

**VILLAGE OF RACINE
MEIGS COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2005



Mary Taylor, CPA

Auditor of State

Members of Council
Village of Racine
405 Main Street
Racine, Ohio 45771

We have reviewed the *Independent Accountants' Report* of the Village of Racine, Meigs County, prepared by Knox & Knox, CPAs, for the audit period January 1, 2005 through December 31, 2005. 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

January 15, 2008

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VILLAGE OF RACINE
MEIGS COUNTY

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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 year ended December 31, 2005. 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 the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Village of Racine to reformat its financial statement presentation and make other changes. Instead of the combined funds the accompanying financial statements present for 2005, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2005. While the Village of Racine 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 of Racine has elected not to reformat its statements. Since the Village of Racine 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 paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village of Racine, Meigs County combined funds as of December 31, 2005, and their changes in financial position

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, 2005, and its combined cash receipts and disbursements for the year then ended on the basis of accounting described in Note 1.

The aforementioned revision to generally accepted accounting principles also required the Village of Racine to include Management's Discussion and Analysis for the year ended December 31, 2005. 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 June 18, 2007, on our consideration of the Village of Racine's internal control over financial reporting and our tests of its compliance with 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

KNOX & KNOX

Orrville, Ohio
June 18, 2007

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, 2005

| | Governmental Fund Types | | | (Memorandum Only) |
|--|-------------------------|--------------------|-----------------|----------------------|
| | General | Special Revenue | Debt Service | Total |
| CASH RECEIPTS: | | | | |
| Property Taxes and Other Local Taxes | \$43,784 | \$7,906 | | \$51,690 |
| Charges for Services | | 57,078 | | 57,078 |
| Intergovernmental | 29,391 | 101,695 | | 131,086 |
| Fines, Licenses and Permits | 4,734 | 170 | | 4,904 |
| Earnings on Investments | 319 | 1,226 | | 1,545 |
| Miscellaneous | 9,413 | 4,331 | | 13,744 |
| | <u>87,641</u> | <u>172,406</u> | | <u>260,047</u> |
| CASH DISBURSEMENTS: | | | | |
| General Government | 31,562 | | | 31,562 |
| Security of Persons and Property | 37,224 | 18,649 | | 55,873 |
| Public Health Services | 500 | 6,161 | | 6,661 |
| Transportation | 17,920 | 27,829 | | 45,749 |
| Leisure Time Activities | 7,858 | | | 7,858 |
| Basis Utilities | 10,016 | | | 10,016 |
| Community Environment | 6,864 | | | 6,864 |
| Capital Outlay | | 55,391 | | 55,391 |
| Debt Service: | | | | |
| Principal | 17,763 | 7,167 | \$16,970 | 41,900 |
| Interest | 1,024 | 927 | 5,333 | 7,284 |
| | <u>130,731</u> | <u>116,124</u> | <u>22,303</u> | <u>269,158</u> |
| Receipts Over/(Under) Disbursements | (43,090) | 56,282 | (22,303) | (9,111) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers-In | | | 22,290 | 22,290 |
| Transfers-Out | | (22,290) | | (22,290) |
| | | <u>(22,290)</u> | <u>22,290</u> | |
| Total Receipts and Other Financing Sources Over/(Under) Disbursements and Other Financing Uses | (43,090) | 33,992 | (13) | (9,111) |
| Fund Cash Balance, January 1 | 112,100 | 142,597 | 13 | 254,710 |
| FUND CASH BALANCE, DECEMBER 31 | <u>\$69,010</u> | <u>\$176,589</u> | <u>13</u> | <u>\$245,599</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 – PROPRIETARY FUND TYPE AND SIMILAR FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005

| | Proprietary Fund Type | Fiduciary Fund Types | | Totals (Memorandum Only) |
|--|--------------------------|------------------------|--------------|--------------------------------|
| | Enterprise | Nonexpendable Trust | Agency | |
| OPERATING CASH RECEIPTS: | | | | |
| Charges for Services | \$154,269 | | | 154,269 |
| Fines, Licenses and Permits | | | \$5,695 | 5,695 |
| Interest | | \$265 | | 265 |
| Miscellaneous | | 1,111 | | 1,111 |
| Total Operating Cash Receipts | <u>154,269</u> | <u>1,376</u> | <u>5,695</u> | <u>161,340</u> |
| OPERATING CASH DISBURSEMENTS: | | | | |
| Personal Services | 50,540 | | | 50,540 |
| Employee Fringe Benefits | 12,769 | | | 12,769 |
| Contractual Services | 46,542 | | | 46,542 |
| Supplies and Materials | 32,551 | | | 32,551 |
| Other | 40 | | 5,695 | 5,735 |
| Total Operating Cash Disbursements | <u>142,442</u> | | <u>5,695</u> | <u>148,137</u> |
| Operating Income/(Loss) | 11,827 | 1,376 | | 13,203 |
| NON-OPERATING CASH RECEIPTS/(DISBURSEMENTS) | | | | |
| Debt Service: | | | | |
| Principal | (20,458) | | | (20,458) |
| Interest and Other Fiscal Charges | (2,432) | | | (2,432) |
| Total Non-Operating Cash Receipts/(Disbursements) | <u>(22,890)</u> | | | <u>(22,890)</u> |
| Net Receipts Over/(Under) Disbursements | (11,063) | 1,376 | | (9,687) |
| Fund Cash Balance, January 1 | <u>125,189</u> | <u>26,512</u> | | <u>151,701</u> |
| FUND CASH BALANCE, DECEMBER 31 | <u><u>\$114,126</u></u> | <u><u>\$27,888</u></u> | | <u><u>\$142,014</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 YEAR ENDED DECEMBER 31, 2005

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 YEAR ENDED DECEMBER 31, 2005

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. 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

5. Fiduciary Fund Type

The Village has 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 organization. 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

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 of 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.

VILLAGE OF RACINE
MEIGS COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. BUDGETARY PROCESS (continued)

1. Estimated Resources (continued)

Prior to December 31, the Village must revise its budget so that the total budgeted expenditures for a fund will not exceed the amount 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 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 2005.

Budget receipts, as shown in footnote 4 do not include unencumbered fund balances as of January 1, 2005. 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. Appropriation may not exceed estimated resources.

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 reappropriated.

A summary of 2005 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.

VILLAGE OF RACINE
MEIGS COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2005 was as follows:

| | |
|--------------------------------|------------------|
| Demand deposits | \$379,613 |
| Certificate of deposit | <u>8,000</u> |
| Total deposits and investments | <u>\$387,613</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 are levied on assessed values which equal 35% of the 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 January 1 preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on 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 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 taxes collected.

VILLAGE OF RACINE
MEIGS COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

4. BUDGETARY ACTIVITY

Budgetary activity for the year ended December 31, 2005 follows:

| Fund | Budgeted vs Actual Receipts | | |
|-----------------------|-----------------------------|------------------|------------------|
| | Budgeted Receipts | Actual Receipts | Variance |
| General Fund | \$84,360 | \$87,641 | \$3,281 |
| Special Revenue Funds | 181,890 | 172,406 | (9,484) |
| Debt Service Fund | 22,290 | 22,290 | |
| Enterprise Funds | 157,550 | 154,269 | (3,281) |
| Nonexpendable Trust | | 1,376 | 1,376 |
| Totals | <u>\$446,090</u> | <u>\$437,982</u> | <u>(\$8,108)</u> |

| Fund | 2005 Budgeted vs Actual Budgetary Basis Expenditures | | |
|-----------------------|--|------------------------|------------------|
| | Appropriation Authority | Budgetary Expenditures | Variance |
| General Fund | \$153,736 | \$130,731 | \$23,005 |
| Special Revenue Funds | 210,641 | 138,414 | 72,227 |
| Debt Service Fund | 22,303 | 22,303 | |
| Enterprise Funds | 214,731 | 165,332 | 49,399 |
| Totals | <u>\$601,411</u> | <u>\$456,780</u> | <u>\$144,631</u> |

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 2005, members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 2005.

VILLAGE OF RACINE
MEIGS COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

6. DEBT

Debt outstanding at December 31, 2005 was as follows:

| | <u>Principal</u> | <u>Interest Rate</u> |
|----------------------------------|-----------------------------|----------------------|
| Ohio Water Development Authority | \$51,638 | 2.00% |
| Ohio Water Development Authority | 40,000 | 0.00% |
| General Obligation Notes: | | |
| Dump Truck | 4,625 | 4.00% |
| Backhoe | 25,800 | 3.60% |
| Refuse Truck | 14,988 | 3.60% |
| Fire Truck | 121,956 | 4.00% |
| Walking Track | 12,500 | 4.20% |
| Pickup Truck | <u>10,857</u> | 5.10% |
| Total | <u><u>\$282,364</u></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 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:

| Year Ending December 31: | <u>OWDA Loans</u> | <u>General Obligation Notes</u> |
|--------------------------|-----------------------------|---|
| 2006 | \$10,748 | \$93,838 |
| 2007 | 10,748 | 37,389 |
| 2008 | 10,748 | 37,389 |
| 2009 | 10,748 | 22,290 |
| 2010 | 10,748 | 44,580 |
| 2011-2015 | 53,740 | 33,155 |
| 2016-2019 | <u>2,246</u> | |
| Totals | <u><u>\$109,726</u></u> | <u><u>\$268,641</u></u> |

VILLAGE OF RACINE
MEIGS COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

7. RISK MANAGEMENT

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 460 Ohio 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 related carriers, except for the 15% casualty and the 10% property portions the Plan retains. The Plan pays the lesser of 15% or 37,500 of casualty losses and the lesser of 10% or \$100,000 of property losses. Individual Members are only responsible for their self-retention (deductible) amounts, which vary from Member to Member.

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

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 obligation to the Plan. The former Member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2005 and 2004 (the latest information available):

| | <u>2005</u> | <u>2004</u> |
|-----------------|--------------------|--------------------|
| Assets | \$8,219,430 | \$6,665,522 |
| Liabilities | <u>(2,748,639)</u> | <u>(2,227,808)</u> |
| Members' Equity | <u>\$5,470,791</u> | <u>\$4,437,714</u> |

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

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KNOX & KNOX

Accountants and Consultants

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

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

We have audited the accompanying financial statements of the Village of Racine, Meigs County, Ohio (the Village), as of and for the year ended December 31, 2005, and have issued our report thereon dated June 18, 2007, wherein we noted the Village followed accounting practices the Auditor of State 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 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 audits, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion 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 noted other matters that we reported to the Village in a separate letter dated June 18, 2007.

Compliance and Other Matters

As part of obtaining reasonable assurance whether the Village of Racine'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 an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

KNOX & KNOX

Orrville, Ohio
June 18, 2007



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
JANUARY 29, 2008**