



Dave Yost • Auditor of State

**VILLAGE OF RACINE
MEIGS COUNTY
DECEMBER 31, 2016 AND 2015**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Village of Racine
Meigs County
P.O. Box 399
Racine, Ohio 45771-0399

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Racine, Meigs County, Ohio (the Village), as of and for the years ended December 31, 2016 and 2015.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

As described in Note 2 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements. Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2016 and 2015, or changes in financial position or cash flows thereof for the years then ended.

Basis for Disclaimer of Opinion on Fiduciary Fund Receipts on the Regulatory Basis of Accounting

Fines, license and permit receipts are reported at \$4,966 and \$2,325 for the years ended December 31, 2016 and 2015, respectively, which is 100% of Fiduciary Fund receipts for the years ended December 31, 2016 and 2015. We were unable to obtain sufficient appropriate audit evidence supporting the amounts recorded as fines, license and permit receipts.

Disclaimer of Opinion on Fiduciary Fund Receipts on the Regulatory Basis of Accounting

Because of the significance of fines, license and permit receipts to the Fiduciary Fund Type, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the Fiduciary Fund Type of the Village of Racine, Meigs County, Ohio, for the years ended December 31, 2016 and 2015.

Basis for Qualification of Opinion on General Fund Fines, licenses and permits on the Regulatory Basis of Accounting

Fines, licenses and permits are reported at \$3,710 and \$3,098 for the years ended December 31, 2016 and 2015, respectively, which is 3 percent of total General Fund operating receipts for both years ended December 31, 2016 and 2015. We were unable to obtain sufficient appropriate audit evidence supporting the amounts recorded as fines, licenses and permits. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

Qualification of Opinion on the General Fund Fines, licenses and permits on the Regulatory Basis of Accounting

Also, in our opinion, except for such adjustments, if any, as might have been determined to be necessary had we been able to obtain sufficient competent evidential matter to support the 2016 and 2015 fines, licenses and permits receipts in the General Fund, the financial statements referred to above present fairly, in all material respects, the fund cash balances of the General Fund, of the Village of Racine, Meigs County, Ohio, as of December 31, 2016 and 2015, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03 permit, described in Note 2.

Unmodified Opinions

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the fund cash balances of the Special Revenue Funds and Enterprise Funds, of the Village of Racine, Meigs County, Ohio, as of December 31, 2016 and 2015, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03 permit, described in Note 1.

Emphasis of Matter

As discussed in Note 3 to the 2015 financial statements, Village Council restated the January 1, 2015 fund balance in the Fire Special Revenue Fund by \$8,000 as a result of accounting for a certificate of deposit in the Fire and Cemetery Funds rather than just the Cemetery Fund. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 29, 2017, 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.



Dave Yost
Auditor of State
Columbus, Ohio

August 29, 2017

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**Village of Racine
Meigs County**

*Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2016*

	General	Special Revenue	Permanent	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$51,217	\$4,881	\$0	\$56,098
Intergovernmental	38,587	35,682	0	74,269
Charges for Services	0	61,938	2,300	64,238
Fines, Licenses and Permits	3,710	1,167	0	4,877
Earnings on Investments	341	1,082	17	1,440
Miscellaneous	32,348	37,530	0	69,878
	<u>126,203</u>	<u>142,280</u>	<u>2,317</u>	<u>270,800</u>
Cash Disbursements				
Current:				
Security of Persons and Property	29,587	48,470	0	78,057
Public Health Services	0	10,254	0	10,254
Leisure Time Activities	4,500	18,187	0	22,687
Community Environment	994	0	0	994
Basic Utility Services	7,153	0	0	7,153
Transportation	71,970	40,859	0	112,829
General Government	31,658	0	0	31,658
Capital Outlay	0	9,720	0	9,720
Debt Service:			0	
Principal Retirement	17,902	4,672	0	22,574
Interest and Fiscal Charges	2,508	89	0	2,597
<i>Total Cash Disbursements</i>	<u>166,272</u>	<u>132,251</u>	<u>0</u>	<u>298,523</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(40,069)</u>	<u>10,029</u>	<u>2,317</u>	<u>(27,723)</u>
Other Financing Receipts (Disbursements)				
Other Debt Proceeds	18,250	10,250	0	28,500
<i>Total Other Financing Receipts (Disbursements)</i>	<u>18,250</u>	<u>10,250</u>	<u>0</u>	<u>28,500</u>
<i>Net Change in Fund Cash Balances</i>	<u>(21,819)</u>	<u>20,279</u>	<u>2,317</u>	<u>777</u>
<i>Fund Cash Balances, January 1</i>	<u>78,263</u>	<u>146,041</u>	<u>47,127</u>	<u>271,431</u>
Fund Cash Balances, December 31				
Nonspendable	0	0	49,444	49,444
Restricted	0	165,379	0	165,379
Committed	0	941	0	941
Assigned	12,119	0	0	12,119
Unassigned (Deficit)	44,325	0	0	44,325
<i>Fund Cash Balances, December 31</i>	<u>\$56,444</u>	<u>\$166,320</u>	<u>\$49,444</u>	<u>\$272,208</u>

See accompanying notes to the basic financial statements.

Village of Racine
Meigs County

*Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Proprietary and Fiduciary Fund Types
For the Year Ended December 31, 2016*

	Proprietary Fund Type <u>Enterprise</u>	Fiduciary Fund Type <u>Agency</u>	Total (Memorandum Only) <u>Only</u>
Operating Cash Receipts			
Charges for Services	\$311,524	\$0	\$311,524
Fines, Licenses and Permits	<u>0</u>	<u>4,966</u>	<u>4,966</u>
<i>Total Operating Cash Receipts</i>	<u>311,524</u>	<u>4,966</u>	<u>316,490</u>
Operating Cash Disbursements			
Personal Services	83,276	0	83,276
Employee Fringe Benefits	34,119	0	34,119
Contractual Services	63,506	0	63,506
Supplies and Materials	25,859	0	25,859
Other	<u>251</u>	<u>4,966</u>	<u>5,217</u>
<i>Total Operating Cash Disbursements</i>	<u>207,011</u>	<u>4,966</u>	<u>211,977</u>
<i>Operating Income (Loss)</i>	<u>104,513</u>	<u>0</u>	<u>104,513</u>
Non-Operating Receipts (Disbursements)			
Intergovernmental	533,845	0	533,845
Earnings on Investments (proprietary funds only)	204	0	204
Other Debt Proceeds	207,500	0	207,500
Capital Outlay	(734,203)	0	(734,203)
Principal Retirement	(39,377)	0	(39,377)
Interest and Other Fiscal Charges	(12,951)	0	(12,951)
Other Financing Uses	<u>(4,850)</u>	<u>0</u>	<u>(4,850)</u>
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(49,832)</u>	<u>0</u>	<u>(49,832)</u>
<i>Net Change in Fund Cash Balances</i>	54,681	0	54,681
<i>Fund Cash Balances, January 1</i>	<u>65,689</u>	<u>0</u>	<u>65,689</u>
<i>Fund Cash Balances, December 31</i>	<u>\$120,370</u>	<u>\$0</u>	<u>\$120,370</u>

See accompanying notes to the basic financial statements.

**VILLAGE OF RACINE
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016**

Note 1 - Reporting Entity

The Village of Racine (the Village), Meigs County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides water utilities, refuse collection, street and cemetery maintenance, recreational operations, and police and fire services.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

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

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

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

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

Fire Fund This fund receives property tax and contract revenue from adjacent communities to pay for the fire protection for the Village and adjacent communities.

Other Special Revenue Fund The other special revenue fund accounts for monies received from Ohio Department of Commerce for Marcs Radio Grant.

Permanent Funds These funds account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs (for the benefit of the government or its citizenry). The Village had the following significant permanent fund:

Cemetery Endowment Fund The cemetery endowment fund accounts for and reports interest earned on the nonexpendable corpus from a trust agreement restricted for the general maintenance and upkeep of the Village's cemetery.

**VILLAGE OF RACINE
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(Continued)**

Note 2 - Summary of Significant Accounting Policies (Continued)

Fund Accounting (Continued)

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

Water Fund This fund receives charges for services from residents to cover water service costs.

Refuse Fund This fund receives charges for services from residents to cover garbage service costs.

Water Line Replacement Fund The Village received grant monies and a loan through the USDA for water line replacement and new water wells. The proceeds are restricted for the Phase II Water Project..

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

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency fund accounts for Mayor's Court fines and forfeitures.

Basis of Accounting

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

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

Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

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

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

**VILLAGE OF RACINE
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(Continued)**

Note 2 - Summary of Significant Accounting Policies (Continued)

Budgetary Process (Continued)

Encumbrances The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2016 budgetary activity appears in Note 3.

Deposits and Investments

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

Capital Assets

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

Accumulated Leave

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

Fund Balance

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

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

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

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

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

**VILLAGE OF RACINE
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(Continued)**

Note 2 - Summary of Significant Accounting Policies (Continued)

Fund Balance (Continued)

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

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

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

Note 3 - Budgetary Activity

Budgetary activity for the year ending December 31, 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$136,069	\$144,453	\$8,384
Special Revenue	149,578	152,530	2,952
Enterprise	3,145,380	1,053,073	(2,092,307)
Permanent	1,200	2,317	1,117
Total	\$3,432,227	\$1,352,373	(\$2,079,854)

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$181,969	\$166,272	\$15,697
Special Revenue	181,449	132,251	49,198
Enterprise	3,206,482	998,392	2,208,090
Permanent	27,888	0	27,888
Total	\$3,597,788	\$1,296,915	\$2,300,873

**VILLAGE OF RACINE
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(Continued)**

Note 4 - Deposits

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

	<u>2016</u>
Demand deposits	\$343,134
Certificates of deposit	<u>49,444</u>
Total deposits	<u><u>\$392,578</u></u>

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

Note 5 - Taxes

Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

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

Note 6 - Risk Management

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

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

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Effective November 1, 2012 (and through October 2014) the plan increased its retention to 50% of the first \$250,000 casualty treaty. Effective November 1, 2014, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 772 and 783 members as of December 31, 2015 and 2014 respectively.

**VILLAGE OF RACINE
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(Continued)**

Note 6 - Risk Management (Continued)

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

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

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Assets	\$14,643,667	\$14,830,185
Liabilities	<u>(9,112,030)</u>	<u>(8,942,504)</u>
Members' Equity	<u>\$5,531,637</u>	<u>\$5,887,681</u>

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

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2016.

Social Security

Village's employees contributed to social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

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, 2016.

Note 8 - Postemployment Benefits

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which includes multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent of the employer contribution to fund these benefits.

**VILLAGE OF RACINE
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(Continued)**

Note 9 - Debt

Debt outstanding at December 31, 2016 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority	\$664,128	1.5% - 4.30%
General Obligation Notes	160,328	3.15% - 3.50%
U.S.D.A. Loan	202,000	1.625%
Total	\$1,026,456	

The Ohio Water Development Authority (OWDA) loans and the United States Department of Agriculture (USDA) loan relate to water system improvements. These improvements include but are not limited to the Water Treatment Plant and Storage tanks, new water lines, new wells and new water meters. The loans are collateralized by water receipts.

The General Obligation Notes were issued to finance purchase of a garbage truck, replace the Village Hall roof, repair Sycamore Street, and for the purchase of a pickup truck, repair pipe and storm drain on Vine Street and a new roof over the handicap ramp at Village Hall. The notes are collateralized solely by the Village's taxing authority.

Amortization

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

	OWDA Loan	General Obligation Notes	USDA Loan
Year ending December 31:			
2017	\$41,328	\$125,085	\$3,118
2018	41,328	19,005	3,283
2019	41,328	19,005	7,183
2020	37,678	12,359	7,119
2021	37,678	2,214	7,156
2022-2026	188,392	11,071	35,876
2027-2031	188,392		35,810
2032-2036	188,392		35,894
2037-2041	15,734		35,817
2042-2046			35,768
2047-2051			35,831
2052-2056			35,884
Total	\$780,250	\$188,739	\$278,739

**VILLAGE OF RACINE
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(Continued)**

Note 10 - Contingent Liabilities

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

**Village of Racine
Meigs County**

*Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2015*

	General	Special Revenue	Permanent	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$47,213	\$4,242	\$0	\$51,455
Intergovernmental	37,325	78,019	0	115,344
Charges for Services	0	78,803	3,125	81,928
Fines, Licenses and Permits	3,098	0	0	3,098
Earnings on Investments	101	1,075	355	1,531
Miscellaneous	12,206	35,269	0	47,475
	<u>99,943</u>	<u>197,408</u>	<u>3,480</u>	<u>300,831</u>
Cash Disbursements				
Current:				
Security of Persons and Property	30,913	107,144	0	138,057
Public Health Services	0	11,666	0	11,666
Leisure Time Activities	4,185	20,000	0	24,185
Community Environment	506	0	0	506
Basic Utility Services	6,772	0	0	6,772
Transportation	21,101	31,784	0	52,885
General Government	38,002	0	0	38,002
Capital Outlay	0	10,318	0	10,318
Debt Service:			0	
Principal Retirement	34,298	5,150	0	39,448
Interest and Fiscal Charges	2,617	552	0	3,169
<i>Total Cash Disbursements</i>	<u>138,394</u>	<u>186,614</u>	<u>0</u>	<u>325,008</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(38,451)</u>	<u>10,794</u>	<u>3,480</u>	<u>(24,177)</u>
Other Financing Receipts (Disbursements)				
Other Debt Proceeds	26,592	0	0	26,592
<i>Total Other Financing Receipts (Disbursements)</i>	<u>26,592</u>	<u>0</u>	<u>0</u>	<u>26,592</u>
<i>Net Change in Fund Cash Balances</i>	(11,859)	10,794	3,480	2,415
<i>Fund Cash Balances, January 1 (Restated, See Note 3)</i>	<u>90,122</u>	<u>135,247</u>	<u>43,647</u>	<u>269,016</u>
Fund Cash Balances, December 31				
Nonspendable	0	0	47,127	47,127
Restricted	0	140,459	0	140,459
Committed	0	5,582	0	5,582
Assigned	45,900	0	0	45,900
Unassigned (Deficit)	32,363	0	0	32,363
<i>Fund Cash Balances, December 31</i>	<u>\$78,263</u>	<u>\$146,041</u>	<u>\$47,127</u>	<u>\$271,431</u>

See accompanying notes to the basic financial statements.

Village of Racine
Meigs County

*Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Proprietary and Fiduciary Fund Types
For the Year Ended December 31, 2015*

	Proprietary Fund Type <u>Enterprise</u>	Fiduciary Fund Type <u>Agency</u>	Total (Memorandum Only) <u> </u>
Operating Cash Receipts			
Charges for Services	\$295,350	\$0	\$295,350
Fines, Licenses and Permits	<u>0</u>	<u>2,325</u>	<u>2,325</u>
<i>Total Operating Cash Receipts</i>	<u>295,350</u>	<u>2,325</u>	<u>297,675</u>
Operating Cash Disbursements			
Personal Services	106,875	0	106,875
Employee Fringe Benefits	30,024	0	30,024
Contractual Services	63,972	0	63,972
Supplies and Materials	21,749	0	21,749
Other	<u>481</u>	<u>2,325</u>	<u>2,806</u>
<i>Total Operating Cash Disbursements</i>	<u>223,101</u>	<u>2,325</u>	<u>225,426</u>
<i>Operating Income (Loss)</i>	<u>72,249</u>	<u>0</u>	<u>72,249</u>
Non-Operating Receipts (Disbursements)			
Earnings on Investments (proprietary funds only)	299	0	299
Principal Retirement	(48,576)	0	(48,576)
Interest and Other Fiscal Charges	(13,833)	0	(13,833)
Other Financing Uses	<u>(8,185)</u>	<u>0</u>	<u>(8,185)</u>
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(70,295)</u>	<u>0</u>	<u>(70,295)</u>
<i>Net Change in Fund Cash Balances</i>	1,954	0	1,954
<i>Fund Cash Balances, January 1</i>	<u>63,735</u>	<u>0</u>	<u>63,735</u>
<i>Fund Cash Balances, December 31</i>	<u>\$65,689</u>	<u>\$0</u>	<u>\$65,689</u>

See accompanying notes to the basic financial statements.

**VILLAGE OF RACINE
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015**

Note 1 - Reporting Entity

The Village of Racine (the Village), Meigs County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides water utilities, refuse collection, street and cemetery maintenance, recreational operations, and police and fire services.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

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

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

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

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

Fire Fund This fund receives property tax and contract revenue from adjacent communities to pay for the fire protection for the Village and adjacent communities.

Other Special Revenue Fund The other special revenue fund accounts for monies received from Ohio Department of Commerce for Marcs Radio Grant.

Permanent Funds These funds account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs (for the benefit of the government or its citizenry). The Village had the following significant permanent fund:

Cemetery Endowment Fund The cemetery endowment fund accounts for and reports interest earned on the nonexpendable corpus from a trust agreement restricted for the general maintenance and upkeep of the Village's cemetery.

**VILLAGE OF RACINE
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Continued)**

Note 2 - Summary of Significant Accounting Policies (Continued)

Fund Accounting (Continued)

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

Water Fund This fund receives charges for services from residents to cover water service costs.

Refuse Fund This fund receives charges for services from residents to cover garbage service costs.

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

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency fund accounts for Mayor's Court fines and forfeitures.

Basis of Accounting

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

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

Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

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

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

Encumbrances The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2015 budgetary activity appears in Note 4.

**VILLAGE OF RACINE
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Continued)**

Note 2 - Summary of Significant Accounting Policies (Continued)

Deposits and Investments

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

Capital Assets

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

Accumulated Leave

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

Fund Balance

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

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

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

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

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

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

**VILLAGE OF RACINE
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Continued)**

Note 2 - Summary of Significant Accounting Policies (Continued)

Fund Balance (Continued)

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

Note 3 - Restatement of Fund Balances

The Village included \$8,000 of a certificate of deposit in both the Fire Fund and Cemetery rather than the Cemetery Fund. As a result the Fire Fund was overstated by \$8,000. The net effect of these changes to the January 1, 2015 fund balances are as follows:

	Audited 12/31/14	Adjustment	Restated 01/01/15
Fund Type	Balance	Adjustment	Balance
Special Revenue Funds	143,247	(8,000)	135,247

Note 4 - Budgetary Activity

Budgetary activity for the year ending December 31, 2015 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$107,825	\$126,535	\$18,710
Special Revenue	172,205	197,408	25,203
Enterprise	279,670	295,649	15,979
Permanent	9,200	3,480	(5,720)
Total	\$568,900	\$623,072	\$54,172

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$144,560	\$138,394	\$6,166
Special Revenue	211,226	186,614	24,612
Enterprise	332,618	293,695	38,923
Permanent	27,888	0	27,888
Total	\$716,292	\$618,703	\$97,589

**VILLAGE OF RACINE
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Continued)**

Note 5 - Deposits

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

	<u>2015</u>
Demand deposits	\$289,993
Certificates of deposit	<u>47,127</u>
Total deposits	<u><u>\$337,120</u></u>

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

Note 6 - Taxes

Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

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

Note 7 - Risk Management

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

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

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Effective November 1, 2012 (and through October 2014) the plan increased its retention to 50% of the first \$250,000 casualty treaty. Effective November 1, 2014, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 772 and 783 members as of December 31, 2015 and 2014 respectively.

**VILLAGE OF RACINE
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Continued)**

Note 7 - Risk Management (Continued)

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

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

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Assets	\$14,643,667	\$14,830,185
Liabilities	<u>(9,112,030)</u>	<u>(8,942,504)</u>
Members' Equity	<u>\$5,531,637</u>	<u>\$5,887,681</u>

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

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2015.

Social Security

Village's employees contributed to social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

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, 2015.

Note 8 - Postemployment Benefits

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which includes multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent of the employer contribution to fund these benefits.

**VILLAGE OF RACINE
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Continued)**

Note 9 - Debt (Continued)

Debt outstanding at December 31, 2015 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority	\$695,242	1.5% - 4.30%
General Obligation Notes	\$156,863	3.15% - 3.50%
Total	\$852,105	

The Ohio Water Development Authority (OWDA) loans and the United States Department of Agriculture (USDA) loan relate to water system improvements. These improvements include but are not limited to the Water Treatment Plant and Storage tanks, new water lines, new wells and new water meters. The loans are collateralized by water receipts.

The General Obligation Notes were issued to finance purchase of a garbage truck, replace the Village Hall roof, repair Sycamore Street, purchase a pickup truck, repair pipe and storm drain on Vine Street, and a new roof over the handicap ramp at Village Hall. The notes are collateralized solely by the Village's taxing authority.

Amortization

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

	OWDA Loan	General Obligation Notes
Year ending December 31:		
2016	\$41,328	\$125,721
2017	41,328	125,084
2018	41,328	19,005
2019	41,328	19,005
202	37,678	12,359
2021-2025	188,392	11,071
2026-2030	188,392	
2031-2035	188,392	
2036-2040	53,413	
Total	\$821,579	\$312,245

Note 10 - Contingent Liabilities

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

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Dave Yost • Auditor of State

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

Village of Racine
Meigs County
P.O. Box 399
Racine, Ohio 45771-0399

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Village of Racine, Meigs County, Ohio (the Village), as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, and have issued our report thereon dated August 29, 2017, wherein we noted the Village followed financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit. We did not express an opinion on the Fiduciary Fund Type. We also qualified our opinion on fines, licenses and permits receipts in the General Fund. We also noted the Village restated the beginning January 1, 2015 Fire Special Revenue Fund balance by \$8,000 as a result of accounting for a certificate of deposit in the Fire and Cemetery Funds rather than just the Cemetery Fund.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings that we consider material weaknesses. We consider Findings 2016-002 and 2016-003 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 determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2016-001 and 2016-002.

Entity's Responses to Findings

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

Purpose of this Report

This report 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 communication is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

August 29, 2017

VILLAGE OF RACINE
MEIGS COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015

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

FINDING NUMBER 2016-001

Noncompliance

Ohio Rev. Code Chapter 133 allows various methods for subdivisions to incur debt. Ohio Rev. Code § 133.22 allows a subdivision to issue anticipatory securities, § 133.10 allows anticipation securities in anticipation of current property tax revenues, § 133.14 allows the issuance of securities for the purpose of paying all or any portion of the costs of any permanent improvement that the subdivision is authorized, alone or in cooperation with other persons, to acquire, improve, or construct and § 133.18 allows the taxing authority of a subdivision by legislation to submit to the electors of the subdivision the question is issuing any general obligation bonds, for one purpose, that the subdivision has power or authority to issue.

The Village signed promissory notes with Home National Bank that did not meet the requirements of Ohio Rev. Code § 133.20.

Council should only authorize the issuance of notes pursuant to Ohio Rev. Code § 133.20.

Official's Response: The officials believed the loan terms and rates were more favorable which save the Village money.

FINDING NUMBER 2016-002

Noncompliance and Material Weakness

Ohio Admin. Code § 117-2-02(A) provides that, when designing the public office's system of internal control and the specific control activities, management should consider ensuring that accounting records are properly designed, verifying the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records, and performing analytical procedures to determine the reasonableness of financial data.

The Minor Misdemeanor Tickets in 2016 were not kept in sequential order. There were large gaps in ticket numbers, and the Village does not maintain a list of voided citations. Failure to properly maintain the accountability of all tickets could result in a misappropriation of funds without timely detection.

As such, we were we unable to satisfy ourselves as to the completeness of Fines, Licenses and Permits receipts recorded in the General Fund in 2016 and 2015 and Fines, Licenses and Permits in the Fiduciary Fund Type in 2016 and 2015. We have modified the opinion in the Independent Auditor's Report accordingly. These receipts represent 3 percent of receipts of the General Fund for the years ended December 31, 2016 and 2015 and 100 percent of receipts of the Fiduciary Fund Type for the years ended December 31, 2016 and 2015.

Proper control should be maintained over issued and unissued tickets by the Police Chief or Mayor's Court Clerk by ensuring:

- Unissued ticket books are stored in a secure location.
- Tickets are issued in sequential order.
- All tickets are accounted for before the next book is issued.
- Any discrepancies are investigated promptly.
- A periodic (perhaps yearly) inventory is taken to determine the status of the issued tickets.
- All parts of a voided ticket are retained and stored in sequence with the other tickets

**VILLAGE OF RACINE
MEIGS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2016-002

Noncompliance and Material Weakness - Ohio Admin. Code § 117-2-02(A) (Continued)

Official's Response: The Village will correct going forward.

FINDING NUMBER 2016-003

Material Weakness

All local public offices maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

Fund posting and classification errors were noted throughout the period requiring financial statement adjustment as follows:

For the year ended December 31, 2015:

- The January 1, 2015 fund cash balances per the 2015 annual financial report did not agree to audited December 31, 2014 fund cash balances resulting in increases to the General Fund of \$27,888, the Water Operating Fund by \$2,584 and the Refuse Fund by \$1,413.
- The January 1, 2015 fund cash balance of the Fire Fund was decreased by \$8,000 as the result of a CD balance incorrectly being included as a separate balance from the Greenwood Cemetery CD.
- Fund Cash Balance at January 1 for the Permanent Fund did not agree to prior audited balance, resulting in an increase of \$15,759. Adjustments were made to increase charges for services by \$3,125 and earnings on investments by \$355 to record increases in fund balance for the Greenwood Cemetery CD.
- A loan was rolled over and the transaction to record the principal retirement and corresponding loan proceeds was not recorded. This resulted in an increase of \$26,592 in principal retirement and other debt proceeds in the General Fund.
- Debt payments were posted to the incorrect fund, resulting in an increase in principal and interest payments of \$1,765 and \$291, respectively, in the Cemetery Fund and a decrease in other financing uses of \$2,056 in the Refuse Fund
- Debt payments were not properly allocated between principal and interest. As a result principal payments were decreased and interest was increased by \$1,574 in the General Fund, by \$261 in the State Highway Fund and by \$6,026 in the Water Operating Fund.
- Principal and interest payments were incorrectly classified as other financing uses in the Refuse Fund. As a result, other financing uses were decreased by \$10,000 and principal and interest were increased by \$7,193 and \$2,807, respectively.
- Homestead and Rollback Receipts were misposted to property taxes, resulting in an increase in intergovernmental receipts of \$11,568 and a corresponding decrease in property tax receipts in the General Fund.
- Motor Vehicle License Tax receipts were misposted as property taxes, resulting in an increase in intergovernmental receipts of \$8,809 and a corresponding decrease in property tax receipts in the Street, Construction, Maintenance and Repair Fund.

**VILLAGE OF RACINE
MEIGS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2016-003 (Continued)

Material Weakness (Continued)

- Motor Vehicle License Tax receipts were misposted as property taxes, resulting in an increase in intergovernmental receipts of \$722 and a corresponding decrease in property tax receipts in the State Highway Fund.
- Property Tax receipts were misposted as intergovernmental receipts, resulting in an increase in property tax receipts of \$4,242 and a corresponding decrease in intergovernmental receipts in the Fire Fund.
- The ending fund balance of the General Fund was incorrectly classified according to GASB 54 resulting in the Fund Cash Balance, December 31 totaling \$45,900 being reclassified from Unassigned to Assigned.
- Mayor's Court Agency Fund Fines, Licenses, and Permits of \$2,325 and Other Disbursements of \$2,325 were increased to record Mayor's Court Activity for the year.

For the year ended December 31, 2016

- A returned check was posted as a beginning fund balance adjustment rather than as a reduction in security of persons and property expenditures in the Fire Fund. As a result, the beginning fund balance was increased by \$5,617 and security of persons and property expenditures were decreased by \$5,617 recorded as a Fund Balance Adjustment in UAN for an adjustment for a returned check, resulting in a decrease of (\$5,617).
- Permanent Fund Charges for Services were increased by \$2,300 and Earnings on Investments by \$17 to properly record activity relating to the Greenwood Cemetery CD.
- Receipts and expenditures for the Waterline Replacement Project were incorrectly reported as a Special Revenue Fund; instead of, as an Enterprise Fund. As a result, \$734,203 in intergovernmental receipts and \$734,203 in capital outlay expenditures relating to the Waterline Replacement Fund were reclassified as an enterprise fund.
- Debt proceeds were incorrectly classified as intergovernmental receipts in the Waterline Replacement Fund. As a result, other debt proceeds were increased by \$202,000 and intergovernmental receipts were decreased by the same.
- Debt Proceeds were incorrectly classified as miscellaneous receipts in the General Fund. As a result, other debt proceeds were increased by \$18,250 and miscellaneous receipts were decreased by the same.
- Debt proceeds were incorrectly classified in the Street Construction, Maintenance and Repair Fund. As a result, other debt proceeds were increased by \$10,250 and miscellaneous receipts were decreased by the same.
- Debt proceeds were incorrectly classified as charges for services in the Water Operating Fund. As a result, other debt proceeds were increased by \$5,000 and charges for services receipts were decreased by the same.
- Debt proceeds were incorrectly classified as charges for services in the Refuse Fund. As a result, other debt proceeds were increased by \$500 and charges for services receipts were decreased by the same.
- A payment to Roses Excavating was misclassified as principal payments in the Street Construction, Maintenance and Repair Fund. As a result, principal payments were decreased by \$2,000 and transportation expenditures were increased by \$2,000.
- Principal and interest payments were incorrectly classified as transportation expenditures in the General Fund. As a result, transportation expenditures were decreased by \$3,160 and principal and interest were increased by \$2,131 and \$1,029, respectively.

VILLAGE OF RACINE
MEIGS COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015
(Continued)

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

FINDING NUMBER 2016-003 (Continued)

Material Weakness (Continued)

- Principal and interest payments were incorrectly classified as public health services expenditures in the Cemetery Fund. As a result, public health services expenditures were decreased by \$1,000 and principal and interest were increased by \$963 and \$37, respectively.
- Principal and interest payments were incorrectly classified as transportation expenditures in the Street Construction, Maintenance and Repair Fund. As a result, transportation expenditures were decreased by \$700 and principal and interest were increased by \$668 and \$32, respectively.
- Principal and interest payments were incorrectly classified as transportation expenditures in the State Highway Fund. As a result, transportation expenditures were decreased by \$561 and principal and interest were increased by \$541 and \$20, respectively.
- Principal and interest payments were incorrectly classified as supplies and materials expenditures in the Water Operating Fund. As a result, supplies and materials expenditures were decreased by \$1,000 and principal and interest were increased by \$837 and \$163, respectively.
- Principal and interest payments were incorrectly classified as other financing uses in the Refuse Fund. As a result, other financing uses were decreased by \$10,000 and principal and interest were increased by \$7,426 and \$2,574, respectively.
- Debt payments were improperly allocated between principal and interest. As a result, principal payments were decreased by \$500 in the Street Construction, Maintenance and Repair Fund and by \$4,214 in the Water Operating Fund and interest expenditures were increased by the same in each fund.
- Homestead and Rollback Receipts were misposted to property taxes, resulting in an increase in intergovernmental receipts of \$9,982 and a corresponding decrease in property tax receipts in the General Fund.
- Motor Vehicle License Tax receipts were misposted as property taxes, resulting in an increase in intergovernmental receipts of \$7,951 and a corresponding decrease in property tax receipts in the Street, Construction, Maintenance and Repair Fund.
- Motor Vehicle License Tax receipts were misposted as property taxes, resulting in an increase in intergovernmental receipts of \$4,279 and a corresponding decrease in property tax receipts in the State Highway Fund.
- The ending fund balance of the General Fund was incorrectly classified according to GASB 54 resulting in the Fund Cash Balance, December 31 totaling \$12,119 being reclassified from Unassigned to Assigned.
- Mayor's Court Agency Fund Fines, Licenses, and Permits of \$4,966 and Other Disbursements of \$4,966 were increased to record Mayor's Court Activity for the year.

These misstatements were caused by a lack of management oversight. As a result, significant fund balance adjustments and reclassifications, with which the Village's management agrees, were posted to the accounting system and are reflected in the accompanying financial statements.

To ensure the Village's financial statements and notes to the financial statements are complete and accurate, the Fiscal Officer should review the audit adjustments and Auditor of State Bulletin 2011-004 for guidance on the correct line items to post various receipts and expenditures as well as fund balance classifications of the Village in future audit periods.

Official's Response: The Fiscal Officer will consult the Village Handbook to ensure proper posting going forward.

VILLAGE OF RACINE
MEIGS COUNTY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2016 AND 2015

Finding Number	Finding Summary	Status	Additional Information
2014-001	Material Weakness issued for material mispostings requiring financial statement adjustment.	Not Corrected	Repeated as Finding Number 2016-003. Recurred due to a changeover in Fiscal Officers prior to the previous Fiscal Officer being able to fully implement correction of prior audit.

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Dave Yost • Auditor of State

VILLAGE OF RACINE

MEIGS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
SEPTEMBER 12, 2017