



**VILLAGE OF RACINE
MEIGS COUNTY
Regular Audit
For the Years Ended December 31, 2019 and 2018**

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KEITH FABER



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Village Council
Village of Racine
P. O. Box 399
Racine, Ohio 45771

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

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

A handwritten signature in cursive script that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

September 14, 2020

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VILLAGE OF RACINE
MEIGS COUNTY

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INDEPENDENT AUDITOR'S REPORT

June 30, 2020

Village of Racine
Meigs County
PO Box 399
Racine, Ohio 45771

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, (the Village) as of and for the years ended December 31, 2019 and 2018.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

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

Opinion on Regulatory Basis of Accounting

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

Emphasis of Matter

As discussed in Note 13 to the financial statements, during 2019 and 2018, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Village. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2020, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Perry & Associates
Certified Public Accountants, A.C.
Marietta, Ohio

**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, 2019**

	General	Special Revenue	Permanent	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$ 59,258	\$ 11,036	\$ -	\$ 70,294
Intergovernmental	133,442	154,346	-	287,788
Charges for Services	-	58,490	225	58,715
Fines, Licenses and Permits	896	-	-	896
Earnings on Investments	3,294	2,385	794	6,473
Miscellaneous	53,261	32,740	-	86,001
<i>Total Cash Receipts</i>	<u>250,151</u>	<u>258,997</u>	<u>1,019</u>	<u>510,167</u>
Cash Disbursements				
Current:				
Security of Persons and Property	29,234	67,557	-	96,791
Public Health Services	78	4,869	-	4,947
Leisure Time Activities	4,301	23,375	-	27,676
Community Environment	1,450	-	-	1,450
Basic Utility Services	9,104	-	-	9,104
Transportation	25,287	37,313	-	62,600
General Government	45,110	-	-	45,110
Capital Outlay	183,032	607,902	-	790,934
Debt Service:				
Principal Retirement	115,437	-	-	115,437
Interest and Fiscal Charges	4,923	-	-	4,923
<i>Total Cash Disbursements</i>	<u>417,956</u>	<u>741,016</u>	<u>-</u>	<u>1,158,972</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(167,805)</u>	<u>(482,019)</u>	<u>1,019</u>	<u>(648,805)</u>
Other Financing Receipts (Disbursements)				
Loans Issued	-	400,000	-	400,000
Other Debt Proceeds	101,039	175	-	101,214
Transfers In	-	4,568	-	4,568
Transfers Out	-	(4,568)	-	(4,568)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>101,039</u>	<u>400,175</u>	<u>-</u>	<u>501,214</u>
<i>Net Change in Fund Cash Balances</i>	<u>(66,766)</u>	<u>(81,844)</u>	<u>1,019</u>	<u>(147,591)</u>
<i>Fund Cash Balances, January 1</i>	<u>80,573</u>	<u>238,136</u>	<u>50,762</u>	<u>369,471</u>
Fund Cash Balances, December 31				
Nonspendable	-	-	51,781	51,781
Restricted	-	145,143	-	145,143
Committed	-	11,149	-	11,149
Assigned	4,654	-	-	4,654
Unassigned	9,153	-	-	9,153
<i>Fund Cash Balances, December 31</i>	<u>\$ 13,807</u>	<u>\$ 156,292</u>	<u>\$ 51,781</u>	<u>\$ 221,880</u>

The notes to the financial statements are an integral part of this statement.

**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, 2019**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals</u>
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$ 340,801	\$ -	\$ 340,801
Fines, Licenses and Permits	-	896	896
<i>Total Operating Cash Receipts</i>	<u>340,801</u>	<u>896</u>	<u>341,697</u>
Operating Cash Disbursements			
Personal Services	123,323	-	123,323
Employee Fringe Benefits	31,341	-	31,341
Contractual Services	60,541	-	60,541
Supplies and Materials	43,658	-	43,658
Other	1,089	896	1,985
<i>Total Operating Cash Disbursements</i>	<u>259,952</u>	<u>896</u>	<u>260,848</u>
<i>Operating Income (Loss)</i>	<u>80,849</u>	<u>-</u>	<u>80,849</u>
Non-Operating Receipts (Disbursements)			
Other Debt Proceeds	80	-	80
Miscellaneous Receipts	2,307	-	2,307
Capital Outlay	(80)	-	(80)
Principal Retirement	(45,098)	-	(45,098)
Interest and Other Fiscal Charges	(13,914)	-	(13,914)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(56,705)</u>	<u>-</u>	<u>(56,705)</u>
<i>Income (Loss) before Transfers</i>	24,144	-	24,144
Transfers In	14,283	-	14,283
Transfers Out	(14,283)	-	(14,283)
<i>Net Change in Fund Cash Balances</i>	24,144	-	24,144
<i>Fund Cash Balances, January 1</i>	<u>220,332</u>	<u>-</u>	<u>220,332</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 244,476</u>	<u>\$ -</u>	<u>\$ 244,476</u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF RACINE
MEIGS COUNTY**

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

Note 1 - Reporting Entity

The Village of Racine, Meigs County, (the Village) is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides water 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 Fund – This fund receives a portion of the State gasoline tax money and motor vehicle license registration fees restricted for constructing, maintaining, and repairing Village streets.

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

Other Special Revenue Fund – This fund accounts for monies received from the Ohio Department of Commerce for a 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 – This 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.

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 and commercial users to cover water service costs.

VILLAGE OF RACINE
MEIGS COUNTY

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

Note 2 – Summary of Significant Accounting Policies (Continued)

Fund Accounting (Continued)

Refuse Fund – This fund receives charges for services from residents and commercial users 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 Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The 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 Section 117.38 and Ohio Administrative Code Section 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. Unencumbered appropriations lapse at year end.

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

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

A summary of 2019 budgetary activity appears in Note 4.

Deposits and Investments

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

The Village values certificates of deposit at cost.

VILLAGE OF RACINE
MEIGS COUNTY

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

Note 2 – Summary of Significant Accounting Policies (Continued)

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.

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

Note 3 – Compliance

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General Fund by \$38,621 for the year ended December 31, 2019.

**VILLAGE OF RACINE
MEIGS COUNTY**

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

Note 4 – Budgetary Activity

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

2019 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 345,362	\$ 351,190	\$ 5,828
Special Revenue	688,618	663,740	(24,878)
Permanent	1,150	1,019	(131)
Enterprise	329,068	357,471	28,403
Total	<u>\$ 1,364,198</u>	<u>\$ 1,373,420</u>	<u>\$ 9,222</u>

2019 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 380,000	\$ 418,621	\$ (38,621)
Special Revenue	776,647	746,220	30,427
Permanent	2,000	-	2,000
Enterprise	377,183	335,754	41,429
Total	<u>\$ 1,535,830</u>	<u>\$ 1,500,595</u>	<u>\$ 35,235</u>

Note 5 – Deposits

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

	2019
Demand Deposits	\$ 413,431
Certificates of Deposit	52,925
Total Deposits	<u>\$ 466,356</u>

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the Village.

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.

**VILLAGE OF RACINE
MEIGS COUNTY**

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

Note 7 – 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 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. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. The OPRM is also participated in a property primary excess of loss treaty. This treaty reimbursed the OPRM 30% for losses between \$200,000 and \$1,000,000. The reimbursement is based on the amount of loss between \$200,000 and \$1,000,000. Effective November 1, 2018, the OPRM the property retention remained unchanged, however, the Plan assumed 100% of the first \$250,000 casualty treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. Effective November 1, 2019, the OPRM's property retention increased from 30% to 33%, while the casualty treaty remains unchanged and still assumes 100% of the first \$250,000 casualty treaty. OPRM had 776 members as of December 31, 2019.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2019.

Assets	\$ 15,920,504
Liabilities	(11,329,011)
Members' Equity	<u>\$ 4,591,493</u>

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

Note 8 – Transfers

During 2019, the following transfers were made:

	Transfers In	Transfers Out
Fire Fund	\$ -	\$ (4,568)
Fire Equipment Fund	4,568	-
Water Fund	-	(14,283)
USDA/RD Debt Service Fund	14,200	-
USDA Debt Service Reserve Fund	83	-
Total	\$ 18,851	\$ (18,851)

All transfers were deemed to be appropriate and in compliance with the Ohio Revised Code.

**VILLAGE OF RACINE
MEIGS COUNTY**

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

Note 9 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

All full-time and part-time employees that are not a certified full-time Police Officer belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

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

Social Security

Some Village 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, 2019.

Note 10 - Postemployment Benefits

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

Note 11 - Debt

Debt outstanding at December 31, 2019 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority	\$ 575,380	1.5% - 4.3%
General Obligation Notes	233,098	3.15% - 3.65%
U.S.D.A. Loan	198,100	1.63%
Ohio Department of Commerce Fire Revolving Loan	300,000	0.00%
Total	<u>\$ 1,306,578</u>	

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 the purchase of a garbage truck, replace the Village Hall roof, repair Sycamore Street, repair Elm Street, for the purchase of a pickup truck, for the purchase of a police cruiser, for the purchase of a fire truck, to repair pipe and storm drain on Vine Street, the Village portion of ODOT project, and a new roof over the handicap ramp at Village Hall. The notes are collateralized solely by the Village's taxing authority.

**VILLAGE OF RACINE
MEIGS COUNTY**

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

Note 11 – Debt (Continued)

During the 2019, General Obligation Notes were issued to finance the construction of a Splash Park. The loan was paid off in 2019.

The Ohio Department of Commerce Fire Revolving Loan was issued in 2019 for the purchase of a fire engine. The loan is interest-free and will be paid back in equal installments of \$7,500 each quarter over 10 years.

Amortization of the Village’s debt, including principal and interest, is scheduled as follows:

Year ending December 31:	OWDA Loans	General Obligation Notes	USDA Loan	Fire Revolving Loan
2020	\$ 37,679	\$ 27,563	\$ 7,119	\$ 30,000
2021	37,679	39,282	7,156	30,000
2022	37,679	39,282	7,191	30,000
2023	37,679	93,006	7,224	30,000
2024	37,679	19,282	7,156	30,000
2025-2029	188,392	65,786	35,833	30,000
2030-2034	188,392	-	35,779	30,000
2035-2039	105,435	-	35,867	30,000
2040-2044	4,493	-	35,790	30,000
2045-2049	-	-	35,830	30,000
2050-2054	-	-	35,867	-
2055-2059	-	-	14,342	-
Total	<u>\$ 675,107</u>	<u>\$ 284,201</u>	<u>\$ 265,154</u>	<u>\$ 300,000</u>

Note 12 – Contingent Liabilities

The Village participates in several state assisted grants that are subject to financial and compliance audits by grantor agencies or their representatives. These audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. The Village believes that disallowed claims, if any, will not have a material adverse effect on the Village’s financial condition.

Note 13 – Subsequent Events

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

**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, 2018**

	General	Special Revenue	Capital Projects	Permanent	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$ 56,855	\$ 11,635	\$ -	\$ -	\$ 68,490
Intergovernmental	35,572	47,698	-	-	83,270
Charges for Services	-	74,680	-	525	75,205
Fines, Licenses and Permits	4,576	-	-	-	4,576
Earnings on Investments	708	576	-	778	2,062
Miscellaneous	16,222	30,723	-	-	46,945
<i>Total Cash Receipts</i>	<u>113,933</u>	<u>165,312</u>	<u>-</u>	<u>1,303</u>	<u>280,548</u>
Cash Disbursements					
Current:					
Security of Persons and Property	51,082	53,788	-	-	104,870
Public Health Services	-	6,816	-	1,145	7,961
Leisure Time Activities	2,500	24,394	-	-	26,894
Community Environment	2,000	-	-	-	2,000
Basic Utility Services	7,379	-	-	-	7,379
Transportation	21,419	22,066	-	-	43,485
General Government	41,751	-	-	-	41,751
Capital Outlay	238	175	14,957	-	15,370
Debt Service:					
Principal Retirement	9,366	-	-	-	9,366
Interest and Fiscal Charges	2,638	-	-	-	2,638
<i>Total Cash Disbursements</i>	<u>138,373</u>	<u>107,239</u>	<u>14,957</u>	<u>1,145</u>	<u>261,714</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(24,440)</u>	<u>58,073</u>	<u>(14,957)</u>	<u>158</u>	<u>18,834</u>
Other Financing Receipts					
Other Debt Proceeds	19,281	175	14,957	-	34,413
Sale of Capital Assets	10,500	-	-	-	10,500
<i>Total Other Financing Receipts</i>	<u>29,781</u>	<u>175</u>	<u>14,957</u>	<u>-</u>	<u>44,913</u>
<i>Net Change in Fund Cash Balances</i>	5,341	58,248	-	158	63,747
<i>Fund Cash Balances, January 1</i>	<u>75,232</u>	<u>179,888</u>	<u>-</u>	<u>50,604</u>	<u>305,724</u>
Fund Cash Balances, December 31					
Nonspendable	-	-	-	50,762	50,762
Restricted	-	233,567	-	-	233,567
Committed	-	4,569	-	-	4,569
Unassigned	80,573	-	-	-	80,573
<i>Fund Cash Balances, December 31</i>	<u>\$ 80,573</u>	<u>\$ 238,136</u>	<u>\$ -</u>	<u>\$ 50,762</u>	<u>\$ 369,471</u>

The notes to the financial statements are an integral part of this statement.

**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, 2018**

	Proprietary Fund Types	Fiduciary Fund Types	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$ 344,638	\$ -	\$ 344,638
Fines, Licenses and Permits	-	4,437	4,437
<i>Total Operating Cash Receipts</i>	<u>344,638</u>	<u>4,437</u>	<u>349,075</u>
Operating Cash Disbursements			
Personal Services	111,007	-	111,007
Employee Fringe Benefits	29,733	-	29,733
Contractual Services	75,316	-	75,316
Supplies and Materials	36,453	-	36,453
Other	1,003	4,437	5,440
<i>Total Operating Cash Disbursements</i>	<u>253,512</u>	<u>4,437</u>	<u>257,949</u>
<i>Operating Income</i>	<u>91,126</u>	<u>-</u>	<u>91,126</u>
Non-Operating Receipts (Disbursements)			
Intergovernmental	83,129	-	83,129
Earnings on Investments (proprietary funds only)	12	-	12
Other Debt Proceeds	135	-	135
Capital Outlay	(83,264)	-	(83,264)
Principal Retirement	(36,369)	-	(36,369)
Interest and Other Fiscal Charges	(14,592)	-	(14,592)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(50,949)</u>	<u>-</u>	<u>(50,949)</u>
<i>Income before Transfers</i>	40,177	-	40,177
Transfers In	3,283	-	3,283
Transfers Out	(3,283)	-	(3,283)
<i>Net Change in Fund Cash Balances</i>	40,177	-	40,177
<i>Fund Cash Balances, January 1</i>	<u>180,155</u>	<u>-</u>	<u>180,155</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 220,332</u>	<u>\$ -</u>	<u>\$ 220,332</u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF RACINE
MEIGS COUNTY**

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

Note 1 - Reporting Entity

The Village of Racine, Meigs County, (the Village) is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides water 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 Fund – This fund receives a portion of the State gasoline tax money and motor vehicle license registration fees restricted for constructing, maintaining, and repairing Village streets.

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

Party in the Park Fund – This fund receives donations from the community in order to finance the annual Party in the Park event.

Other Special Revenue Fund – This fund accounts for monies received from the Ohio Department of Commerce for a Marcs Radio Grant.

Capital Projects Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant Capital Project Fund:

Elm Street Sidewalk Fund – This fund accounts for activity related to a project being completed on Elm Street.

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:

VILLAGE OF RACINE
MEIGS COUNTY

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

Note 2 – Summary of Significant Accounting Policies (Continued)

Fund Accounting (Continued)

Cemetery Endowment Fund – This 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.

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 and commercial users to cover water service costs.

Phase II Fund – This fund receives grant monies related to the Phase II Water Project.

Refuse Fund – This fund receives charges for services from residents and commercial users 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 Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The 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 Section 117.38 and Ohio Administrative Code Section 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. Unencumbered appropriations lapse at year end.

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

VILLAGE OF RACINE
MEIGS COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(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 carried over, and need not be reappropriated. The Village did not encumber all commitments required by Ohio law

A summary of 2018 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.

The Village values certificates of deposit at cost.

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
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)**

Note 2 – Summary of Significant Accounting Policies (Continued)

Fund Balance (Continued)

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

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

Note 3 – Compliance

Contrary to Ohio law, actual receipts in the Elm Street Sidewalk Fund fell below budgeted receipts which caused a reduction in the available resources available for appropriations below the allowable amount for the year ended December 31, 2018.

Note 4 – Budgetary Activity

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

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 120,530	\$ 143,714	\$ 23,184
Special Revenue	113,973	165,487	51,514
Capital Projects	30,000	14,957	(15,043)
Permanent	-	1,303	1,303
Enterprise	399,849	431,197	31,348
Total	\$ 664,352	\$ 756,658	\$ 92,306

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 143,275	\$ 138,836	\$ 4,439
Special Revenue	141,180	107,559	33,621
Capital Projects	30,000	14,957	15,043
Permanent	2,000	1,145	855
Enterprise	445,856	394,104	51,752
Total	\$ 762,311	\$ 656,601	\$ 105,710

**VILLAGE OF RACINE
MEIGS COUNTY**

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

Note 5 – Deposits

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

	2018
Demand Deposits	\$ 537,897
Certificates of Deposit	51,906
Total Deposits	<u>\$ 589,803</u>

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the Village.

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) (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 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. 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. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Effective November 1, 2018, the OPRM the property retention remained unchanged, however, the Plan assumed 100% of the first \$250,000 casualty treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 774 members as of December 31, 2018.

**VILLAGE OF RACINE
MEIGS COUNTY**

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

Note 7 - Risk Management (Continued)

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2018.

Assets	\$15,065,412
Liabilities	<u>(10,734,623)</u>
Members' Equity	<u>\$ 4,330,789</u>

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

Note 8 – Transfers

During 2018, the following transfers were made:

	Transfers In	Transfers Out
Water Fund	\$ -	\$ 3,283
USDA/RD Debt Service Fund	3,283	-
Total	\$ 3,283	\$ 3,283

All transfers were deemed to be appropriate and in compliance with the Ohio Revised Code.

Note 9 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

All full-time and part-time employees that are not a certified full-time Police Officer belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

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

Social Security

Some Village 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, 2018.

**VILLAGE OF RACINE
MEIGS COUNTY**

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

Note 10 - Postemployment Benefits

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

Beginning January 1, 2019, OP&F changed its retiree health care model to a stipend-based health care model. A stipend funded by OP&F was placed in individual Health Reimbursement Accounts that retirees use to be reimbursed for health care expenses.

Note 11 - Debt

Debt outstanding at December 31, 2018 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority	\$ 608,175	1.5% - 4.3%
General Obligation Notes	155,644	3.15% - 3.5%
U.S.D.A. Loan	202,000	1.63%
Total	<u>\$ 965,819</u>	

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 prior audit balance for the OWDA loans incorrectly stated as \$636,350. The correct balance outstanding at December 31, 2017 was \$636,338.

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

**VILLAGE OF RACINE
MEIGS COUNTY**

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

Note 11 – Debt (Continued)

Amortization of the Village’s debt, including principal and interest, is scheduled as follows:

<u>Year ending December 31:</u>	<u>OWDA Loans</u>	<u>General Obligation Notes</u>	<u>USDA Loan</u>
2019	\$ 37,679	\$ 27,563	\$ 7,183
2020	37,679	39,282	7,119
2021	37,679	39,282	7,156
2022	37,679	93,006	7,191
2023	37,679	19,282	7,224
2024-2028	188,392	65,786	35,786
2029-2033	188,392	-	35,862
2034-2038	138,617	-	35,782
2039-2043	8,990	-	35,840
2044-2048	-	-	35,818
2049-2053	-	-	35,897
2054-2058	-	-	21,479
Total	<u>\$ 712,786</u>	<u>\$ 284,201</u>	<u>\$ 272,337</u>

Note 12 – Contingent Liabilities

The Village participates in several state assisted grants that are subject to financial and compliance audits by grantor agencies or their representatives. These audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. The Village believes that disallowed claims, if any, will not have a material adverse effect on the Village’s financial condition.

Note 13 – Subsequent Events

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

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

June 30, 2020

Village of Racine
Meigs County
PO Box 399
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 cash balances, receipts and disbursements by fund type of the **Village of Racine**, Meigs County, (the Village) as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements and have issued our report thereon dated June 30, 2020, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit and we noted the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Village.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) 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 preceding paragraph and was not designed to identify all deficiencies in internal control 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 audit findings we identified certain deficiencies in internal control over financial reporting, that we consider a material weakness and a significant deficiency.

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. We consider finding 2019-001 described in the accompanying schedule of audit findings to be a material weakness.

Tax - Accounting - Audit - Review - Compilation - Agreed Upon Procedure - Consultation - Bookkeeping - Payroll - Litigation Support - Financial Investigations
Members: American Institute of Certified Public Accountants
• Ohio Society of CPAs • West Virginia Society of CPAs • Association of Certified Fraud Examiners • Association of Certified Anti-Money Laundering Specialists •

Internal Control Over Financial Reporting (Continued)

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2019-002 described in the accompanying schedule of audit findings to be a significant deficiency.

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 matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of audit findings as item 2019-002.

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.



Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

**VILLAGE OF RACINE
MEIGS COUNTY**

**SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

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

Material Weakness

Financial Reporting

The Village should have procedures and controls in place to prevent and detect errors in financial reporting. Fund balances should be properly classified based on Governmental Accounting Standards Statement No. 54 – Fund Balance Reporting and Governmental Fund Type Definitions.

During 2019 and 2018, receipts, disbursements, and fund balances were not always posted or classified correctly. The following posting errors were noted:

- Rollback receipts were misclassified as Property and Other Local Taxes instead of Intergovernmental in the General and Fire Funds in 2019 and in the General Fund in 2018;
- Donation receipts were misclassified as Intergovernmental instead of Miscellaneous in the General Fund in 2019;
- State grant receipts were misclassified as Miscellaneous instead of Intergovernmental in the Fire Fund in 2019 and 2018;
- Receipts for Gasoline Excise and Motor Vehicle License Taxes were not properly allocated to the correct funds in 2019 and 2018;
- Miscellaneous receipts were misclassified as Intergovernmental in the Water and Refuse Funds in 2019;
- A receipt for fire contract services was misclassified as Intergovernmental instead of Charges for Services in the Fire Fund in 2018;
- A receipt for fire contract services was misclassified as Property and Other Local Taxes instead of Charges for Services and was posted to the General Fund instead of the Fire Fund in 2018;
- Disbursements for fire equipment and a fire engine were misclassified as Security of Persons and Property instead of Capital Outlay in the Fire Fund in 2019;
- Debt Proceeds were misclassified as Intergovernmental in 2019 and as Miscellaneous and Other Financing Sources in 2018 in the General Fund;
- Debt Proceeds and the corresponding Capital Outlay were not recorded in the General and Fire Funds in 2019 and the General and Elm Street Sidewalk Funds in 2018;
- Capitalized interest on OWDA loans was not recorded in the Water Fund in 2019 and 2018;
- A receipt for the sale of a police cruiser was misclassified as Other Financing Sources and a receipt for the sale of a truck was misclassified as Miscellaneous instead of Sale of Capital Assets in the General Fund in 2018;
- Debt payments were misclassified as General Government and Capital Outlay instead of Principal Retirement and Interest and Other Fiscal Charges in the General Fund in 2019;
- Debt payments were misclassified as Other Financing Uses instead of Principal Retirement and Interest and Other Fiscal Charges in the Refuse Fund in 2019 and 2018;
- Outstanding encumbrances and budget carryover were misclassified as Unassigned instead of Assigned in the General Fund in 2019; and
- Mayor's Court activity was not properly recorded in an Agency Fund in 2019 and 2018.

Not posting receipts, disbursements, and fund balances accurately resulted in the financial statements requiring several adjustments and reclassifications. The Village has made the adjustments to their accounting system. The financial statements reflect all adjustments and reclassifications.

VILLAGE OF RACINE
MEIGS COUNTY

SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

FINDING NUMBER 2019-001 (Continued)

Financial Reporting (Continued)

To help ensure accuracy and reliability in the financial reporting process, we recommend that management perform a detailed review of its draft financial statements. Such review should include procedures to ensure that all sources of revenues and expenses are properly identified and classified on the financial statements.

We also recommend the Fiscal Officer refer to the Ohio Village Handbook for guidance to determine the proper establishment of receipt and disbursement accounts and posting of receipts and disbursements. The Fiscal Officer should refer to Auditor of State Technical Bulletin 2011-004 for assistance in properly classifying fund balances.

Management's Response – Officials did not provide a response to this finding.

FINDING NUMBER 2019-002

Significant Deficiency/Noncompliance

Budgetary Controls

The budget is an instrument of public policy: A governing board expresses its desires for using a government's limited resources through its appropriations. Ohio Revised Code Section 5705 deals with a variety of budgetary requirements that all subdivisions must comply with in order to ensure fiscal responsibility.

In performing the audit, we noted several violations of budgetary law which, although they do not in and of themselves, result in errors in financial reporting, may lead to the Village making financial decisions based on incorrect or incomplete information. We noted the following:

- **Violation of 5705.36(A)(4)** indicating that, upon determination that revenue collected will be less than the amount on the official certificate, the Fiscal Officer will certify the deficiency to the County Commission and get a certified amended certificate;
- **Violation of 5705.41(B)** stating no subdivision is to expend money unless it has been appropriated (expenditures exceeded appropriations); and
- **Violations of 5705.41(D)** relating to expenditures having prior certification of availability of funds.

Although Council approves budgets for revenue and expenses and receives monthly reports of budget and actual information, it does not ensure that budgetary forms are properly completed and submitted to the County Budget Commission timely.

Council should review the requirements of ORC section 5705 to be familiar with these laws and to make sure the Village is complying with applicable sections. If Council does not consider these necessary steps should be taken to make sure amounts are encumbered (purchase orders are used and assigned to each purchase prior to ordering), certifications of available funds are done by the Village Fiscal Officer prior to purchasing and unencumbered balances are tracked for each line item.

VILLAGE OF RACINE
MEIGS COUNTY

SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

FINDING NUMBER 2019-002 (Continued)

Budgetary Controls (Continued)

The Village did not have a control procedure in place to ensure that appropriations and estimated receipts, as authorized by the Village Board and approved by the County Budget Commission, were reconciled to the appropriations and estimated receipts posted to the accounting system.

This resulted in varying amounts posted to the accounting system and information available to the Village Officials to monitor year-to-date total comparison of budgeted amounts versus actual amounts was not accurate.

We recommend the Village implement procedures to ensure estimated receipts and appropriations are accurately posted to the accounting system and reconciled to the amounts approved by the budget commission after each amendment.

Management's Response – Officials did not provide a response to this finding.

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**VILLAGE OF RADINE
MEIGS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

Finding Number	Finding Summary	Status	Additional Information
2017-001	Debt did not meet the requirements of Ohio Rev. Code Section 133.20	Corrected	N/A
2017-002	Posting of receipts, disbursements and classification of fund balances	Not Corrected	Repeated as Finding 2019-001
2017-003	Budgetary posting to system	Not Corrected	Repeated as Finding 2019-002

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OHIO AUDITOR OF STATE KEITH FABER



VILLAGE OF RACINE

MEIGS COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 9/29/2020

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

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