



Dave Yost • Auditor of State

VILLAGE OF RACINE
MEIGS COUNTY
DECEMBER 31, 2017

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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 year ended December 31, 2017.

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, 2017, or changes in financial position thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Village of Racine, Meigs County, as of December 31, 2017, for the year then ended in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit, described in Note 2.

Other Matters

Our audit was conducted to opine on the financial statements taken as a whole.

The Schedule of Expenditures of Federal Awards (the Schedule) presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The Schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the financial statements. We subjected this Schedule to the auditing procedures we applied to the financial statements. We also applied certain additional procedures, including comparing and reconciling the Schedule directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this Schedule is fairly stated in all material respects in relation to the financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 2, 2018, 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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

May 2, 2018

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Village of Racine, Ohio

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, 2017

	General	Special Revenue	Permanent	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$53,190	\$7,344	\$0	\$60,534
Intergovernmental	36,687	41,300	0	77,987
Charges for Services	0	72,423	400	72,823
Fines, Licenses and Permits	4,096	418	0	4,514
Earnings on Investments	666	1,295	760	2,721
Miscellaneous	27,523	39,383	0	66,906
<i>Total Cash Receipts</i>	<u>122,162</u>	<u>162,163</u>	<u>1,160</u>	<u>285,485</u>
Cash Disbursements				
Current:				
Security of Persons and Property	26,672	67,740	0	94,412
Public Health Services	0	12,817	0	12,817
Leisure Time Activities	2,000	21,899	0	23,899
Community Environment	1,249	0	0	1,249
Basic Utility Services	6,195	0	0	6,195
Transportation	29,412	28,313	0	57,725
General Government	27,135	0	0	27,135
Capital Outlay	0	15,025	0	15,025
Debt Service:				
Principal Retirement	26,343	57,371	0	83,714
Interest and Fiscal Charges	1,500	0	0	1,500
<i>Total Cash Disbursements</i>	<u>120,506</u>	<u>203,165</u>	<u>0</u>	<u>323,671</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>1,656</u>	<u>(41,002)</u>	<u>1,160</u>	<u>(38,186)</u>
Other Financing Receipts (Disbursements)				
Other Debt Proceeds	17,132	54,571	0	71,703
Advances In	2,804	0	0	2,804
Advances Out	(2,804)	0	0	(2,804)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>17,132</u>	<u>54,571</u>	<u>0</u>	<u>71,703</u>
<i>Net Change in Fund Cash Balances</i>	18,788	13,569	1,160	33,517
<i>Fund Cash Balances, January 1</i>	<u>56,444</u>	<u>166,319</u>	<u>49,444</u>	<u>272,207</u>
Fund Cash Balances, December 31				
Nonspendable	0	0	50,604	50,604
Restricted	0	178,386	0	178,386
Committed	0	1,502	0	1,502
Assigned	22,745	0	0	22,745
Unassigned (Deficit)	52,487	0	0	52,487
<i>Fund Cash Balances, December 31</i>	<u>\$75,232</u>	<u>\$179,888</u>	<u>\$50,604</u>	<u>\$305,724</u>

See accompanying notes to the basic financial statements.

Village of Racine, Ohio

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, 2017

	Proprietary Fund Types	Fiduciary Fund Types	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$330,559	\$0	\$330,559
Fines, Licenses and Permits	0	4,443	4,443
<i>Total Operating Cash Receipts</i>	<u>330,559</u>	<u>4,443</u>	<u>335,002</u>
Operating Cash Disbursements			
Personal Services	98,290	0	98,290
Employee Fringe Benefits	31,385	0	31,385
Contractual Services	63,164	0	63,164
Supplies and Materials	26,152	0	26,152
Other	400	4,443	4,843
<i>Total Operating Cash Disbursements</i>	<u>219,391</u>	<u>4,443</u>	<u>223,834</u>
<i>Operating Income</i>	<u>111,168</u>	<u>0</u>	<u>111,168</u>
Non-Operating Receipts (Disbursements)			
Intergovernmental	2,029,868	0	2,029,868
Earnings on Investments (proprietary funds only)	94	0	94
Capital Outlay	(2,029,868)	0	(2,029,868)
Principal Retirement	(27,879)	0	(27,879)
Interest and Other Fiscal Charges	(12,705)	0	(12,705)
Other Financing Uses	(10,893)	0	(10,893)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(51,383)</u>	<u>0</u>	<u>(51,383)</u>
<i>Income (Loss) before Capital Contributions, Special Item, Extraordinary Item, Transfers and Advances</i>	59,785	0	59,785
Capital Contributions	0	0	0
Special Item	0	0	0
Extraordinary Item	0	0	0
Transfers In	0	0	0
Transfers Out	0	0	0
Advances In	0	0	0
Advances Out	0	0	0
<i>Net Change in Fund Cash Balances</i>	59,785	0	59,785
<i>Fund Cash Balances, January 1</i>	<u>120,370</u>	<u>0</u>	<u>120,370</u>
<i>Fund Cash Balances, December 31</i>	<u>\$180,155</u>	<u>\$0</u>	<u>\$180,155</u>

See accompanying notes to the basic financial statements.

**VILLAGE OF RACINE
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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, 2017
(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, 2017
(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 2017 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, 2017
(Continued)**

Note 2 - Summary of Significant Accounting Policies (Continued)

Fund Balance (Continued)

Assigned (continued) 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, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$109,325	\$139,294	\$29,969
Special Revenue	145,519	216,734	71,215
Enterprise	2,420,243	2,360,521	(59,722)
Permanent	0	1,160	1,160
Total	\$2,675,087	\$2,717,709	\$42,622

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$121,444	\$120,506	\$938
Special Revenue	155,986	203,165	(47,179)
Enterprise	2,455,978	2,300,736	155,242
Permanent	27,888	0	27,888
Total	\$2,761,296	\$2,624,407	\$136,889

**VILLAGE OF RACINE
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017
(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>2017</u>
Demand deposits	\$435,275
Certificates of deposit	<u>50,604</u>
Total deposits	<u><u>\$485,879</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) (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. Until November 1, 2016, 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. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% 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 762 members as of December 31, 2016.

**VILLAGE OF RACINE
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017
(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, 2016.

	<u>2016</u>
Assets	\$14,765,712
Liabilities	<u>(9,531,506)</u>
Members' Equity	<u>\$ 5,234,206</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, 2017.

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, 2017.

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, 2017
(Continued)**

Note 9 - Debt

Debt outstanding at December 31, 2017 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority	\$636,350	1.5% - 4.30%
General Obligation Notes	138,668	3.15%
U.S.D.A. Loan	202,000	1.63%
Total	\$977,018	

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	General Obligation	USDA Loan
Year ending December 31:	Loan	Notes	
2018	37,678	20,000	3,283
2019	37,678	20,000	7,183
2020	41,626	20,000	7,119
2021	37,678	20,000	7,156
2022	37,678	73,723	7,191
2023-2027	188,392		35,833
2028-2032	188,392		35,839
2033-2037	155,209		35,891
2038-2042	11,239		35,782
2043-2047			35,797
2048-2052			35,919
2053-2056			28,628
Total	\$735,570	\$153,723	\$275,621

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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**VILLAGE OF RACINE
MEIGS COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program / Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
<i>Direct from the U.S. Department of Agriculture</i>			
Water and Waste Program Cluster			
Water and Waste Disposal Systems for Rural Communities	10.760	N/A	<u>\$1,408,112</u>
Total Water and Waste Program Cluster			<u>1,408,112</u>
Total U.S. Department of Agriculture			<u>1,408,112</u>
U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
<i>Passed Through Ohio Department of Development</i>			
Community Development Block Grants - State's Program	14.228	C-W-15-2JP-1	<u>370,005</u>
Total U.S. Department of Housing and Urban Development			<u>370,005</u>
APPALACHIAN REGIONAL COMMISSION			
<i>Passed Through Governor's Office of Appalachia</i>			
Community Development Block Grants - State's Program	23.001	N/A	<u>236,481</u>
Appalachian Regional Commission			
Total Appalachian Regional Commission			<u>236,481</u>
Total Expenditures of Federal Awards			<u><u>\$2,014,598</u></u>

The accompanying notes are an integral part of this Schedule.

**VILLAGE OF RACINE
MEIGS COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED DECEMBER 31, 2017**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Village of Racine (the Village's) under programs of the federal Village for the year ended December 31, 2017. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Village, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Village

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The Village has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C - MATCHING REQUIREMENTS

Certain Federal programs require the Village to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The Village has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.



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 year ended December 31, 2017, and the related notes to the financial statements, and have issued our report thereon dated May 2, 2018, wherein we noted the Village followed financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit.

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 2017-002 and 2017-003 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 an instance of noncompliance or other matter we must report under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings as item 2017-001.

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 report is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

May 2, 2018



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

To the Village Council:

Report on Compliance for the Major Federal Program

We have audited the Village of Racine, Meigs County, Ohio (the Village), compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the Village's major federal program for the year ended December 31, 2017. The *Summary of Audit Results* in the accompanying Schedule of Findings identifies the Village's major federal program.

Management's Responsibility

The Village's management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the Village's compliance for the Village's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the Village's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the Village's major program. However, our audit does not provide a legal determination of the Village's compliance.

Opinion on the Major Federal Program

In our opinion, the Village complied, in all material respects with the compliance requirements referred to above that could directly and materially affects its major federal program for the year ended December 31, 2017.

Report on Internal Control Over Compliance

The Village's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the Village's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on the major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Village's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

May 2, 2018

**VILLAGE OF RACINE
MEIGS COUNTY**

**SCHEDULE OF FINDINGS
2 CFR PART 200.515
DECEMBER 31, 2017**

1. SUMMARY OF AUDITOR'S RESULTS
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(d)(1)(i)	Type of Financial Statement Opinion	Adverse under GAAP, unmodified under the regulatory basis
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR §200.516(a)?	No
(d)(1)(vii)	Major Program: <ul style="list-style-type: none"> • Water and Waste Disposal Systems for Rural Communities, CFDA #' 10.760 	
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR §200.520?	No

VILLAGE OF RACINE
MEIGS COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2017

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

FINDING NUMBER 2017-001

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, § 133.154 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 general obligation bonds 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 2017-002

Material Weakness

In our audit engagement letter, as required by AU-C § 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 § 210 paragraphs .A14 & .A16.

The Fiscal Officer made certain posting errors resulting in audit adjustments as follows:

- Homestead and rollback receipts were misclassified in the General Fund resulting in an increase of \$8,382 in intergovernmental receipts and a decrease of \$8,382 in property and other taxes.
- General Fund debt was refinanced without recording a receipt and expenditure as a result of the refinance resulting in increases of \$17,132 in principal retirement in other debt proceeds.
- Because the 2018 General Fund appropriations exceeded the 2018 General Fund estimated receipts, \$22,745 of the General Fund ending balance was reclassified as assigned rather than as unassigned.
- Intergovernmental receipts and the related capital outlay expenditures of \$2,029,868 relating to the Waterline Replacement Project were reclassified as an Enterprise Fund rather than as a Special Revenue Fund.
- The Village rolled a note over but did not record the payoff and new proceeds resulting in an increase of \$54,571 in Principal Retirement and an increase of \$54,571 in Other Debt Proceeds in the Street Construction, Maintenance and Repair Fund.
- Agency Fund Fines, Licenses, and Permits of \$4,443 and Other Disbursements of \$4,443 adjustments were made to record Mayor's Court Activity for the year.

**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 2017-002

Material Weakness (Continued)

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 continue to correct these items and consult the Village Handbook to ensure proper posting going forward.

FINDING NUMBER 2017-003

Material Weakness

All local public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

At December 31, 2017, appropriations as approved by the Council did not agree to the Village's ledgers as follows:

Fund	Appropriations, as Approved	Appropriations, as Posted	Posted over(under) Approved
Cemetery	\$17,129	\$13,960	(\$3,169)
Fire	75,250	85,250	10,000
Non-expendable Cemetery Trust	27,888	0	(27,888)
	\$120,267	\$99,210	(\$21,057)

Also at December 31, 2017, budgetary receipts for the Fire Fund, as approved by the Council, exceeded the amount posted to the Village's accounting system by \$10,309.

The Fiscal Officer should post appropriations and budgetary receipts, as approved by Council, to the accounting system. This will help ensure more useful comparisons of budget vs. actual activity, as well as provide management with an accurate monitoring tool throughout the year.

Official's Response: The Fiscal Officer will correct going forward.

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Janet Krider, Fiscal Officer
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**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2017**

Finding Number	Finding Summary	Status	Additional Information
2016-001	Noncompliance with Ohio Rev. Code Chapter 133 for issuing unallowable debt.	Not Corrected	The officials believed the loan terms and rates were more favorable which save the Village money.
2016-002	Noncompliance and Material Weakness with Ohio Admin. Code § 117-2-02(A) for not accounting for tickets issued.	Partially Corrected	This was corrected during 2017 subsequent to the 2015-2016 audit.
2016-003	Material Weakness for material misposting requiring financial statement adjustment.	Not Corrected.	The Fiscal Officer will continue to correct these items and consult the Village Handbook to ensure proper posting going forward.

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CORRECTIVE ACTION PLAN
2 CFR PART 200.511(c)
December 31, 2017

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2017-001	The officials believed the loan terms and rates were more favorable which save the Village money.	Immediately	Janet Krider
2017-002	The Fiscal Officer will continue to correct these items and consult the Village Handbook to ensure proper posting going forward.	Immediately	Janet Krider
2017-003	The Fiscal Officer will correct going forward.	Immediately	Janet Krider



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
MAY 22, 2018