

***VILLAGE OF RACINE
MEIGS COUNTY***

AUDIT REPORT

FOR THE YEARS ENDED DECEMBER 31, 2014 & 2013



Dave Yost • Auditor of State

Village Council
Village of Racine
405 Main Street
Racine, Ohio 45771

We have reviewed the *Independent Auditor's Report* of the Village of Racine, Meigs County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2013 through December 31, 2014. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

October 2, 2015

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**VILLAGE OF RACINE
MEIGS COUNTY
AUDIT REPORT
For Years Ending December 31, 2014 and 2013**

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

REPORT OF INDEPENDENT ACCOUNTANTS

Village of Racine
Meigs County
405 Main Street
Racine, Ohio 45771

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Village of Racine, Meigs County, (the Village) as of and for the years ended December 31, 2014 and 2013.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D); 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 1 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2014 and 2013, or changes in financial position or its cash flows for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Racine, Meigs County, as of December 31, 2014 and 2013, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permits, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2015, 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.



Charles E. Harris & Associates, Inc.

June 15, 2015

RACINE VILLAGE
 MEIGS COUNTY
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
 AND CHANGES IN FUND CASH BALANCES -
 ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED DECEMBER 31, 2014

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Permanent	
Cash Receipts:				
Property and Other Local Taxes	\$ 63,071	\$ 8,693	\$ -	\$ 71,764
Charges for Services	-	69,847	-	69,847
Licenses, Permits and Fees	2,166	-	-	2,166
Intergovernmental	53,035	25,512	-	78,547
Earning on Investments	80	1,704	333	2,117
Miscellaneous	14,480	38,259	-	52,739
<i>Total Cash Receipts</i>	<u>132,832</u>	<u>144,015</u>	<u>333</u>	<u>277,180</u>
Cash Disbursements:				
Current:				
Security of Persons & Property	41,291	37,583	-	78,874
Public Health Services	-	15,102	-	15,102
Leisure Time Activities	4,000	20,000	-	24,000
Community Environment	498	-	-	498
Basic Utility Services	7,968	-	-	7,968
Transportation	19,751	37,949	-	57,700
General Government	34,376	767	-	35,143
Capital Outlay	29,831	10,672	-	40,503
Debt Service:				
Principal Retirement	5,271	4,072	-	9,343
Interest and fiscal Charges	3,145	-	-	3,145
<i>Total Cash Disbursements</i>	<u>146,131</u>	<u>126,145</u>	<u>-</u>	<u>272,276</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(13,299)	17,870	333	4,904
Other Financing Receipts (Disbursements)				
Proceeds of Loan	30,150	-	-	30,150
<i>Total Other Financing Receipts (Disbursements)</i>	<u>30,150</u>	<u>-</u>	<u>-</u>	<u>30,150</u>
<i>Net Changes in Fund Cash Balances</i>	16,851	17,870	333	35,054
<i>Fund Cash Balances, January 1</i>	<u>73,271</u>	<u>125,377</u>	<u>43,314</u>	<u>241,962</u>
Fund Cash Balances, December 31				
Nonspendable	-	-	43,647	43,647
Restricted	-	143,247	-	143,247
Unassigned	90,122	-	-	90,122
<i>Fund Cash Balances, December 31</i>	<u>\$ 90,122</u>	<u>\$ 143,247</u>	<u>\$ 43,647</u>	<u>\$ 277,016</u>

See accompanying Notes to the Financial Statements.

RACINE VILLAGE
 MEIGS COUNTY
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
 AND CHANGES IN FUND CASH BALANCES -
 ALL PROPRIETARY AND FIDUCIARY FUND TYPES
 FOR THE YEAR ENDED DECEMBER 31, 2014

	Proprietary Fund Types <u>Enterprise</u>	Fiduciary Fund Type <u>Agency</u>	Totals (Memorandum Only) <u>Only</u>
Operating Cash Receipts:			
Charges for Services	\$ 311,138	\$ -	\$ 311,138
Fines, Licenses and Permits	-	3,610	3,610
 Total Operating Cash Receipts	 <u>311,138</u>	 <u>3,610</u>	 <u>314,748</u>
Operating Cash Disbursements:			
Personal Services	97,956	-	97,956
Employee Fringe Benefits	32,037	-	32,037
Contractual Services	67,996	-	67,996
Supplies and Materials	30,039	-	30,039
Other	8,104	3,610	11,714
 Total Operating Cash Disbursements	 <u>236,132</u>	 <u>3,610</u>	 <u>239,742</u>
Operating Income (Loss)	75,006	-	75,006
Non-Operating Cash Receipts/(Disbursements):			
Earnings on Investments	258	-	258
Debt Service:			
Principal retirement	(39,636)	-	(39,636)
Interest and other fiscal charges	(14,020)	-	(14,020)
 Total Non-Operating Cash Receipts/(Disbursements)	 <u>(53,398)</u>	 <u>-</u>	 <u>(53,398)</u>
Net Receipts (Under) Disbursements	21,608	-	21,608
Fund Cash Balances, January 1	<u>42,127</u>	<u>-</u>	<u>42,127</u>
Fund Cash Balances, December 31	<u>\$ 63,735</u>	<u>\$ -</u>	<u>\$ 63,735</u>

See accompanying Notes to the Financial Statements.

RACINE VILLAGE
MEIGS COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES -
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Permanent	
Cash Receipts:				
Property and Other Local Taxes	\$ 60,624	\$ 10,856	\$ -	\$ 71,480
Charges for Services	-	42,861	-	42,861
Licenses, Permits and Fees	2,317	560	-	2,877
Intergovernmental	25,672	78,264	-	103,936
Earning on Investments	96	1,626	13	1,735
Miscellaneous	14,551	34,485	-	49,036
<i>Total Cash Receipts</i>	<u>103,260</u>	<u>168,652</u>	<u>13</u>	<u>271,925</u>
Cash Disbursements:				
Current:				
Security of Persons & Property	33,076	61,021	-	94,097
Public Health Services	-	12,177	-	12,177
Leisure Time Activities	4,000	35,000	-	39,000
Community Environment	493	-	-	493
Basic Utility Services	8,132	18,100	-	26,232
Transportation	19,553	32,112	-	51,665
General Government	34,833	-	-	34,833
Capital Outlay	-	13,824	-	13,824
Debt Service:				
Principal Retirement	1,732	5,825	-	7,557
Interest and fiscal Charges	1,500	220	-	1,720
<i>Total Cash Disbursements</i>	<u>103,319</u>	<u>178,279</u>	<u>-</u>	<u>281,598</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(59)	(9,627)	13	(9,673)
Other Financing Receipts (Disbursements)				
Sale of Fixed Assets	-	73,368	-	73,368
Transfers-In	12,000	-	-	12,000
Transfers-Out	-	(16,965)	-	(16,965)
Other Financing Uses	-	(60,394)	-	(60,394)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>12,000</u>	<u>(3,991)</u>	<u>-</u>	<u>8,009</u>
<i>Net Changes in Fund Cash Balances</i>	11,941	(13,618)	13	(1,664)
<i>Fund Cash Balances, January 1</i>	<u>61,330</u>	<u>138,995</u>	<u>43,301</u>	<u>243,626</u>
Fund Cash Balances, December 31				
Nonspendable	-	-	43,314	43,314
Restricted	-	125,377	-	125,377
Unassigned	73,271	-	-	73,271
<i>Fund Cash Balances, December 31</i>	<u>\$ 73,271</u>	<u>\$ 125,377</u>	<u>\$ 43,314</u>	<u>\$ 241,962</u>

See accompanying Notes to the Financial Statements.

RACINE VILLAGE
 MEIGS COUNTY
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
 AND CHANGES IN FUND CASH BALANCES -
 ALL PROPRIETARY AND FIDUCIARY FUND TYPES
 FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$ 292,677	\$ -	\$ 292,677
Fines, Licenses and Permits	-	3,071	3,071
<i>Total Operating Cash Receipts</i>	<u>292,677</u>	<u>3,071</u>	<u>295,748</u>
Operating Cash Disbursements:			
Personal Services	90,140	-	90,140
Employee Fringe Benefits	25,032	-	25,032
Contractual Services	74,748	-	74,748
Supplies and Materials	39,385	-	39,385
Other	5,183	3,071	8,254
<i>Total Operating Cash Disbursements</i>	<u>234,488</u>	<u>3,071</u>	<u>237,559</u>
<i>Operating Income (Loss)</i>	58,189	-	58,189
Non-Operating Receipts (Disbursements):			
Earnings on Investments	256	-	256
Debt Service:			
Principal retirement	(36,407)	-	(36,407)
Interest and other fiscal charges	(13,921)	-	(13,921)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(50,072)</u>	<u>-</u>	<u>(50,072)</u>
<i>Income (Loss) before Transfers</i>	8,117	-	8,117
Transfers In	4,965	-	4,965
<i>Net Change in Fund Cash Balances</i>	13,082	-	13,082
<i>Fund Cash Balances, January 1</i>	<u>29,045</u>	<u>-</u>	<u>29,045</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$ 42,127</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 42,127</u></u>

See accompanying Notes to the Financial Statements.

**VILLAGE OF RACINE
MEIGS COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2014 and 2013**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

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

The Village's management believes these financial statements included in this report represent all of the funds of the Village over which the Village has the ability to exercise direct operating control.

B. BASIS OF ACCOUNTING

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

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

C. CASH

Investments are included in the fund cash balances. Accordingly, purchases of investments are not recorded as disbursements and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

D. FUND ACCOUNTING

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

**VILLAGE OF RACINE
MEIGS COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2014 and 2013**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. FUND ACCOUNTING - (Continued)

Governmental Fund Types:

General Fund: The general operating fund of the Village. It is used to account for all financial resources except those required by law or contract to be accounted for in another fund.

Special Revenue Funds: These funds are used to account for proceeds from special sources (other than from trusts or for capital projects) that are restricted to expenditures for specific purposes. The Village has the following significant Special Revenue funds:

- *Street Construction, Maintenance and Repair Fund* - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing Village streets.
- *Fire Fund* – This fund receives property tax proceeds and contract revenue from adjacent communities to pay for the fire protection for the Village and adjacent communities.

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 Village's programs. The Village had the following significant permanent fund:

- *Nonexpendable Trust Cemetery Endowment Fund* - This fund is used to account for proceeds restricted to maintenance of the Village cemeteries.

**VILLAGE OF RACINE
MEIGS COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2014 and 2013**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. 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 Fund:

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

Fiduciary Funds: These funds are used to account for assets held by the Village in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The Village had the following significant fiduciary fund:

- *Mayor's Court Fund (Agency Fund)* - This fund records the activity of the Village Mayor's Court transactions.

E. BUDGETARY PROCESS

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2014 and 2013 budgetary activity appears in Note 4.

**VILLAGE OF RACINE
MEIGS COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2014 and 2013**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

F. PROPERTY, PLANT AND EQUIPMENT

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

G. ACCUMULATED LEAVE

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

H. FUND BALANCES

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

Nonspendable

The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact.

Restricted

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

Committed

The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution or ordinance) of the Village Council. Those committed amounts cannot be used for any other purpose unless the Village Council removes or changes the specified use by taking the same type of action (resolution or ordinance) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

**VILLAGE OF RACINE
MEIGS COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2014 and 2013**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

H. FUND BALANCES – (Continued)

Assigned

Amounts in the assigned fund balance classification are intended to be used by the Village for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Village Council, which includes giving the Fiscal Officer the authority to constrain monies for intended purposes.

Unassigned

Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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.

2. EQUITY IN POOLED CASH AND CASH EQUIVALENTS

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

	<u>2014</u>	<u>2013</u>
Demand Deposits	\$ 289,104	\$ 232,775
Certificate of Deposit	<u>51,647</u>	<u>51,314</u>
Total	<u>\$ 340,751</u>	<u>\$ 284,089</u>

Deposits: Deposits are either (1) insured by the Federal Deposit Insurance Corporation, (2) collateralized by securities specifically pledged by the financial institution to the Village, or (3) collateralized by the financial institution's public entity deposit pool.

**VILLAGE OF RACINE
MEIGS COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2014 and 2013**

3. PROPERTY TAXES

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, 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.

4. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2014 and 2013 follows:

2014 Budgeted vs Actual Receipts

<u>Funds</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 119,280	\$ 162,982	\$ 43,702
Special Revenue	150,219	144,015	(6,204)
Permanent		333	333
Enterprise	282,670	311,396	28,726

2014 Budgeted vs Actual Budgetary Basis Disbursements

<u>Funds</u>	<u>Appropriation Authority</u>	<u>Budgetary Disbursements</u>	<u>Variance</u>
General	\$ 162,471	\$ 146,131	\$ 16,340
Special Revenue	176,367	126,145	50,222
Permanent	-	-	-
Enterprise	320,399	289,788	30,611

**VILLAGE OF RACINE
MEIGS COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2014 and 2013**

4. BUDGETARY ACTIVITY – (Continued)

2013 Budgeted vs Actual Receipts

<u>Funds</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 97,504	\$ 115,260	\$ 17,756
Special Revenue	234,471	242,020	7,549
Permanent	-	13	13
Enterprise	278,710	297,898	19,188

2013 Budgeted vs Actual Budgetary Basis Disbursements

<u>Funds</u>	<u>Appropriation Authority</u>	<u>Budgetary Disbursements</u>	<u>Variance</u>
General	\$ 122,590	\$ 103,319	\$ 19,271
Special Revenue	292,682	255,638	37,044
Permanent	-	-	-
Enterprise	302,735	284,816	17,919

5. RETIREMENT SYSTEM

Employees of the Village belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a state operated, cost sharing, multiple employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2014 and 2013, members of OPERS contributed 10 percent of their wages. The Village contributes an amount equal to 14 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2014.

6. RISK MANAGEMENT

The Government 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.

**VILLAGE OF RACINE
MEIGS COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2014 and 2013**

6. RISK MANAGEMENT – (Continued)

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

OPRM coverage programs are developed specific to each member’s risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member’s exposure to loss, except OPRM retains 41.5% (effective November 1, 2011) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2012 (and through October 2014) the plan increased its retention to 50% of the first \$250,000 casualty treaty. The Plan’s property retention remained unchanged from prior years. This change was made to balance the reinsurance market conditions. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 767 and 774 members as of December 31, 2012 and 2013 respectively.

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, 2012 and 2013 (the latest information available).

	<u>2012</u>	<u>2013</u>
Assets	\$13,100,381	\$13,774,304
Liabilities	(6,687,193)	(7,968,395)
Members’ Equity	<u>\$6,413,188</u>	<u>\$5,805,909</u>

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

**VILLAGE OF RACINE
MEIGS COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2014 and 2013**

7. DEBT

Debt outstanding as of December 31, 2014 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority	\$ 720,466	1.50 - 2.00%
General Obligation Notes	<u>183,507</u>	3.25 – 4.00%
Total	<u>\$ 903,973</u>	

The Ohio Water Development Authority (OWDA) loans relate to water system improvements. 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, the purchase a lawn mower and to repair of Village water well. The notes are collateralized solely by the Village's taxing authority.

	<u>OWDA Loans</u>	<u>G.O. Notes</u>
Year ending December 31:		
2015	\$ 44,681	\$ 58,765
2016	41,806	20,925
2017	38,932	20,925
2018	38,932	20,925
2019	38,932	20,925
2020-2024	194,660	57,825
2025-2029	194,660	-0-
2030-2034	194,660	-0-
2035-2039	111,703	-0-
2040-2044	<u>5,749</u>	<u>-0-</u>
Total	<u>\$904,715</u>	<u>\$ 200,290</u>

8. CONTINGENT LIABILITES/SUBSEQUENT EVENTS

Management believes there are no pending claims or lawsuits.

**VILLAGE OF RACINE
MEIGS COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2014 and 2013**

9. INTERFUND-TRANSFERS

During 2013 the Village made the following transfers:

Fund	Transfers In	Transfers Out
Special Revenue Fund:		
CIC-Lot Sales fund	\$ -0-	\$ 16,965
General Fund:	12,000	
Proprietary Fund		
Water Fund	<u>4,965</u>	<u>-0-</u>
Total	<u>\$ 16,495</u>	<u>\$ 16,495</u>

In 2013, the Village transferred property received in 2008 from the Southern Local School District located within the Village, to the Meigs County CIC. The Village developed the property into a business district. The Meigs County CIC sold the property and disbursed funds to the Village. The CIC-Lot Sales Fund transferred \$12,000 to the General Fund and \$4,965 to the Water Fund to reimburse the aforementioned funds for costs of developing the property. The Southern Local School District was reimbursed the remaining funds. All applicable Ohio Revised Code compliance requirements and legal documents were met.

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

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

Village of Racine
Meigs County
405 Main Street
Racine, Ohio 45771

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of Racine, Meigs County, (the Village) as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements and have issued our report thereon dated June 15, 2015, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permits.

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.

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. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

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 a 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. We consider finding 2014-001 described in the accompanying schedule of findings to be a material weakness.

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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Entity's Response to Finding

The Village's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Village's response and, accordingly, we express no opinion on it.

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.



Charles E. Harris & Associates, Inc.
June 15, 2015

**VILLAGE OF RACINE
MEIGS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013**

<p>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</p>

**FINDING NUMBER 2014-001
Material Weakness**

Incorrect Accounting Transactions

During the audit of the Village's financial records for the years ended December 31, 2014 and 2013 we noted several transactions incorrectly recorded, and several receipts and disbursements incorrectly reported in the annual reports. The financial statements have been adjusted to present the accounting information correctly.

Village has agreed with the required reclassifications and adjustments. Below is a listing of the various erroneous accounting transactions:

- Debt Service for 2013, was included in Transportation;
- Intergovernmental grant for 2013 was reported as Special Assessments;
- During 2014 and 2013 the Village received a Summer Youth Program Grant from the Meigs County Job and Family Services and recorded as Other Revenue.
- A CD from the prior audit was recommended, but not recorded. It was recorded during the audit of the current financial statements.

We recommend that the Village closely follow the Village Officer's Handbook and the Ohio Revised Code when recording transactions. The Fiscal Officer should contact the Auditor of State for additional guidance as needed.

Official's Response:

The Fiscal Officer will implement changes as recommended to correctly record all transactions.

VILLAGE OF RACINE
MEIGS COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2014 AND 2013

FINDING NUMBER	FUNDING SUMMARY	FULLY CORRECTED?	Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2012-001	The Village had incorrect accounting transactions.	No	Repeated as finding # 2014-001



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
OCTOBER 15, 2015**