

**VILLAGE OF RACINE
MEIGS COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2008 - 2007



Mary Taylor, CPA

Auditor of State

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

We have reviewed the *Independent Accountants' Report* of the Village of Racine, Meigs County, prepared by Knox & Knox, for the audit period January 1, 2007 through December 31, 2008. 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 Accountants' 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 Accountants' 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 "Mary Taylor".

Mary Taylor, CPA
Auditor of State

September 18, 2009

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VILLAGE OF RACINE
MEIGS COUNTY

TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
Independent Accountants' Report.....	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Balances - All Governmental Fund Types For the Year Ended December 31, 2008.	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Proprietary and Similar Fiduciary Fund Types - For the Year Ended December 31, 2008.	4
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Balances - All Governmental Fund Types For the Year Ended December 31, 2007.	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Proprietary and Similar Fiduciary Fund Types - For the Year Ended December 31, 2007.	6
Notes to the Financial Statements.	7
Independent Accountants' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	14
Schedule of Audit Findings.....	16

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KNOX & KNOX

Accountants and Consultants

Independent Accountants' Report

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Racine, Meigs County, Ohio, as of and for the years ended December 31, 2008 and 2007. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit 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, if any, 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 its 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 variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, 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 years ended December 31, 2008 and 2007. In addition to the accompanying financial statements present for 2008 and 2007, the revisions require presenting entity wide statements. While the Village does not follow GAAP, generally accepted auditing standards require 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 follow GAAP statement formatting requirements. 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 years ended December 31, 2008 and 2007 does 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, 2008 and 2007, or its changes in financial position and cash flows for the years 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, 2008 and 2007, and its combined cash receipts and disbursements for the year then ended on the basis of accounting described in Note 1.

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 a part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 12, 2009, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with laws, regulations, contracts and grant agreements and other matters. While we do 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 the 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.

KNOX & KNOX

Orrville, Ohio
August 12, 2009

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, 2008

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Permanent	
CASH RECEIPTS:					
Property and Other Local Taxes	\$54,055	\$7,493			\$61,548
Charges for Services		52,577			52,577
Intergovernmental	64,311	35,550			99,861
Licenses, Permits, and Fines	3,164				3,164
Earnings on Investments	1,059	4,074			5,133
Total Cash Receipts	122,589	99,694			222,283
CASH DISBURSEMENTS:					
Current:					
General Government	32,399				32,399
Security of Persons & Property	26,236	61,745			87,981
Public Health Services	250	6,472			6,722
Transportation	36,655	30,986			67,641
Leisure Time Activities	6,065	19,554			25,619
Basic Utilities	9,593				9,593
Community Environment	500				500
Debt Service:					
Principal	9,000	5,000	\$16,970		30,970
Interest	1,000	1,000	5,320		7,320
Total Cash Disbursements	121,698	124,757	22,290		268,745
Total Cash Receipts Over/(Under) Cash Disbursements	891	(25,063)	(22,290)		(46,462)
OTHER FINANCING RECEIPTS AND (DISBURSEMENTS):					
Transfers-In			22,290		22,290
Transfers-Out		(22,290)			(22,290)
Total Other Financing Receipts and Disbursements		(22,290)	22,290		
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	891	(47,353)			(46,462)
Fund Cash Balances, January 1	36,687	183,688		\$27,888	248,263
FUND CASH BALANCES, DECEMBER 31	\$37,578	\$136,335		\$27,888	\$201,801

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

VILLAGE OF RACINE
MEIGS COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
FUND CASH BALANCES – ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008

	Proprietary Fund Type	Fiduciary Fund Type	Total (Memorandum Only)
	Enterprise	Agency	
OPERATING CASH RECEIPTS:			
Charges for Services	\$257,150		\$257,150
Fines, Licenses, and Permits		\$3,422	3,422
Total Cash Receipts	257,150	3,422	260,572
OPERATING CASH DISBURSEMENTS:			
Personal Services	88,844		88,844
Employee Fringe Benefits	14,453		14,453
Contractual Services	78,179		78,179
Supplies and Materials	32,882		36,725
Other	421	3,422	3,843
Total Cash Disbursements	214,779	3,422	218,201
Operating Income/(Loss)	42,371		42,371
NON-OPERATING CASH RECEIPTS/(DISBURSEMENTS			
Interest	3,015		3,015
Debt Service			
Principal	(42,925)		(42,925)
Interest and Other Fiscal Charges	(2,000)		(2,000)
Total Other Non-Operating Cash Receipts/(Disbursements)	(41,910)		(41,910)
Net Receipts Over/(Under) Disbursements	461		461
Fund Cash Balances, January 1	65,027		65,027
FUND CASH BALANCES, DECEMBER 31	<u>\$65,488</u>		<u>\$65,488</u>

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

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, 2007

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Permanent	
CASH RECEIPTS:					
Property and Other Local Taxes	\$48,839	\$6,612			\$55,451
Charges for Services		124,867			124,867
Intergovernmental	29,529	211,889			241,418
Licenses, Permits, and Fines	4,050				4,050
Earnings on Investments	533	2,051			2,584
Miscellaneous	6,439	1,118			7,557
Total Cash Receipts	89,390	346,537			435,927
CASH DISBURSEMENTS:					
Current:					
General Government	39,261				39,261
Security of Persons & Property	28,059	33,068			61,127
Public Health Services	400	6,087			6,487
Transportation	20,875	34,610			55,485
Leisure Time Activities	8,366	45,446			53,812
Basic Utilities	13,363				13,363
Community Environment	95				95
Capital Outlay		853,402			853,402
Debt Service:					
Principal	10,000	4,426	\$16,970		31,396
Interest	1,000	335	5,320		6,655
Total Cash Disbursements	121,419	977,374	22,290		1,121,083
Total Cash Receipts Over/(Under) Cash Disbursements	(32,029)	(630,837)	(22,290)		(685,156)
OTHER FINANCING RECEIPTS AND (DISBURSEMENTS):					
Sale of Notes		669,035			669,035
Transfers-In			22,290		22,290
Transfers-Out		(22,290)			(22,290)
Total Other Financing Receipts and Disbursements		646,745	22,290		669,035
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(32,029)	15,908			(16,121)
Fund Cash Balances, January 1	68,716	167,780		\$27,888	264,384
FUND CASH BALANCES, DECEMBER 31	<u>\$36,687</u>	<u>\$183,688</u>		<u>\$27,888</u>	<u>\$248,263</u>

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

VILLAGE OF RACINE
MEIGS COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
FUND CASH BALANCES – ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007

	Proprietary Fund Type	Fiduciary Fund Type	Total (Memorandum Only)
	Enterprise	Agency	
OPERATING CASH RECEIPTS:			
Charges for Services	\$187,733		\$187,733
Fines, Licenses, and Permits		\$4,335	4,335
Total Cash Receipts	<u>187,733</u>	<u>4,335</u>	<u>192,068</u>
OPERATING CASH DISBURSEMENTS:			
Personal Services	101,236		101,236
Employee Fringe Benefits	15,777		15,777
Contractual Services	37,808		37,808
Supplies and Materials	39,021		39,021
Other	6,138	4,335	10,473
Total Cash Disbursements	<u>199,980</u>	<u>4,335</u>	<u>204,315</u>
Operating Income/(Loss)	<u>(12,247)</u>		<u>(12,247)</u>
NON-OPERATING CASH RECEIPTS/(DISBURSEMENTS)			
Intergovernmental	9,733		9,733
Interest	1,518		1,518
Debt Service			
Principal	(24,000)		(24,000)
Interest and Other Fiscal Charges	(2,000)		(2,000)
Total Other Non-Operating Cash Receipts/(Disbursements)	<u>(14,749)</u>		<u>(14,749)</u>
Net Receipts Over/(Under) Disbursements	(26,996)		(26,996)
Fund Cash Balances, January 1	<u>92,023</u>		<u>92,023</u>
FUND CASH BALANCES, DECEMBER 31	<u><u>\$65,027</u></u>		<u><u>\$65,027</u></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 YEARS ENDED DECEMBER 31, 2008 AND 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

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 water, refuse collection, cemetery maintenance, street maintenance and police and fire services.

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 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 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 government 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:

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. 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:

VILLAGE OF RACINE
MEIGS COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. FUND ACCOUNTING (continued)

2. Special Revenue Funds (continued)

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

3. Debt Service Fund:

This fund is used to account for proceeds restricted to debt service principal and interest.

4. Capital Projects Fund

This fund is used to account for resources to finance a water improvement project.

5. Permanent Fund

This fund is used to account for trusts where only the earnings can be spent by the government.

6. 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 has the following Enterprise Funds:

Water
Refuse

6 Fiduciary Fund Type

The Village has an agency fund. The agency fund is used to account for funds held by the Village in a trustee capacity or agent for individuals or private organization..

Agency - Mayor's Court

VILLAGE OF RACINE
MEIGS COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

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.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the department, division, and office level of control, and within each, the amount appropriated for personal services. The Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2008 AND 2007 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, 2008 and 2007 was as follows:

VILLAGE OF RACINE
MEIGS COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

2. EQUITY IN POOLED CASH AND CASH EQUIVALENTS (continued)

	<u>2008</u>	<u>2007</u>
Demand deposits	<u>\$267,289</u>	<u>\$313,290</u>
Total deposits	<u>\$267,289</u>	<u>\$313,290</u>

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

3. 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 is due the following June 20.

Public utilities are also taxed on 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.

4. BUDGETARY ACTIVITY

Budgetary activity for the year ended December 31, 2008 and 2007

Fund Type	2008 Budgeted vs. Actual Receipts		
	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$86,000	\$122,589	\$36,589
Special Revenue	98,262	99,694	1,432
Debt Service	22,290	22,290	
Capital Projects	1,200		(1,200)
Enterprise	<u>194,644</u>	<u>260,165</u>	<u>65,521</u>
Total	<u>\$402,396</u>	<u>\$504,738</u>	<u>\$102,342</u>

VILLAGE OF RACINE
MEIGS COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

4. BUDGETARY ACTIVITY (continued)

2008 Budgeted vs Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$138,689	\$121,698	\$16,991
Special Revenue	159,456	147,047	12,409
Debt Service	22,290	22,290	
Enterprise	273,599	259,704	13,895
Total	\$594,034	\$550,739	\$43,295

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$80,572	\$89,390	\$8,818
Special Revenue	1,652,462	1,015,572	(636,890)
Debt Service	22,290	22,290	
Capital Projects	1,200		(1,200)
Enterprise	163,899	198,984	35,085
Total	\$1,920,423	\$1,326,236	(\$594,187)

2007 Budgeted vs Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$149,260	\$121,419	\$27,841
Special Revenue	1,682,290	999,664	682,626
Debt Service	22,290	22,290	
Enterprise	240,428	225,980	14,448
Total	\$2,094,268	\$1,369,353	\$724,915

5. RETIREMENT SYSTEM

The Village's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The plan provides retirement 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 2008 and 2007, members contributed 10% and 9.5% of their gross salaries, respectively. The Village contributed an amount equal to 14% (2008) and 13.75% (2007) of participants' gross salaries. The Village has paid all contributions required through December 31, 2008.

VILLAGE OF RACINE
MEIGS COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

6. DEBT

Debt outstanding at December 31, 2008 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority	\$726,135	1.5%
Ohio Water Development Authority	37,205	1.5%
Racine Home National Bank - General Obligation Loans	88,066	4.2% - 5.5%
Total	<u>\$851,406</u>	

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

The General Obligation Notes were issued to finance the purchase of various equipment, renovation to the Village sidewalks and to purchase vehicles for the police, 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>Year ending December 31:</u>		
2009		\$72,413
2010		72,413
2011		66,363
2012		38,782
2012		38,782
2014-2018		176,666
2019-2023		165,169
2024-2028		165,169
2029-2033		165,169
2034-2038		103,904
Totals		<u>\$1,064,830</u>

VILLAGE OF RACINE
MEIGS COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

7. RISK MANAGEMENT

The Government belongs to the Ohio Government Risk Management Plan (the Plan) a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to over 550 governments (Members).

Pursuant to Section 2744.081 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 the plan retains the lesser of 15% or \$37,500 of casualty losses and the lesser of 10% or \$100,00 of property losses. Individual members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Pan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

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

	2007	2006
Assets	\$11,136,455	\$9,620,148
Liabilities	(4,273,553)	(3,329,620)
Members' Equity	<u>\$6,862,902</u>	<u>\$6,290,528</u>

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

KNOX & KNOX

Accountants and Consultants

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

Village of Racine
Meigs County
405 Main Street
Racine Ohio 45771

To the Village Council:

We have audited the accompanying financial statements of the Village of Racine, Meigs County, Ohio (the Village) as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated August 12, 2009, 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 the 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 as basis for designing our audit procedures in order to express our opinions on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above. We did note matters communicated to the Village in a separate letter dated August 12, 2009.

COMPLIANCE AND OTHER MATTERS

As part of reasonably assuring whether the Village 's basic 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, 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 one instance of noncompliance or other matters we must report under *Government Auditing Standards* and is shown in the accompanying schedule as Finding 2008-01..

We intend this report solely for the information and use of the audit committee, management, and Village Council. We intend it for no one other than these specified parties.

KNOX & KNOX

Orrville, Ohio
August 12, 2008

VILLAGE OF RACINE
MEIGS COUNTY

SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

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

FINDING NUMBER 2008-01

Noncompliance

Ohio Revised Code Section 5705.39 requires that total appropriations shall not exceed estimated resources.

The appropriations exceeded estimated resources in the following fund types:

	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Difference</u>
General Fund (2008)	\$122,687	\$138,689	(\$16,002)
Enterprise Fund (2008)	\$259,671	\$273,599	(\$13,928)

We recommend that the Village's management monitor appropriations and estimated resources to avoid overspending.

Client Response: None



Mary Taylor, CPA
Auditor of State

VILLAGE OF RACINE

MEIGS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
OCTOBER 1, 2009