

**VILLAGE OF RACINE**  
**MEIGS COUNTY**  
**REGULAR AUDIT**  
**JANUARY 1, 2001 - DECEMBER 31, 2002**

**DAVID R. DILLEY CPA, INC.**  
**SERVING INDIVIDUALS, BUSINESSES, GOVERNMENTS AND NON PROFITS**  
**631 Central Center**  
**Chillicothe, Ohio 45601**





**Auditor of State  
Betty Montgomery**

Village Council  
Village of Racine  
P.O. Box 375  
Racine, OH 45771

We have reviewed the Independent Auditor's Report of the Village of Racine, Meigs County, prepared by David R. Dilley, CPA, Inc., for the audit period January 1, 2001 through December 31, 2002. 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.

*Betty Montgomery*

BETTY MONTGOMERY  
Auditor of State

August 20, 2003

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VILLAGE OF RACINE  
MEIGS COUNTY  
JANUARY 1, 2001 THROUGH DECEMBER 31, 2002

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631 Central Center  
Chillicothe, Ohio 45601

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**Independent Auditor's Report**

Village Council  
Village of Racine  
PO Box 375  
Racine, Ohio 45771

I have audited the accompanying financial statements of the Village of Racine, Meigs County, Ohio, (the Village) as of and for the year ended December 31, 2002, and December 31, 2001. These financial statements are the responsibility of the Village's management. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that I plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In my opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Racine, Meigs County, Ohio, as of December 31, 2002, and December 31, 2001, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, I have also issued a report dated June 27, 2003 on my consideration of the Village's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the officials authorized to receive this report under Section 117.26 of the Ohio Revised Code, and is not intended to be and should not be used by anyone other than those specified parties.

**David R. Dilley**

David R. Dilley  
Certified Public Accountant

June 27, 2003

**VILLAGE OF RACINE**  
**COMBINED STATEMENTS OF CASH RECEIPTS, CASH DISBURSEMENTS, AND**  
**CHANGES IN FUND BALANCES-ALL GOVERNMENTAL FUND TYPES**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

	Governmental Fund Types			Totals
	General	Special Revenue	Debt Service	(Memorandum Only)
<b>Cash Receipts</b>				
Taxes	\$17,999	\$8,036	\$0	\$26,035
Intergovernmental	51,243	20,028	0	71,271
Charges for Services	0	53,471	0	53,471
Fines, Licenses, and Permits	3,136	300	0	3,436
Earnings on Investments	961	5,113	0	6,074
Miscellaneous	24,972	18,757	0	43,729
Total Cash Receipts	98,311	105,705	0	204,016
<b>Cash Disbursements</b>				
Current:				
Security of Persons and Property	26,721	13,075	0	39,796
Public Health Services	24	3,019	0	3,043
Basic Utility Services	6,869	0	0	6,869
Leisure Time Activities	16,806	0	0	16,806
Community Environment	4,387	0	0	4,387
Transportation	5,854	32,060	0	37,914
General Government	21,130	0	0	21,130
Capital Outlay	0	18,500	0	18,500
Debt Service	0	0	0	0
Redemption of Principal	6,397	0	15,893	22,290
Interest	410	0	841	1,251
Total Cash Disbursements	88,598	66,654	16,734	171,986
Total Cash Receipts Over/Under				
Cash Disbursements	9,713	39,051	(16,734)	32,030
<b>Over Financing Receipts/(Disbursements):</b>				
Proceeds from Sale of Public Debt:				
Sale of Notes	0	18,500	0	18,500
Sale of Equipment	0	0	0	0
Transfers-in	0	0	16,747	16,747
Transfers-out	0	(16,747)	0	(16,747)
Total Other Financing				
Receipts/Disbursements	0	1,753	16,747	18,500
Excess of Cash Receipts and Other Financing				
Receipts Over/(Under) Cash Disbursements				
and Other financing Disbursements	9,713	40,804	13	50,530
Fund Cash Balances, January 1, 2002	57,328	161,738	0	219,066
<b>Fund Cash Balances, December 31, 2002</b>	<b>\$67,041</b>	<b>\$202,542</b>	<b>\$13</b>	<b>\$269,596</b>
Reserved for Encumbrances, December 31, 2001	\$0	\$0	\$0	\$0

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



**VILLAGE OF RACINE**  
**COMBINED STATEMENTS OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND**  
**CASH BALANCES-PROPRIETARY FUND TYPE AND SIMILAR FIDUCIARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

	Proprietary	Fiduciary Fund Type		Totals
	Fund type	Nonexpendable		(Memorandum
	Enterprise	Trust	Agency	Only)
<b>Operating Cash Receipts</b>				
Charges for Services	\$135,525	0	0	\$135,525
Interest	0	872	0	872
Miscellaneous	447	0	0	447
Total Operating Cash Receipts	135,972	872	0	136,844
<b>Operating Cash Disbursements</b>				
Personal Services	38,439	0	0	38,439
Travel Transportation	0	0	0	0
Contractual Services	92,484	0	0	92,484
Supplies and Materials	18,780	0	0	18,780
Employee Fringe Benefits	10,406	0	0	10,406
Capital Outlay	45,000	0	0	45,000
Miscellaneous	277	0	0	277
Total Operating Cash Disbursements	205,386	0	0	205,386
<b>Operating Income/(Loss)</b>	(69,414)	872	0	(68,542)
<b>Non Operating Cash Receipts</b>				
Earnings on Investments	2,735	0	0	2,735
Proceeds From Sale of Public Debt:	0	0	0	0
Sale of Notes	45,000	0	0	45,000
State Grants	59,500	550	4,894	64,944
Total Non Operating Cash Receipts	107,235	550	4,894	112,679
<b>Non Operating Cash Disbursements</b>				
Debt Service				
Principal	6,484	0	0	6,484
Interest	2,130	0	0	2,130
Contingencies	0	0	0	0
Other financing Uses	0	0	0	0
Other Non Operating Disbursements	0	0	4,894	4,894
Total Non operating Cash Disbursements	8,614	0	4,894	13,508
<b>Net Receipts Over/(Under) Disbursements</b>	29,207	1,422	0	30,629
Fund Cash Balances, January 1, 2001	135,436	24,699	0	160,135
<b>Fund Cash Balances, December 31, 2001</b>	<b>\$164,643</b>	<b>\$26,121</b>	<b>\$0</b>	<b>\$190,764</b>
Reserved for Encumbrances, December 31, 2001	\$0	\$0	\$0	\$0

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

**VILLAGE OF RACINE  
COMBINED STATEMENTS OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND BALANCES-ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2001**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Debt Service	
<b>Cash Receipts</b>				
Taxes	\$29,603	\$11,140	\$0	\$40,743
Intergovernmental	29,676	26,085	0	55,761
Charges for Services	0	50,006	0	50,006
Fines, Licenses, and Permits	4,223	0	0	4,223
Interest	1,158	5,814	0	6,972
Miscellaneous	12,712	4,594	0	17,306
Total Cash Receipts	77,372	97,639	0	175,011
<b>Cash Disbursements</b>				
Current:				
Security of Persons and Property	18,896	35,655	0	54,551
Public Health Services	0	3,239	0	3,239
Basic Utility Services	9,695	0	0	9,695
Leisure Time Activities	2,020	0	0	2,020
Community Environment	450	0	0	450
Transportation	1,625	27,630	0	29,255
General Government	37,820	4,751	0	42,571
Capital Outlay	0	0	0	0
Debt Service	0	0	0	0
Redemption of Principal	6,183	0	15,123	21,306
Interest	617	0	1,624	2,241
Total Cash Disbursements	77,306	71,275	16,747	165,328
Total Cash Receipts Over/Under Cash Disbursements	66	26,364	(16,747)	9,683
<b>Over Financing Receipts/(Disbursements):</b>				
Proceeds from Sale of Public Debt:				
Sale of Notes	0	0	0	0
Sale of Equipment	0	0	0	0
Transfers-in	0	0	16,747	16,747
Transfers-out	0	(16,747)	0	(16,747)
Total Other Financing Receipts/Disbursements	0	(16,747)	16,747	0
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other financing Disbursements	66	9,617	0	9,683
Fund Cash Balances, January 1, 2001	57,262	152,121	0	209,383
<b>Fund Cash Balances, December 31, 2001</b>	<b>\$57,328</b>	<b>\$161,738</b>	<b>\$0</b>	<b>\$219,066</b>
Reserved for Encumbrances, December 31, 2001	\$0	\$0	\$0	\$0

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

**VILLAGE OF RACINE**  
**COMBINED STATEMENTS OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND**  
**CASH BALANCES-PROPRIETARY FUND TYPE AND SIMILAR FIDUCIARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2001**

	Proprietary	Fiduciary Fund Type		Totals
	Fund type	Nonexpendable		(Memorandum
	Enterprise	Trust	Agency	Only)
<b>Operating Cash Receipts</b>				
Charges for Services	\$124,017	\$0	\$0	\$124,017
Interest	0	860	0	860
Miscellaneous	0	0	0	0
Total Operating Cash Receipts	124,017	860	0	124,877
<b>Operating Cash Disbursements</b>				
Personal Services	39,170	0	0	39,170
Travel Transportation	0	0	0	0
Contractual Services	26,288	0	0	26,288
Supplies and Materials	31,074	0	0	31,074
Employee Fringe Benefits	0	0	0	0
Capital Outlay	0	0	0	0
Miscellaneous	138	0	0	138
Total Operating Cash Disbursements	96,670	0	0	96,670
<b>Operating Income/(Loss)</b>	27,347	860	0	28,207
<b>Non Operating Cash Receipts</b>				
Interest	3,295	0	0	3,295
Intergovernmental Revenues	495	0	0	495
Other Non Operating Receipts	0	750	4,565	5,315
Total Non Operating Cash Receipts	3,790	750	4,565	9,105
<b>Non Operating Cash Disbursements</b>				
Debt Service				
Principal	2,136	0	0	2,136
Interest	739	0	0	739
Contingencies	12,856	0	0	12,856
Other financing Uses	1,793	0	0	1,793
Other Non Operating Disbursements	0	0	4,565	4,565
Total Non operating Cash Disbursements	17,524	0	4,565	22,089
<b>Net Receipts Over/(Under) Disbursements</b>	13,613	1,610	0	15,223
Fund Cash Balances, January 1, 2001	121,811	23,089	0	144,900
<b>Fund Cash Balances, December 31, 2001</b>	<b>\$135,424</b>	<b>\$24,699</b>	<b>\$0</b>	<b>\$160,123</b>
Reserved for Encumbrances, December 31, 2001	\$0	\$0	\$0	\$0

*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 years ended December 31, 2002 and 2001**

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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 to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general governmental services, including water utilities, refuse collection, park operations (leisure time activities), and police and fire protection.

The Village's management believes these financial statements present all activities for which the Village is financially accountable.

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when a payment is made 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 prescribed or permitted by the Auditor of State.

C. Cash

The Village's certificates of deposit are valued at cost.

D. Fund Accounting

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

General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required by law or contract to be restricted.

Special Revenue Funds

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

Street Construction, Maintenance and Repair Fund - This fund receives gasoline tax and motor vehicle license tax money for constructing, maintaining and repairing Village streets.

State Highway Improvement Fund - This fund receives gasoline tax and motor vehicle license tax money for maintaining and repairing state highways located within the village.

**Village of Racine, Meigs County**  
**Notes to the Financial Statements**  
**For the years ended December 31, 2002 and 2001**

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1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

Special Revenue Funds (Continued)

Cemetery Fund - This fund receives proceeds from the sale of cemetery lots, opening and closing grave fees, and interest earning to maintain the Village cemetery.

Fire Protection Fund - This fund receives levy money to provide fire and protection to Village residents and contracted services money from Letart, Lebanon and Sutton Townships to provide fire protection to the residents of those Townships.

Debt Service Fund

This fund is used to accumulate resources for the payment of principal and interest on note indebtedness for debt associated with governmental fund types.

Enterprise Funds

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

Water Revenue Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

Refuse Fund - This fund receives charges for services from residents to cover the cost of providing trash or garbage collection.

Utilities Deposit Fund - This fund receives customer utility deposits and makes reimbursements to customers upon termination of utility services or applies customer deposits to utility accounts open upon unsatisfactory termination of utility services.

Fiduciary Funds

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the fund is classified as a Nonexpendable Trust Fund. Funds for which the Village is acting in an agency capacity are classified as Agency Funds. The Village had the following significant Fiduciary Funds:

Cemetery Bequest Fund - This Nonexpendable Trust Fund accounts for money received and placed in trust, for the perpetual care of an individual's grave. Only the interest earned on the trust can be used for the costs of maintaining the cemeteries.

Mayor's Court Fund - This Agency Fund accounts for, and reports, the financial activity of the Mayor's Court of the village.

**Village of Racine, Meigs County**  
**Notes to the Financial Statements**  
**For the years ended December 31, 2002 and 2001**

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1. Summary of Significant Accounting Policies (Continued)

E. 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 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. The Village did not appropriate some special revenue monies prior to disbursement.

**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.

**Encumbrances**

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

A summary of 2002 and 2001 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

2. Equity in Pooled Cash and Investments

The Village maintains a cash 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:

	2002	2001
Demand deposits	\$452,300	\$371,129
Certificates of deposit	8,000	8,000
Total deposits	\$460,300	\$379,129

Cash on Hand at December 31, 2002 and 2001 was \$60.

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

**Village of Racine, Meigs County**  
**Notes to the Financial Statements**  
**For the years ended December 31, 2002 and 2001**

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2001, and December 31, 2002, was as follows:

<u>2002 Budgeted VS. Actual Receipts</u>			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$82,671	\$98,311	\$15,640
Special Revenue	76,802	124,205	47,403
Debt Service	16,747	16,747	0
Enterprise	191,626	243,207	51,581
Nonexpendable Trust	12	1,422	1,410
Total	\$367,858	\$483,892	\$116,034

<u>2002 Budgeted VS. Actual Budgetary Basis Expenditures</u>			
Fund Type	Appropriation_Authority	Budgetary Expenditures	Variance
General	\$119,877	\$88,598	\$31,279
Special Revenue	151,712	83,401	68,311
Debt Service	16,747	16,747	0
Enterprise	274,919	214,000	60,919
Nonexpendable Trust	24,144	0	24,144
Total	\$587,399	\$402,746	\$184,653

**Village of Racine, Meigs County**  
**Notes to the Financial Statements**  
**For the years ended December 31, 2002 and 2001**

3. Budgetary Activity (Continued)

2001 Budgeted VS. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$64,910	\$77,372	\$12,462
Special Revenue	76,802	97,639	20,567
Debt Service	16,747	16,747	0
Enterprise	84,550	127,807	43,257
Nonexpendable Trust	12	1,610	1,598
Total	<u>\$243,021</u>	<u>\$321,175</u>	<u>\$89,086</u>

2001 Budgeted VS. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$108,120	\$77,306	\$30,814
Special Revenue	101,133	88,022	13,111
Debt Service	16,747	16,747	0
Enterprise	170,355	114,194	56,161
Nonexpendable Trust	23,071	0	23,071
Total	<u>\$419,426</u>	<u>\$296,269</u>	<u>\$123,157</u>

4. Property Tax

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the 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 payments, the first half is due December 31. The second half payment is due the following June 20.

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

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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 years ended December 31, 2002 and 2001**

5. Debt

Debt outstanding at December 31, 2002 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority	\$65,238	2.00%
General Obligation (Garbage Truck) Note	\$45,000	5.25%
General Obligation (Municipal Building Repair) Note	\$1,264	5.26%
General Obligation (Dump Truck) Note	\$18,500	5.26%

The Ohio Water Development Authority (OWDA) loan relates to a water line and well improvement project. The OWDA approved \$94,000 to the Village for this project. The loan is being repaid in semiannual installments of \$2,874 including interest, over 20 years. The first payment began on July 1, 1996, and a final payment of the unpaid principal balance plus accrued interest due will be payable on January 1, 2016. The loan is collateralized by water receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The first general obligation loan listed above relates to the purchase of a garbage truck. The original amount of the loan issued was \$45,000, initial payment was made in 2003 for \$21,041, including \$1,021 of interest. The remaining loan balance was refinanced at a lower interest rate of 3.6%, payable in five annual installments of \$5,549. The first payment on the refinanced loan begins on March 11, 2004, and a final payment of the unpaid principal balance plus accrued interest due will be payable on March 11, 2008.

The third general obligation note listed above relates to the purchase of a dump truck to be used by the street department and is to be repaid in four annual installments of \$5,112 beginning February 15, 2003, with the last payment to be made on February 15, 2006 for the unpaid principal and accrued interest.

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

<u>Year Ending December 31:</u>	<u>OWDA Loan</u>	<u>General Obligation Note (Garbage Truck)</u>	<u>General Obligation Note (Dump Truck )</u>	<u>General Obligation Note (Repair)</u>
2003	\$5,748	\$21,041	\$5,112	\$1,325
2004	5,748	5,549	5,112	0
2005	5,748	5,549	5,112	0
2006	5,748	5,549	5,112	0
2007	5,748	5,549	0	0
Subsequent	51,739	5,549	0	0
Total	\$80,479	\$48,786	\$20,448	\$1,325

**Village of Racine, Meigs County**  
**Notes to the Financial Statements**  
**For the years ended December 31, 2002 and 2001**

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6. Retirement Systems

The employees of the Village, as well as some of the elected officials, belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer defined benefit pension plan. This plan provides retirement and disability benefits, including post-retirement 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 2002 and 2001, members of PERS contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participant's gross salaries. The Village has paid all contributions required through December 31, 2002.

7. Risk Management

The Village has obtained commercial insurance coverage for the following risks:

- Comprehensive property, general liability and inland marine
- Vehicles, including fire vehicles, liability, comprehensive and collision
- Public officials' and law enforcement liability
- Wrongful acts and dishonesty bond

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**Report of Independent Accountant's on Compliance and on  
Internal Control Required by Government Auditing Standards**

Village Council  
Village of Racine  
PO Box 375  
Racine, Ohio 45771

I have audited the accompanying financial statements of the Village of Racine, Meigs County, Ohio (the Village), as of and for the years ended December 31, 2002, and December 31, 2001 and have issued my report dated June 27, 2003. I conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance that is required to be reported under *Governmental Auditing Standards* which are described in the accompanying Schedule of Legal Non Compliance and Reportable Conditions Finding Number 1. I also noted certain immaterial instances of noncompliance that I have reported to management of the Village in a separate letter dated June 27, 2003.

**Internal Control Over Financial Reporting**

In planning and performing my audit, I considered the Village's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Legal Non Compliance and Reportable Conditions Findings Numbers 2, 3, and 4.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, I believe none of the reportable conditions described above is a material weakness. I also noted other matters involving the internal control over financial reporting that we have reported to management of the Village in a separate letter dated June 27, 2003.

This report is intended solely for the information and use of the audit committee, management, and council, and is not intended to be and should not be used by anyone other than these specified parties.

**David R. Dilley**

David R. Dilley  
Certified Public Accountant

June 27, 2003

**VILLAGE OF RACINE  
SCHEDULE OF LEGAL NON COMPLIANCE AND REPORTABLE CONDITIONS  
DECEMBER 31, 2002 AND 2001**

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

**FINDING NUMBER-1:**

Ohio Rev. Code Section 5705.36 requires that the Village's clerk-treasurer certify to the county auditor the total amount from all sources which is available for expenditures from each fund in the tax budget along with any unencumbered balances that existed at the end of the preceding year. The principal of a non expendable trust fund must be excluded from the amount of unencumbered balances that are certified.

The Village did not exclude the principal balances in the non expendable trust fund from the amounts that were certified in 2002 and 2001. Furthermore the Village included in it's appropriated amounts these funds for expenditure in 2002 and 2001, although none of that fund's principal was expended.

**FINDING NUMBER-2**

The Village did not reconcile the expendable trust fund cash balances to the bank statements in 2002 and 2001. This resulted in errors going undetected until audited. These amounts were considered to be immaterial and have been adjusted on the Village's financial statements.

**FINDING NUMBER-3**

The small size of the Village's staff does not allow for an adequate segregation of duties. The clerk must perform all accounting functions. It is, therefore, important that the Village Council monitor financial activity closely. During this audit period the Village Council has begun to review reports provided to them by the clerk in its regular meetings. These include the following: Bank reconciliation, expenditure summary, fund summary, revenue summary, and warrant register summary. Council documents this review by completing a "Governing Board Signature Page" which it signs.

I recommend that the Council continue to review these reports prepared by the clerk and indicate their approval by their signature. The Council should carefully review this information and make appropriate inquiries to help determine the continued integrity of financial information. This information also provides important data necessary to manage the Village.

This information can help answer questions such as the following:

Inquiries Relevant to Overall Village Operations:

- are current receipts sufficient to cover expenditures;
- are expenditures in line with prior year costs;
- if unusual fluctuations in receipts or expenditures occur, is the reason understood, and has it been appropriately budgeted;
- are anticipated receipts being timely received; and
- is the Village maximizing its return on invested cash balances?

Council should continue to approve the above reports with their signatures and utilize the information provided to monitor budget vs. actual receipts and disbursements.

**VILLAGE OF RACINE  
SCHEDULE OF LEGAL NON COMPLIANCE AND REPORTABLE CONDITIONS  
DECEMBER 31, 2002 AND 2001**

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

**FINDING NUMBER-4**

The Village's receipt ledger did not provide an accurate description of each listed receipt. When monies are received from more than one source in a single day, they are deposited at one time. When the clerk-treasurer posts the receipts they are also all posted at one time and given a single description, which does not accurately describe what each receipt represents. As a result, receipts were posted in the wrong account and were not identified by the Village prior to audit. Each individual receipt item should be given an accurate description as to what the monies received represent.





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**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 9, 2003**