

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

AUDIT REPORT

FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

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



Dave Yost • Auditor of State

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

We have reviewed the *Report of Independent Accountants* of the Village of Racine, Meigs County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2009 through December 31, 2010. 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 *Report of Independent Accountants* 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 *Report of Independent Accountants* 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 black ink that reads "Dave Yost".

Dave Yost
Auditor of State

September 28, 2011

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**VILLAGE OF RACINE
MEIGS COUNTY, OHIO
AUDIT REPORT
For Years Ending December 31, 2010 and 2009**

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

REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Racine, Meigs County (the Village), as of and for the years ended December 31, 2010 and 2009. 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.

Instead of the combined funds the accompanying financial statements present, GAAP requires presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. 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 GAAP presentation requirements. The Auditor of State permits, but does not require Villages 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 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, 2010 and 2009, 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, 2010 and 2009, or its changes in financial position or 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, 2010 and 2009, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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 July 26, 2011, on our consideration of the Village's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village's financial statements. The accompanying schedule of federal awards expenditures is presented for the purposes of additional analysis as required by *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information as been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects, in relation to the financial statements taken as a whole.



Charles E. Harris & Associates, Inc.
July 26, 2011

VILLAGE OF RACINE
MEIGS COUNTY, OHIO
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES -
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010

	Governmental Fund Types				Total Governmental Funds
	General	Special Revenue	Debt Service	Permanent	
Receipts					
Property and Other Local Taxes	\$ 56,082	\$ 7,800	\$ -	\$ -	\$ 63,882
Intergovernmental	23,288	26,355	-	-	49,643
Special Assessment	-	623,560	-	-	623,560
Charges for Services	-	74,218	-	-	74,218
Fines and Forfeitures	-	755	-	-	755
Interest	457	1,714	-	-	2,171
Other	10,254	45,665	-	-	55,919
Total Receipts	90,081	780,067	-	-	870,148
Disbursements					
Current:					
Security of Persons and Property	31,650	32,146	-	-	63,796
Public Health Services	-	17,493	-	-	17,493
Leisure Time Activities	4,622	34,133	-	-	38,755
Community Environment	288	-	-	-	288
Basic Utility Services	9,072	-	-	-	9,072
Transportation	6,050	97,034	-	-	103,084
General Government	66,983	-	-	-	66,983
Capital Outlay	-	623,560	-	-	623,560
Debt Service					
Principal Payments	5,600	2,791	16,970	-	25,361
Interest Payments	2,191	1,100	5,320	-	8,611
Total Disbursements	126,456	808,257	22,290	-	957,003
Receipts Over (Under) Disbursements	(36,375)	(28,190)	(22,290)	-	(86,855)
Other Financing Sources (Uses)					
Other Debt Proceeds	44,360	-	-	-	44,360
Transfers In	-	-	22,290	-	22,290
Transfers Out	-	(22,290)	-	-	(22,290)
Other Financing Sources	-	65,328	-	-	65,328
Total Other Financing Sources (Uses)	44,360	43,038	22,290	-	109,688
Net Change in Fund Balances	7,985	14,848	-	-	22,833
Fund Balances Beginning of Year	17,572	146,080	-	27,888	191,540
Fund Balances End of Year	\$ 25,557	\$ 160,928	\$ -	\$ 27,888	\$ 214,373

See accompanying notes to the financial statements

VILLAGE OF RACINE
 MEIGS COUNTY, OHIO
 STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES -
 ALL PROPRIETARY AND FIDUCIARY FUND TYPES
 FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Total</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Receipts			
Charges for Services	\$ 246,913	\$ -	\$ 246,913
Fines, Licenses and Permits	-	7,512	7,512
Total Operating Receipts	<u>246,913</u>	<u>7,512</u>	<u>254,425</u>
Operating Disbursements			
Personal Services	83,965	-	83,965
Fringe Benefits	22,737	-	22,737
Contractual Services	61,384	-	61,384
Supplies and Materials	47,020	-	47,020
Other	267	7,512	7,779
Total Operating Disbursements	<u>215,373</u>	<u>7,512</u>	<u>222,885</u>
Operating Income (Loss)	31,540	-	31,540
Non-Operating Receipts (Disbursements)			
Earnings on Investments	1,344	-	1,344
Other Debt Proceeds	90,687	-	90,687
Capital Outlay	(90,687)	-	(90,687)
Redemption of Principal	(30,136)	-	(30,136)
Interest and Other Fiscal Charges	(13,697)	-	(13,697)
Other Financing Uses	(6,368)	-	(6,368)
Total Non-Operating Receipts (Disbursements)	<u>(48,857)</u>	<u>-</u>	<u>(48,857)</u>
Receipts Over (Under) Disbursements	(17,317)	-	(17,317)
Fund Balances Beginning of Year	<u>76,729</u>	<u>-</u>	<u>76,729</u>
Fund Balances End of Year	<u>\$ 59,412</u>	<u>\$ -</u>	<u>\$ 59,412</u>

See accompanying notes to the financial statements

VILLAGE OF RACINE
MEIGS COUNTY, OHIO
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES -
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009

	Governmental Fund Types				Total Governmental Funds
	General	Special Revenue	Debt Service	Permanent	
Receipts					
Property and Other Local Taxes	\$ 54,275	\$ 6,856	\$ -	\$ -	\$ 61,131
Intergovernmental	23,148	37,146	-	-	60,294
Fines and Forfeitures	-	100,969	-	-	100,969
Interest	530	2,039	-	-	2,569
Other	15,469	35,061	-	-	50,530
Total Receipts	93,422	182,071	-	-	275,493
Disbursements					
Current:					
Security of Persons and Property	33,007	58,393	-	-	91,400
Public Health Services	250	468	-	-	718
Leisure Time Activities	4,800	29,300	-	-	34,100
Community Environment	496	-	-	-	496
Basic Utility Services	8,446	-	-	-	8,446
Transportation	20,176	180,332	-	-	200,508
General Government	34,917	36,540	-	-	71,457
Debt Service					
Principal Payments	9,500	-	16,970	-	26,470
Interest Payments	1,836	-	5,320	-	7,156
Total Disbursements	113,428	305,033	22,290	-	440,751
Receipts Over (Under) Disbursements	(20,006)	(122,962)	(22,290)	-	(165,258)
Other Financing Sources (Uses)					
Transfers In	-	-	22,290	-	22,290
Transfers Out	-	(22,290)	-	-	(22,290)
Other Financing Sources	-	154,997	-	-	154,997
Total Other Financing Sources (Uses)	-	132,707	22,290	-	154,997
Net Change in Fund Balances	(20,006)	9,745	-	-	(10,261)
Fund Balances Beginning of Year	37,578	136,335	-	27,888	201,801
Fund Balances End of Year	<u>\$ 17,572</u>	<u>\$ 146,080</u>	<u>\$ -</u>	<u>\$ 27,888</u>	<u>\$ 191,540</u>

See accompanying notes to the financial statements

VILLAGE OF RACINE
 MEIGS COUNTY, OHIO
 STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES -
 ALL PROPRIETARY AND FIDUCIARY FUND TYPES
 FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	
	<u>Enterprise</u>	<u>Agency</u>	<u>Total</u>
Operating Receipts			
Charges for Services	\$ 233,684	\$ -	\$ 233,684
Fines, Licenses and Permits	-	1,453	1,453
Total Operating Receipts	<u>233,684</u>	<u>1,453</u>	<u>235,137</u>
Operating Disbursements			
Personal Services	70,288	-	70,288
Fringe Benefits	20,935	-	20,935
Contractual Services	53,147	-	53,147
Supplies and Materials	37,337	-	37,337
Other	254	1,453	1,707
Total Operating Disbursements	<u>181,961</u>	<u>1,453</u>	<u>183,414</u>
Operating Income (Loss)	51,723	-	51,723
Non-Operating Receipts (Disbursements)			
Earnings on Investments	1,509	-	1,509
Redemption of Principal	(26,850)	-	(26,850)
Interest and Other Fiscal Charges	(12,007)	-	(12,007)
Other Financing Uses	(3,134)	-	(3,134)
Total Non-Operating Receipts (Disbursements)	<u>(40,482)</u>	<u>-</u>	<u>(40,482)</u>
Receipts Over (Under) Disbursements	11,241	-	11,241
Fund Balances Beginning of Year	<u>65,488</u>	<u>-</u>	<u>65,488</u>
Fund Balances End of Year	<u>\$ 76,729</u>	<u>\$ -</u>	<u>\$ 76,729</u>

See accompanying notes to the financial statements

**VILLAGE OF RACINE
MEIGS COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2010 and 2009**

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, an accounting entity which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

**VILLAGE OF RACINE
MEIGS COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2010 and 2009**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

D. FUND ACCOUNTING – (Continued)

Governmental Fund Types:

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.

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

- *Street Construction Maintenance & Repair Fund* – This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village streets.
- *Street Highway Fund* – This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing state highways.
- *Other Special Revenue - Water Line Replacement* – This fund receives grant money for repairing Village water lines.

Debt Service Fund: This fund is used to accumulate resources for the payment of bonds and note indebtedness. The Village had the following significant Debt Service fund:

- *General Obligation Debt Service* – This fund is used to account for proceeds restricted to debt service principal and interest.

Permanent Fund: This fund is used to account for trusts where only the earnings can be spent by the government. The Village had the following significant Permanent fund:

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

**VILLAGE OF RACINE
MEIGS COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2010 and 2009**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

D. FUND ACCOUNTING – (Continued)

Proprietary Fund Types:

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 significant Enterprise Funds:

- *Water 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 this utility.

Fiduciary Fund Types:

Fiduciary Funds: 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. The Village had the following significant Fiduciary Fund:

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

E. BUDGETARY PROCESS

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

1. 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.

**VILLAGE OF RACINE
MEIGS COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2010 and 2009**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

E. BUDGETARY PROCESS – (Continued)

2. 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.

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 2010 and 2009 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, 2010 and 2009 was as follows:

	<u>2010</u>	<u>2009</u>
Demand deposits	\$ 265,785	\$ 260,269
Certificates of deposit	<u>8,000</u>	<u>8,000</u>
Total deposits	<u>\$ 273,785</u>	<u>\$ 268,269</u>

**VILLAGE OF RACINE
MEIGS COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2010 and 2009**

2. EQUITY IN POOLED CASH AND CASH EQUIVALENTS – (Continued)

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 TAXES

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.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and communications companies, and railroads. The tax on general business and railroad property was eliminated for calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is being phased out by reducing the assessment rate on the property each year. The Bill replaces the revenue lost by the Village due to the phasing out of the tax. In calendar years 2006-2010, the Village will be fully reimbursed by the State for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

4. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2010 and 2009 follows:

2010 Budgeted vs. Actual Receipts

<u>Funds</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 122,759	\$ 134,441	\$ 11,682
Special Revenue	1,275,339	845,395	(429,944)
Debt Service	22,290	22,290	- 0 -
Enterprise	311,187	338,944	27,757

**VILLAGE OF RACINE
MEIGS COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2010 and 2009**

4. BUDGETARY ACTIVITY – (Continued)

2010 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Funds</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 140,297	\$ 126,456	\$ 13,841
Special Revenue	1,303,417	830,547	472,870
Debt Service	22,290	22,290	- 0 -
Enterprise	363,662	356,261	7,401

2009 Budgeted vs. Actual Receipts

<u>Funds</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 86,000	\$ 93,422	\$ 7,422
Special Revenue	381,749	337,068	(44,681)
Debt Service	22,290	22,290	- 0 -
Enterprise	193,882	235,193	41,311

2009 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Funds</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 121,840	\$ 113,428	\$ 8,412
Special Revenue	412,841	327,323	85,518
Debt Service	22,290	22,290	- 0 -
Enterprise	246,712	223,952	22,760

5. DEFINED BENEFIT PENSION PLAN

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 2010 and 2009, members contributed 10% of their gross salaries. The Village contributed an amount equal to 14% of participants' gross salaries in 2010 and 2009. The Village has paid all contributions required through December 31, 2010.

**VILLAGE OF RACINE
MEIGS COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2010 and 2009**

6. DEBT

Debt outstanding at December 31, 2010 was as follow:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority	\$ 827,260	1.50 - 2.00%
General Obligation Notes	<u>80,594</u>	4.0%
Total	<u>\$ 907,854</u>	

The beginning balance of the Ohio Water Development Authority loans has been adjusted by \$30,218.

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 a fire truck, the repair of Village sidewalks, and to replace the roof at the Municipal Building. The notes are collateralized solely by the Village's taxing authority.

OWDA loan # 5627's loan amortization is not complete. Amortization of the above debt, including interest, is scheduled as follows:

<u>Year Ending December 31:</u>	<u>OWDA Loans</u>	<u>General Obligation Notes</u>
2011	\$ 38,332	\$ 39,036
2012	38,332	30,990
2013	38,332	15,378
2014	38,332	-0-
2015	38,332	-0-
2016-2020	168,189	-0-
2021-2025	165,915	-0-
2026-2030	165,915	-0-
2031-2035	165,915	-0-
2036-2037	<u>49,774</u>	<u>-0-</u>
Total	<u>\$ 907,368</u>	<u>\$ 85,404</u>

7. RISK MANAGEMENT

Risk Pool Membership

Prior to 2009, the Village belonged 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 Ohio governments ("Members"). The Plan was legally separate from its member governments.

**VILLAGE OF RACINE
MEIGS COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2010 and 2009**

7. RISK MANAGEMENT – (Continued)

On January 1, 2009, through an internal reorganization, the Plan created three separate non-profit corporations including:

- Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Risk Management Plan;
- Ohio Plan Healthcare Consortium, Inc. (OPHC) - formerly known as the Ohio Healthcare Consortium; and
- Ohio Plan, Inc. - mirrors the oversight function previously performed by the Board of Directors. The Board of Trustees consists of eleven (11) members that include appointed and elected officials from member organizations.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio. These coverage programs, referred to as Ohio Plan Risk management (“OPRM”), are developed specific to each member’s risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member’s exposure to loss, except OPRM retains 40% (17.5% through October 31, 2010 and 15% through October 31, 2009) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 761 and 725 members as of December 31, 2010 and 2009 respectively. The Village participates in this coverage.

The Plan formed the Ohio Plan Healthcare Consortium (“OPHC”), as authorized by Section 9.833 of the Ohio Revised Code. The OPHC was established to provide cost effective employee benefit programs for Ohio political sub-divisions and is a self-funded, group purchasing consortium that offers medical, dental, vision and prescription drug coverage as well as life insurance for its members. The OPHC is sold through seventeen appointed independent agents in the State of Ohio. Coverage programs are developed specific to each member’s healthcare needs and the related premiums for coverage are determined through the application of uniform underwriting criteria. Variable plan options are available to members. These plans vary primarily by deductibles, coinsurance levels, office visit co-pays and out-of pocket maximums. OPHC had 65 and 60 members as of December 31, 2010 and 2009 respectively. The Village participates in this coverage.

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

**VILLAGE OF RACINE
MEIGS COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2010 and 2009**

7. RISK MANAGEMENT – (Continued)

Settlement amounts did not exceed insurance coverage for the past three fiscal years. Coverages have not been reduced significantly from last year.

The Pool’s audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31: 2010 and 2009 (the latest information available), and include amounts for both OPRM and OPHC:

	2010		2009	
	OPRM	OPHC	OPRM	OPHC
Assets	\$12,036,541	\$1,355,131	\$11,176,186	\$1,358,802
Liabilities	(4,845,056)	(1,055,096)	(4,852,485)	(1,253,617)
Members’ Equity	<u>\$7,191,485</u>	<u>\$300,035</u>	<u>\$6,323,701</u>	<u>\$105,185</u>

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

8. CONTINGENCIES/SUBSEQUENT EVENTS

Management believes there are no pending claims or lawsuits.

VILLAGE OF RACINE
MEIGS COUNTY, OHIO
Schedule of Expenditures of Federal Awards
For the year ended December 31, 2010

Federal Grantor/Program Title	Federal CFDA Number	Expenditures
UNITED STATES DEPARTMENT OF HOUSING AND UBRAN DEVELOPMENT		
Community Development Block Grant	14.218	\$ 533,584
TOTAL EXPENDITURES OF FEDERAL AWARDS		<u>\$ 533,584</u>

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditure (the Schedule) summarizes activity of the Village’s federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B – MATCHING REQUIREMENTS

Certain Federal programs require that the Village contribute non-Federal funds (matching funds) to support the Federally-funded programs. The Village has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.

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

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

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

To the Village Council:

We have audited the financial statements of the Village of Racine, Meigs County (the Village), as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated July 26, 2011, wherein we noted the Village prepared its financial statements using accounting practices the Auditor of State prescribes or permits 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 Controls Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2010-VRMC-001 described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2010-VRMC-002.

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

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

Charles E. Harris & Associates, Inc.

Charles E. Harris & Associates, Inc.

July 26, 2011

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Charles E. Harris & Associates, Inc.
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INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

To the Village Council:

Compliance

We have audited the compliance of the Village of Racine, Meigs County, Ohio (the Village), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect its major federal program for the year ended December 31, 2010. The summary of auditor's results section of the accompanying schedule of findings identifies the Village's major federal program. The Village's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the Village's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the Village's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Village's compliance with those requirements.

In our opinion, the Village complied, in all material respects, with the requirements referred to above that could directly and materially affect its major federal program for the year ended December 31, 2010.

Internal Control Over Compliance

The Village's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Village's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Village's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

We intend this report solely for the information and use of the audit committee, management, Village Council, and federal awarding agencies and pass-through entities. It is not intended for anyone other than these specified parties.

Charles E. Harris and Associates

Charles E. Harris and Associates, Inc.

July 26, 2011

**VILLAGE OF RACINE
MEIGS COUNTY**

**OMB CIRCULAR A-133 SECTION .505
SCHEDULE OF FINDINGS
DECEMBER 31, 2010 & 2009**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Unqualified Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any significant deficiencies reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under Section .510	No
(d)(1)(vii)	Major Programs:	CFDA # 14.218 - Community Development Block Grant
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: >\$300,000 Type B: All Others
(d)(1)(ix)	Low Risk Auditee?	No

**VILLAGE OF RACINE
MEIGS COUNTY**

**OMB CIRCULAR A-133 SECTION .505
SCHEDULE OF FINDINGS – (Continued)
DECEMBER 31, 2010 & 2009**

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

**FINDING NUMBER 2010-VRMC-001
Material Weakness**

Incorrect Accounting Transactions

During the audit of the Village's financial records for the years ended December 31, 2010 and 2009 we noted a number of transactions incorrectly recorded, a number of disbursements incorrectly reported in the annual financial reports. The financial statements have been adjusted to present the accounting information correctly.

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

- Debt Service, for 2010 and 2009, was included in Transportation and Contractual Services;
- Debt Service, for 2010 and 2009, combined principal reduction with interest and fiscal charges.

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

Official's Response:

The Clerk/Treasurer will follow the Village Officer's Handbook to correctly record all transactions.

**FINDING NUMBER 2010-VRMC-002
Noncompliance Citation**

Ohio Revised Code Section § 5705.39 requires that total appropriations from each fund shall not exceed total estimated fund resources from each fund as certified by the county budget commission. This section also provides that no appropriation measure shall become effective until the Village obtains the County Auditor's certificate that total appropriations from each fund do not exceed the total official estimate or amended official estimate when amending estimated resources.

**VILLAGE OF RACINE
MEIGS COUNTY**

**OMB CIRCULAR A-133 SECTION .505
SCHEDULE OF FINDINGS – (Continued)
DECEMBER 31, 2010 & 2009**

**FINDING NUMBER 2010-VRMC-002
(Continued)**

The following funds had total appropriations exceeding total estimated resources for the year ended December 31, 2010 in the following amounts:

Fund	Estimated Resources	Appropriations	Variance
Special Revenue Funds:			
CIC Lot Sales Fund	\$4,845	\$7,845	\$(3,000)
Park Festival Fund	37,090	37,845	(755)

Official's Response:

Council and the Clerk/Treasurer will monitor appropriations versus estimated resources and modify as necessary to help avoid overspending.

3. FINDINGS FOR FEDERAL AWARDS

None.

**VILLAGE OF RACINE
MEIGS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2010 AND 2009**

FINDING NUMBER	FUNDING SUMMARY	FULLY CORRECTED?	Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2008-01	The Village did not follow Ohio Rev. Code §5705.39 ; the Village had total appropriations greater than total estimated resources.	No	Citation re-issued as finding number 2010-VRMC-002.



Dave Yost • Auditor of State

VILLAGE OF RACINE

MEIGS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
OCTOBER 11, 2011