

***VILLAGE OF RACINE
MEIGS COUNTY, OHIO***

AUDIT REPORT

FOR THE YEARS ENDED DECEMBER 31, 2004 & 2003

Charles E. Harris and Associates, Inc.
Certified Public Accountants and Government Consultants



**Auditor of State
Betty Montgomery**

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

We have reviewed the *Report of Independent Accountants* of the Village of Racine, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2003 through December 31, 2004. 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.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditor's Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditor's Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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 "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

March 14, 2006

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**VILLAGE OF RACINE
MEIGS COUNTY
For the Years Ending December 31, 2004 and 2003**

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

REPORT OF INDEPENDENT ACCOUNTANTS

To the Village Council
Village of Racine
Racine, Ohio

We have audited the accompanying financial statements of Village of Racine, Meigs County, Ohio as and for the years ended December 31, 2004 and 2003. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since the Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2004, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2004, or its changes in financial position for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Racine, Meigs County, as of December 31, 2004 and 2003, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the year ended December 31, 2004. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2005, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Charles E. Harris & Associates, Inc.
December 21, 2005

VILLAGE OF RACINE
MEIGS COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>Governmental Fund Types</u>			<u>(Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Total</u>
Receipts:				
Property Taxes and Other Local Taxes	\$ 44,316	\$ 7,778	-	\$ 52,094
Charges for Services	8,536	53,158	-	61,694
Intergovernmental	46,753	35,719	-	82,472
Fines, Licenses and Permits	3,092	-	-	3,092
Earnings on investments	1,385	158	-	1,543
Other	10,054	16,871	-	26,925
Total Receipts	<u>114,136</u>	<u>113,684</u>	<u>-</u>	<u>227,820</u>
Disbursements:				
General Government	28,754	-	-	28,754
Security of Persons & Property	27,050	23,656	-	50,706
Public Health Services	500	6,297	-	6,797
Transportation	13,549	26,560	-	40,109
Leisure Time Activities	7,998	-	-	7,998
Basic Utilities	9,948	-	-	9,948
Community Environment	6,932	-	-	6,932
Capital Outlay	46,102	28,902	-	75,004
Debt Service:				
Principal	-	8,925	16,224	25,149
Interest	-	1,533	5,171	6,704
Total Disbursements	<u>140,833</u>	<u>95,873</u>	<u>21,395</u>	<u>258,101</u>
Receipts over(under) disbursements	(26,697)	17,811	(21,395)	(30,281)
Other Financing Sources (Uses)				
Sale of Notes	46,051	-	-	46,051
Sale of Fixed Assets	13,500	-	-	13,500
Transfers in	-	-	21,395	21,395
Transfers out	-	(21,395)	-	(21,395)
Total Other Financing Sources (Uses)	<u>59,551</u>	<u>(21,395)</u>	<u>21,395</u>	<u>80,946</u>
Total Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	32,854	(3,584)	-	29,270
Fund Balance 1/1/2004	<u>79,246</u>	<u>146,181</u>	<u>13</u>	<u>225,440</u>
Fund Balance 12/31/2004	<u>\$ 112,100</u>	<u>\$ 142,597</u>	<u>\$ 13</u>	<u>\$ 254,710</u>

See accompanying Notes to the Financial Statements.

VILLAGE OF RACINE
MEIGS COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND BALANCES -
PROPRIETARY FUND TYPE AND SIMILAR FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004

	Proprietary	Fiduciary Fund Types		Totals (Memorandum Only)
	Fund Types	Nonexpendable	Agency	
	Enterprise	Trust	Agency	
Operating Cash Receipts:				
Charges for Services	\$ 155,524	-	-	\$ 155,524
Fines, Licenses and Permits	-	-	\$ 3,567	3,567
Interest	-	\$ 161	-	161
Total Operating Cash Receipts	155,524	161	3,567	159,252
Operating Cash Disbursements:				
Personal Services	46,790	-	-	46,790
Employee Fringe Benefits	12,815	-	-	12,815
Contractual Services	40,611	-	-	40,611
Supplies and Materials	39,621	-	-	39,621
Other	-	-	3,567	3,567
Total Operating Cash Disbursements	139,837	-	3,567	143,404
Operating Income (Loss)	15,687	161	-	15,848
Non-Operating Cash Receipts/(Disbursements)				
Interest	760	-	-	760
Debt Service:				
Principal	(18,873)	-	-	(18,873)
Interest and other fiscal charges	(2,525)	-	-	(2,525)
Total Non-Operating Cash Receipts/(Disbursements)	(20,638)	-	-	(20,638)
Net Receipts (Under) Disbursements	(4,951)	161	-	(4,790)
Fund Cash Balances, January 1	130,140	26,351	-	156,491
Fund Cash Balances, December 31	\$ 125,189	\$ 26,512	\$ -	\$ 151,701

See accompanying Notes to the Financial Statements.

VILLAGE OF RACINE
MEIGS COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003

	<u>Governmental Fund Types</u>			<u>(Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Total</u>
Receipts:				
Property Taxes and Other Local Taxes	\$ 39,024	\$ 8,465	-	\$ 47,489
Charges for Services	-	50,765	-	50,765
Intergovernmental	44,121	46,696	-	90,817
Fines, Licenses and Permits	4,669	-	-	4,669
Earnings on investments	1,921	157	-	2,078
Other	10,009	1,117	-	11,126
Total Receipts	<u>99,744</u>	<u>107,200</u>	<u>-</u>	<u>206,944</u>
Disbursements:				
General Government	29,506	-	-	29,506
Security of Persons & Property	28,075	15,553	-	43,628
Public Health Services	1,000	3,359	-	4,359
Transportation	7,212	34,812	-	42,024
Leisure Time Activities	5,423	-	-	5,423
Basic Utilities	8,149	-	-	8,149
Community Environment	6,845	-	-	6,845
Capital Outlay	-	297,862	-	297,862
Debt Service:				
Principal	1,264	4,625	-	5,889
Interest	65	350	-	415
Total Disbursements	<u>87,539</u>	<u>356,561</u>	<u>-</u>	<u>444,100</u>
Receipts over(under) disbursements	12,205	(249,361)	-	(237,156)
Other Financing Sources (Uses)				
Sale of Notes	-	193,000	-	193,000
Total Other Financing Sources (Uses)	<u>-</u>	<u>193,000</u>	<u>-</u>	<u>193,000</u>
Total Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	12,205	(56,361)	-	(44,156)
Fund Balance 1/1/2003	<u>67,041</u>	<u>202,542</u>	<u>13</u>	<u>269,596</u>
Fund Balance 12/31/2003	<u>\$ 79,246</u>	<u>\$ 146,181</u>	<u>\$ 13</u>	<u>\$ 225,440</u>

See accompanying Notes to the Financial Statements.

VILLAGE OF RACINE
MEIGS COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND BALANCES -
PROPRIETARY FUND TYPE AND SIMILAR FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2003

	Proprietary Fund Types	Fiduciary Fund Types		Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	Agency	
Operating Cash Receipts:				
Charges for Services	\$ 143,494	-	-	\$ 143,494
Fines, Licenses and Permits	-	-	\$ 5,680	5,680
Interest	-	\$ 230	-	230
Total Operating Cash Receipts	143,494	230	5,680	149,404
Operating Cash Disbursements:				
Personal Services	42,903	-	-	42,903
Employee Fringe Benefits	12,794	-	-	12,794
Contractual Services	47,501	-	-	47,501
Supplies and Materials	34,159	-	-	34,159
Capital Outlay	15,000	-	-	15,000
Other	56	-	5,680	5,736
Total Operating Cash Disbursements	152,413	-	5,680	158,093
Operating Income (Loss)	(8,919)	230	-	(8,689)
Non-Operating Cash Receipts/(Disbursements)				
Interest	1,194	-	-	1,194
Intergovernmental	11	-	-	11
Debt Service:				
Principal	(24,420)	-	-	(24,420)
Interest and other fiscal charges	(2,369)	-	-	(2,369)
Total Non-Operating Cash Receipts/(Disbursements)	(25,584)	-	-	(25,584)
Net Receipts (Under) Disbursements	(34,503)	230	-	(34,273)
Fund Cash Balances, January 1	164,643	26,121	-	190,764
Fund Cash Balances, December 31	\$ 130,140	\$ 26,351	\$ -	\$ 156,491

See accompanying Notes to the Financial Statements.

**VILLAGE OF RACINE
MEIGS COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2004 and 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

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

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

B. BASIS OF ACCOUNTING

The Village prepares its financial statements following the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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.)

The 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 maintains its accounting records in accordance with the principles of "Fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, and accounting entity which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

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

**VILLAGE OF RACINE
MEIGS COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2004 and 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

D. FUND ACCOUNTING - (Continued)

Special Revenue Funds: These funds are used to account for proceeds from special sources (other than from trusts or for capital projects) that are restricted to expenditures for specific purposes. Special revenue funds follow:

- Street Construction Maintenance and Repair
- State Highway
- Cemetery
- Law Enforcement Trusts
- Other Special Revenue - FEMA
- Other Special Revenue - Fire

Debt Service Fund: This fund is used to account for proceeds restricted to debt service principal and interest.

Enterprise Funds: These funds 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 charges. The Village had the following Enterprise Funds:

- Water
- Refuse

Fiduciary Fund Type:

The Village had two types of fiduciary funds, an agency fund and a nonexpendable trust fund. The agency fund is used to account for funds held by the Village in a trustee capacity or agent for individuals or private organizations. The nonexpendable trust funds are used to account for resources restricted by legally binding trust agreements. The Village has the following fiduciary funds:

- Agency – Mayor’s Court
- Nonexpendable Trust – Cemetery Endowment

**VILLAGE OF RACINE
MEIGS COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2004 and 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

E. BUDGETARY PROCESS

A budget of estimated cash receipts and disbursements is prepared by the Clerk, approved by the Board of Trustees, and submitted to the county auditor, as secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

1. Estimated Resources

The county auditor calculates the estimated revenues available to the Village. He prepares a certificate of estimated resources based upon this calculation and upon the other financial information supplied in the budget sent by the Village. The certificate is approved by the county budget commission and sent to the Village Clerk by September 1.

Prior to December 31, the Village must revise its budget so that the total budgeted expenditures for a fund will not exceed the amount of stated in the certificate of estimated resources. The revised budget serves as the basis for the annual appropriation measure.

On or about January 1, the Clerk sends the county auditor a certificate to which includes the actual unencumbered balances from the preceding year. The county auditor prepares an amended certificate, submits it to the county budget commission for approval. This amended certificate may be further amended during the year if projected increases or the Clerk identifies decreases in revenue. The amounts reported in the budgetary footnote reflect the amounts in the final amended certificates issued during 2003 and 2004.

Budget receipts, as shown in footnote number 4, do not include the unencumbered fund balances as of January 1, 2003 and 2004. However, those fund balances are available for appropriation.

2. Appropriations

A temporary appropriation measure to control cash expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation measure must be passed by March 31 of each year for the period January 1 to December 31. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.

**VILLAGE OF RACINE
MEIGS COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2004 and 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

E. BUDGETARY PROCESS – (Continued)

3. Encumbrances

The Village is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The sum of expenditures and encumbrances may not exceed appropriated totals at any level of budgetary control. The legal level of control is the fund level.

Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year without being re-appropriated.

A summary of budgetary activity appears in Note 4.

F. PROPERTY, PLANT AND EQUIPMENT

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

G. ACCUMULATED LEAVE

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

2. EQUITY IN POOLED CASH AND CASH EQUIVALENTS

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

	<u>2004</u>	<u>2003</u>
Demand deposits	\$ 398,411	\$ 373,931
Certificate of deposit	<u>8,000</u>	<u>8,000</u>
Total deposits and investments	<u>\$ 406,411</u>	<u>\$ 381,931</u>

**VILLAGE OF RACINE
MEIGS COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2004 and 2003**

2. EQUITY IN POOLED CASH AND CASH EQUIVALENTS

Deposits: Deposits are either (1) insured by the Federal Deposit Insurance Corporation, or (2) collateralized by securities specifically pledged by the financial institution to the Village.

3. PROPERTY TAX

Real property taxes are levied on assessed values, which equal 35% of appraised value. The county auditor reappraises all real property every six years with a triennial update. The last update was completed for tax year 2001.

Real property taxes become a lien on all non-exempt real property located in the county on January 1. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20 of the following year. Under certain circumstances, state statute permits later payment dates to be established.

The State Board of Tax Equalization adjusts the tax rates for inflation. Real property owners' tax bills are further reduced by homestead and rollback deductions when applicable. The amount of these homestead and rollback reductions is reimbursed to the Village by the State of Ohio. The amounts reimbursed by the State of Ohio are reflected in the accompanying financial statements as Intergovernmental Receipts.

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

The property owners, who must file a list of such property to the County by each April 30, assess tangible personal property tax.

The Meigs County Treasurer collects property tax on behalf of all taxing Villages within the county. The Meigs County Auditor periodically remits to the taxing Village their portions of the taxes collected.

4. BUDGETARY

Budgetary activity for the year ended December 31, 2004 follows:

<u>Fund</u>	<u>2004 Budgeted vs Actual Receipts</u>		
	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>
	<u>Receipts</u>	<u>Receipts</u>	
General Fund	\$ 83,067	\$ 173,687	\$ 90,620
Special Revenue Funds	82,905	113,684	30,779
Debt Service Fund	22,290	21,395	(895)
Enterprise Funds	146,030	156,284	10,254
Nonexpendable Trust	446	161	(285)

**VILLAGE OF RACINE
MEIGS COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2004 and 2003**

4. BUDGETARY – (Continued)

2004 Budgeted vs Actual Budgetary Basis Expenditures

<u>Fund</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General Fund	\$ 157,096	\$ 140,833	\$ 16,263
Special Revenue Funds	147,321	117,268	30,053
Debt Service Fund	22,290	21,395	895
Enterprise Funds	181,976	161,235	20,741
Nonexpendable Trust	17,034	-0-	17,034

Budgetary activity for the year ended December 31, 2003 follows:

2003 Budgeted vs Actual Receipts

<u>Fund</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General Fund	\$ 78,606	\$ 99,744	\$ 21,138
Special Revenue Funds	227,415	300,200	72,785
Enterprise Funds	137,028	144,699	7,671
Nonexpendable Trust	967	230	(737)

2003 Budgeted vs Actual Budgetary Basis Expenditures

<u>Fund</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General Fund	\$ 110,669	\$ 87,539	\$ 23,130
Special Revenue Funds	421,302	356,561	64,741
Debt Service Fund	13	-0-	13
Enterprise Funds	217,796	179,202	38,594
Nonexpendable Trust	17,099	-0-	17,099

5. RETIREMENT SYSTEMS

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

The Ohio Revised Code provides statutory authority for employee and employer contributions. OPERS participants contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of their wages. The Village has paid all contributions required through December 31, 2004.

**VILLAGE OF RACINE
MEIGS COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2004 and 2003**

6. DEBT

The beginning debt balance was understated in the prior year by \$50,000. This note reflects the proper beginning balance. Debt outstanding as of December 31, 2004 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority	\$ 56,262	2.00%
Ohio Water Development Authority	45,000	0.00%
General Obligation Notes:		
Dump Truck	9,250	4.00%
Backhoe	34,400	3.60%
Refuse Truck	19,984	3.60%
Fire Truck	133,776	4.00%
Walking Track	25,000	4.20%
Pickup Truck	21,050	5.10%
Total	<u>\$ 344,722</u>	

The Ohio Water Development Authority (OWDA) loans relate to water system improvements. The loans are collateralized by water receipts.

The General Obligation Notes were issued to finance the purchase of various equipment, renovation to the Village walking track and to purchase vehicles for the street, fire, water and refuse services. The notes are collateralized solely by the Village's taxing authority.

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

	<u>OWDA Loans</u>	<u>General Obligation Notes</u>
Year ending December 31:		
2005	\$ 5,748	\$ 79,362
2006	10,748	53,838
2007	10,748	37,389
2008	10,748	37,389
2009	10,748	22,290
2010-2014	53,740	44,580
2015-2019	8,622	-0-
Total	<u>\$ 111,102</u>	<u>\$ 274,848</u>

**VILLAGE OF RACINE
MEIGS COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2004 and 2003**

7. RISK MANAGEMENT

RISK POOL MEMBERSHIP

The Village belongs to the Ohio Government Risk Management Plan (“the Plan”), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 500 Ohio governments.

Pursuant to Section 27.44.081 of the Ohio Revised Code, the Plan is a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages, modified for each Member’s needs. The Plan pays judgments, settlements, and other expenses resulting from covered claims that exceed the Member’s deductible.

The Plan issues its own policies and reinsures the Plan with A-Vii or better rated carriers, except for the 5% portion retained by the Plan. After September 1, 2003, the Plan pays the lesser of 5% or \$25,000 of casualty losses and the lesser of 5% or \$50,000 of property losses. The individual members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

The Pool’s audited financial statements conform to generally accepted accounting principles, and reported the following assets, liabilities and Member’s Equity at December 31:

	<u>2004</u>	<u>2003</u>
Assets	\$ 6,685,522	\$ 5,402,167
Liabilities	<u>2,227,808</u>	<u>1,871,123</u>
Retained Earnings	<u>\$ 4,457,714</u>	<u>\$ 3,531,044</u>

You can read the complete audited financial statements for the Ohio Government Risk Management at the Plan’s website, www.ohioplan.org.

8. SUBSEQUENT EVENTS/PENDING LITIGATION

Management believes there are no pending claims or lawsuits.

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

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**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Village of Racine
Meigs County
221 South Main Street
Racine, Ohio 43793

We 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, 2004 and 2003, and have issued our report thereon dated December 21, 2005, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud 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. We noted no matter involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated December 21, 2005.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters noncompliance with which could have a direct and material affect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and,

accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated December 21, 2005.

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

Charles E. Harris and Associates, Inc.
December 21, 2005

VILLAGE OF RACINE
MEIGS COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2004 AND 2003

FINDING NUMBER	FUNDING SUMMARY	FULLY CORRECTED?	Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
Finding Number 1	Contrary to Ohio Rev. Code Section 5705.36 the Village included the unencumbered balance of a nonexpendable trust fund in available resources and appropriated said amount.	NO	This finding is repeated as a Management Letter comment.
Finding Number 2	The Village did not reconcile the balances of the nonexpendable trust fund to the bank statements.	YES	The Village properly reconciled all bank statements and agreed to the pool of cash and cash equivalents.
Finding Number 3	The Village Council did not sign off on monthly financial reports.	YES	Village Council signs off on monthly financial reports and approval of monthly reports are also included in Council minutes.
Finding Number 4	The Village receipt ledger did not provide an adequate description of each item.	YES	We were able to identify all receipts tested.



**Auditor of State
Betty Montgomery**

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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
MARCH 28, 2006**