's long-term debt during 2018 were as follows:

	Amount Outstanding 12/31/17	Additions	Deletions	Amount Outstanding 12/31/18	Amount Due in One Year
Business Type Activities					
Ohio Water Development Authority Loan 2852	\$24,985		\$24,985		
Ohio Water Development Authority Loan 2853	4,644		996	\$3,648	\$1,017
Ohio Water Development Authority Loan 6303	164,078		8,533	155,545	8,827
Ohio Public Works Commission Loan CM02C	27,500		7,500	20,000	2,500
Ohio Public Works Commission Loan CT31B	83,203		20,799	62,404	6,934
Ohio Public Works Commission Loan CM04N	273,433		15,775	257,658	5,258
Mortgage Revenue Bonds 2004 (USDA)	1,084,000		21,000	1,063,000	22,000
Mortgage Revenue Bonds 2013 (USDA)	239,000		5,000	234,000	4,000
Total Business Type Activities	<u>\$1,900,843</u>		<u>\$104,588</u>	<u>\$1,796,255</u>	<u>\$50,536</u>

The Ohio Water Development Authority (OWDA) loans 2852 and 2853 were issued to finance utility construction and improvements within the Village. 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 6303 and Ohio Public Works Commission (OPWC) loan CM04N were issued to finance a new water tower and improvements to the Village's water lines. Water receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA and OPWC debt service requirements.

Ohio Public Works Commission Loan CM02C was approved for \$100,000 for improvements due to sewer line installation. Sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements. Ohio Public Works Commission Loan CT31B was approved for \$277,350 for improvements due to sewer line installation. Sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements.

Mortgage Revenue Bonds were issued in 2004 to finance construction of a wastewater treatment plant. An addendum to the bonds was issued in 2012 to finance the expansion of the sewer lagoon. Sewer receipts collateralize both loans. The Village has agreed to set utility rates sufficient to meet the debt covenant requirements of the bonds. The mortgage revenue bond covenant requires the Village to establish and fund an enterprise debt service reserve fund, included as an enterprise debt service fund.

Principal and interest requirements to retire long-term debt outstanding at December 31, 2018, were as follows:

**VILLAGE OF RAWSON
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)**

Year	OWDA Loan #2853	OWDA Loan #6303	OPWC Loan #CM02C	OPWC Loan #CT31B	OPWC Loan #CM04N	Mortgage Revenue Bond 2004	Mortgage Revenue Bond 2013
2019	\$1,090	\$14,083	\$2,500	\$6,934	\$5,258	\$69,835	\$10,435
2020	1,090	\$14,083	5,000	13,867	10,517	69,845	10,325
2021	1,090	\$14,083	5,000	13,867	10,517	70,810	10,215
2022	545	\$14,083	5,000	13,868	10,516	70,685	11,105
2023		\$14,083	2,500	13,868	10,517	70,515	10,968
2024-2028		70,415			52,583	350,405	52,775
2029-2033		56,332			52,584	350,920	54,063
2034-2038					52,583	350,300	53,773
2039-2043					52,583	351,070	53,823
2044-2048						70,015	53,185
2049-2052							42,750
Total	\$3,815	\$197,162	\$20,000	\$62,404	\$257,658	\$1,824,400	\$363,417

Note 11 – Fund Balances

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Village is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General Fund	Street Construction, Maintenance and Repair Fund	Sidewalks & Trees Special Assessment Fund	Storm Sewers, Drains & Curbing Fund	Other Governmental Funds	Total
Restricted for						
Road Maintenance Improvements		\$17,543				\$17,543
Community Development			\$35,580	\$21,723	\$34,198	91,501
Fire Operations					14,673	14,673
Police Operations					2,734	2,734
<i>Total Restricted</i>		17,543	35,580	21,723	51,605	126,451
Assigned to						
Projected Budget Shortage	\$58,439					58,439
Unpaid Obligations	282					282
<i>Total Assigned</i>	58,721					58,721
<i>Total Fund Balances</i>	\$58,721	\$17,543	\$35,580	\$21,723	\$51,605	\$185,172

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 continuing emergency measures may impact subsequent periods of the Village. In addition, the impact on the Village's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.



One Government Center, Suite 1420
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(419) 245-2811 or (800) 443-9276
NorthwestRegion@ohioauditor.gov

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

Village of Rawson
Hancock County
111 South Main Street
P.O. Box 525
Rawson, Ohio 45881-0525

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 cash-basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Rawson, Hancock County, Ohio, (the Village) as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Village’s basic financial statements and have issued our report thereon date December 9, 2020, wherein we noted the Village uses a special purpose framework other than generally accepted accounting principles. We also noted the Village adopted Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. In addition, we noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the Village.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village’s internal control over financial reporting (internal control) as a basis for designing 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 2019-003 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 financial statement. 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 2019-002 and 2019-003.

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.



Keith Faber
Auditor of State
Columbus, Ohio

December 9, 2020

**VILLAGE OF RAWSON
HANCOCK COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2019 AND 2018**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2019-001

Material Weakness – Financial Reporting

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. In addition, Governmental Accounting Standards Board (GASB) Statement No. 54 (codified as GASB Cod 1800.165-.179) requires fund balance be divided into one of five classifications based on the extent to which constraints are imposed upon the resources.

The following errors were identified in the accompanying financial statements:

- In 2019 and 2018, fund balance was improperly classified as unassigned instead of assigned in the General Fund in the amounts of \$62,527 and \$58,721.
- In 2019, USDA loan payments in the amount of \$47,835 were incorrectly recorded as principal instead of interest in the Enterprise Debt Service Fund.

These errors were the result of inadequate policies and procedures in reviewing the financial statements. Failure to complete accurate financial statements could lead to the Village Council making misinformed decisions. The accompanying financial statements, notes to the financial statements, and Village records have been adjusted to correct these errors. In addition to the adjustments noted above, we also identified additional misstatements ranging from \$974 to \$1,928 that we have brought to the Village's attention.

To help ensure the Village's financial statements and notes to the financial statements are complete and accurate, the Council should adopt policies and procedures, including a final review of the financial statements and notes to the financial statements by the Fiscal Officer and Council, to identify and correct errors and omissions. In addition, the Fiscal Officer should review Ohio Auditor of State Audit Bulletin 2011-004 for guidance on GASB Statement No. 54.

FINDING NUMBER 2019-002

Noncompliance and Material Weakness

Village Ordinance No. 2004-05 requires that a reserve account be established and that each month the amount of 1/120 of the reserve amount be accumulated in the fund until a sum equal to one annual payment of principal and interest on the revenue bonds, after which no further deposits need to be made except to replace withdrawals. The reserve account shall be used and disbursed only for the purpose of paying the cost of repairing or replacing any damage to the utility which may be caused by an unforeseen catastrophe, for making extensions or improvements to the utility, and, when necessary, for the purpose of making payments of principal and interest on the bonds if the amount in the bond account is not sufficient to meet such payments.

Due to deficiencies in monitoring the reserve account, in 2019 the Village improperly paid for other debt in the amount of \$14,692 out of the Enterprise Debt Service Reserve Fund instead of the proper funds -- the Water Operating Fund (\$5,258) and Sewer Operating Fund (\$9,434). This could result in the Village not having the proper amount reserved in the account. The accompanying financial statements, notes to the financial statements, and Village records have been adjusted to correct this error.

To help ensure that funds are only expended for allowable purposes out of the reserve account, the Village Council should monitor all expenditures out of the Enterprise Debt Service Reserve Fund.

FINDING NUMBER 2019-003

Noncompliance and Material Weakness

Ohio Rev. Code § 5705.10(I) requires that money paid into any fund shall be used only for the purposes for which such fund is established. Therefore, a negative fund cash balance in any fund indicates that money from another fund or funds has been used to pay the obligations of the fund carrying the deficit balance.

The following errors were identified in the accompanying financial statements:

- In 2018, USDA loan payments in the amount of \$69,780 were classified as Capital Outlay in the Sewer Operating Fund instead of \$21,000 Principal and \$48,780 Interest and Other Fiscal Charges in the Enterprise Debt Service Fund.
- In 2018, OWDA loan payments in the amount of \$17,302 was classified as principal in the Enterprise Debt Service Fund instead of principal and interest in the amounts of \$16,966 and \$336, respectively, in the Water Operating Fund.
- The Water Operating Fund had a deficit fund balance of \$11,689 at December 31, 2018.

Audit adjustments are reflected in the financial statements and in the accounting records correcting these misstatements. The lack of controls over the posting of financial transactions decreases the reliability of financial data at year-end and can result in undetected errors and irregularities.

The Village should implement controls to help ensure all transactions are reviewed and posted to the proper funds.

In addition, negative fund balances could result in the use of restricted receipts for unallowable purposes. A procedure(s) and control(s), such as the Management and/or Council's periodic review of reports that show cash fund balances, and budgeted versus actual receipts and disbursements, should be implemented to identify those funds that may potentially develop a negative balance.

Advances or transfers should be made for these funds or appropriations modified to prevent a negative cash balance. The Village should refer to Ohio Compliance Supplement (OCS) Chapter 1 and/or Auditor of State Bulletin 97-003 for information regarding the accounting treatment and approval process for advances.

Officials' Response:

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

Village of Rawson
Hancock County
111 South Main Street
P.O. Box 525
Rawson, Ohio 45881

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2019 AND 2018**

Finding Number	Finding Summary	Status	Additional Information
2017-001	Finding was first issued in the 2010-2011 audit. Material weakness for financial reporting due to material audit adjustments.	Not corrected and repeated as Finding 2019-001 in this report.	The Clerk-Treasurer will continue to work to implement controls to address deficiencies and make corrections in the future.

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OHIO AUDITOR OF STATE KEITH FABER



VILLAGE OF RAWSON

HANCOCK 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 12/29/2020

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Phone: 614-466-4514 or 800-282-0370

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