

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

AUDIT REPORT

FOR THE YEARS ENDED DECEMBER 31, 2012 & 2011





Dave Yost • Auditor of State

Village Council
Village of Racine
405 Main Street
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, 2011 through December 31, 2012. 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

July 10, 2013

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**VILLAGE OF RACINE
MEIGS COUNTY, OHIO
For the Years Ending December 31, 2012 and 2011**

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Rockefeller Building
614 W Superior Ave Ste 1242
Cleveland OH 44113-1306
Office phone - (216) 575-1630
Fax - (216) 436-2411

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:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Village of Racine, Meigs County, Ohio (the Village), as of and for the years ended December 31, 2012 and 2011.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03; this responsibility includes designing cash accounting basis Note 2 describes. This responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Basis for Adverse Opinion on Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Administrative Code Section 117-2-03, which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonable determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis of Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2012 and 2011, or changes in financial position or cash flows, thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Racine, Meigs County as of December 31, 2012 and 2011, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits, described in Note 1.

Emphasis of Matter

As discussed in Note 4 to the financial statements during 2011 the Village of Racine adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Our opinion is not modified with respect to this mater.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 11, 2013 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine 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* in considering the Village's internal control over financial reporting and compliance.



Charles E. Harris & Associates, Inc.
June 11, 2013

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, 2012

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Permanent	
Receipts:				
Property and Other Local Taxes	\$ 64,955	\$ 8,210	\$ -	\$ 73,165
Charges for Services	-	65,368	-	65,368
Licenses, Permits and Fees	3,069	-	-	3,069
Intergovernmental	24,697	23,829	-	48,526
Earning on Investments	116	498	1,322	1,936
Miscellaneous	10,294	44,517	-	54,811
Total Receipts	103,131	142,422	1,322	246,875
Disbursements:				
Current:				
Security of Persons & Property	35,127	40,623	-	75,750
Public Health Services	-	7,723	-	7,723
Leisure Time Activities	3,943	33,100	-	37,043
Community Environment	475	-	-	475
Basic Utility Services	6,676	-	-	6,676
Transportation	21,490	30,934	-	52,424
General Government	36,026	-	-	36,026
Capital Outlay	-	7,014	-	7,014
Debt Service:				
Principal Retirement	4,320	2,650	-	6,970
Interest and fiscal Charges	3,456	500	-	3,956
Total Disbursements	111,513	122,544	-	234,057
Total Receipts Over(Under) Disbursements	(8,382)	19,878	1,322	12,818
Fund Balance January 1, 2012	69,712	119,117	41,979	230,808
Fund Cash Balances, December 31, 2012				
Nonspendable	-	-	27,888	27,888
Restricted	-	119,871	15,413	135,284
Committed	-	19,124	-	19,124
Unassigned	61,330	-	-	61,330
Fund Balance December 31, 2012	\$ 61,330	\$ 138,995	\$ 43,301	\$ 243,626

See accompanying Notes to the Financial Statements.

VILLAGE OF RACINE
MEIGS COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES -
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012

	Proprietary Fund Types <u>Enterprise</u>	Fiduciary Fund Type <u>Agency</u>	Totals (Memorandum Only) <u> </u>
Operating Cash Receipts:			
Charges for Services	\$ 257,364	\$ -	\$ 257,364
Fines, Licenses and Permits	-	3,356	3,356
 Total Operating Cash Receipts	 <u>257,364</u>	 <u>3,356</u>	 <u>260,720</u>
Operating Cash Disbursements:			
Personal Services	85,242	-	85,242
Employee Fringe Benefits	25,244	-	25,244
Contractual Services	67,186	-	67,186
Supplies and Materials	59,048	-	59,048
Other	8,824	3,356	12,180
 Total Operating Cash Disbursements	 <u>245,544</u>	 <u>3,356</u>	 <u>248,900</u>
Operating Income (Loss)	11,820	-	11,820
Non-Operating Cash Receipts/(Disbursements)			
Proceeds of Loan	105,985	-	105,985
Sale of Fixed Assets	7,260	-	7,260
Earnings on Investments	361	-	361
Capital Outlay	(100,000)	-	(100,000)
Debt Service:			
Principal	(39,386)	-	(39,386)
Interest and other fiscal charges	(12,614)	-	(12,614)
 Total Non-Operating Cash Receipts/(Disbursements)	 <u>(38,394)</u>	 <u>-</u>	 <u>(38,394)</u>
Net Receipts (Under) Disbursements	(26,574)	-	(26,574)
Fund Cash Balances, January 1	<u>55,619</u>	<u>-</u>	<u>55,619</u>
Fund Cash Balances, December 31	<u>\$ 29,045</u>	<u>\$ -</u>	<u>\$ 29,045</u>

See accompanying Notes to the Financial Statements.

VILLAGE OF RACINE
MEIGS COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES -
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Permanent	
Receipts:					
Property and Other Local Taxes	\$ 55,631	\$ 6,834	\$ -	\$ -	\$ 62,465
Charges for Services	-	61,332	-	-	61,332
Licenses, Permits and Fees	4,426	1,780	-	-	6,206
Intergovernmental	46,910	160,603	-	-	207,513
Earning on Investments	223	858	-	-	1,081
Miscellaneous	22,477	81,207	-	-	103,684
Total Receipts	129,667	312,614	-	-	442,281
Disbursements:					
Current:					
Security of Persons & Property	30,409	95,977	-	-	126,386
Public Health Services	-	1,420	-	-	1,420
Leisure Time Activities	3,711	34,820	-	-	38,531
Community Environment	298	-	-	-	298
Basic Utility Services	8,438	-	-	-	8,438
Transportation	10,552	71,234	-	-	81,786
General Government	31,277	-	-	-	31,277
Capital Outlay	-	160,404	-	-	160,404
Debt Service:					
Principal Retirement	28,715	3,500	19,262	-	51,477
Interest and fiscal Charges	-	500	3,028	-	3,528
Total Disbursements	113,400	367,855	22,290	-	503,545
Total Receipts Over(Under) Disbursements	16,267	(55,241)	(22,290)	-	(61,264)
Other Financing Sources/(Uses)					
Transfers-In	-	-	22,290	-	22,290
Transfers-Out	-	(22,290)	-	-	(22,290)
Proceeds of Loan	-	35,720	-	-	35,720
Total Other Financing Sources/(Uses)	-	13,430	22,290	-	35,720
Net Change in Fund Cash Balances	16,267	(41,811)	-	-	(25,544)
Fund Balance January 1, 2011, Restated (Note 11)	53,445	160,928	-	41,979	256,352
Fund Cash Balances, December 31, 2011					
Nonspendable	-	-	-	27,888	27,888
Restricted	-	96,239	-	14,091	110,330
Committed	-	22,878	-	-	22,878
Unassigned	69,712	-	-	-	69,712
Fund Balance December 31, 2011	\$ 69,712	\$ 119,117	\$ -	\$ 41,979	\$ 230,808

See accompanying Notes to the Financial Statements.

VILLAGE OF RACINE
MEIGS COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES -
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011

	Proprietary Fund Types <u>Enterprise</u>	Fiduciary Fund Type <u>Agency</u>	Totals (Memorandum Only) <u>Only</u>
Operating Cash Receipts:			
Charges for Services	\$ 247,611	\$ -	\$ 247,611
Fines, Licenses and Permits	-	5,151	5,151
 Total Operating Cash Receipts	 <u>247,611</u>	 <u>5,151</u>	 <u>252,762</u>
Operating Cash Disbursements:			
Personal Services	85,912	-	85,912
Employee Fringe Benefits	21,095	-	21,095
Contractual Services	73,743	-	73,743
Supplies and Materials	36,581	-	36,581
Other	5,220	5,151	10,371
 Total Operating Cash Disbursements	 <u>222,551</u>	 <u>5,151</u>	 <u>227,702</u>
Operating Income (Loss)	25,060	-	25,060
Non-Operating Cash Receipts/(Disbursements)			
Proceeds of Loan	13,800	-	13,800
Earnings on Investments	635	-	635
Debt Service:			
Principal	(30,595)	-	(30,595)
Interest and other fiscal charges	(12,693)	-	(12,693)
 Total Non-Operating Cash Receipts/(Disbursements)	 <u>(28,853)</u>	 <u>-</u>	 <u>(28,853)</u>
Net Receipts (Under) Disbursements	(3,793)	-	(3,793)
Fund Cash Balances, January 1	<u>59,412</u>	<u>-</u>	<u>59,412</u>
Fund Cash Balances, December 31	<u>\$ 55,619</u>	<u>\$ -</u>	<u>\$ 55,619</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, 2012 and 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

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

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

B. BASIS OF ACCOUNTING

The Village prepares its financial statements following the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis 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.)

The statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. CASH

Investments are included in the fund cash balances. Accordingly, purchases of investments are not recorded as disbursements and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

D. FUND ACCOUNTING

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

**VILLAGE OF RACINE
MEIGS COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2012 and 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. FUND ACCOUNTING - (Continued)

Governmental Fund Types:

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

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 has the following significant Special Revenue funds:

- *Street Construction, Maintenance and Repair Fund* - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing Village streets.
- *Fire Fund* – This fund receives property tax proceeds and contract revenue from adjacent communities to pay for the fire protection for the Village and adjacent communities.

Debt Service Fund: This fund is used to account for and report financial resources that are restricted to expenditure for principal and interest. The Village had the following significant Debt Service Fund:

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

Permanent Funds: These funds account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the Village's programs. 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, 2012 and 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. FUND ACCOUNTING - (Continued)

Enterprise Funds: These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Fund:

- Water Fund - This fund receives charges for services from residents to cover water service costs.

Fiduciary Funds: These funds are used to account for assets held by the Village in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. 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. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. Village 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 unencumbered 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 carried over, and need not be reappropriated.

A summary of 2012 and 2011 budgetary activity appears in Note 5.

**VILLAGE OF RACINE
MEIGS COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2012 and 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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.

H. FUND BALANCES

Fund balance is divided into five classifications based primarily on the extent to which the Village is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable

The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

Restricted

Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

Committed

The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of Village Council. Those committed amounts cannot be used for any other purpose unless Village Council removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

**VILLAGE OF RACINE
MEIGS COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2012 and 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

H. FUND BALANCES – (Continued)

Assigned

Amounts in the assigned fund balance classification are intended to be used by the Village for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by Village Council, which includes giving the Fiscal Officer the authority to constrain monies for intended purposes.

Unassigned

Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

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 at December 31 was as follows:

	<u>2012</u>	<u>2011</u>
Demand Deposits	\$ 221,370	\$ 236,448
Certificate of Deposit	<u>51,301</u>	<u>49,979</u>
Total	<u>\$ 272,671</u>	<u>\$ 286,427</u>

Deposits: Deposits are either (1) insured by the Federal Deposit Insurance Corporation, (2) collateralized by securities specifically pledged by the financial institution to the Village, or (3) collateralized by the financial institution's public entity deposit pool.

**VILLAGE OF RACINE
MEIGS COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2012 and 2011**

3. PROPERTY TAXES

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 payment, the first half is due December 31. The second half payment is due the following June 20.

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. CHANGE IN ACCOUNTING PRINCIPLE

For fiscal year 2011, the Village has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of this statement did not result in the reclassification of funds or the restatement of the Village's financial statements.

**VILLAGE OF RACINE
MEIGS COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2012 and 2011**

5. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2012 and 2011 follows:

2012 Budgeted vs Actual Receipts

<u>Funds</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 86,785	\$ 103,131	\$ 16,346
Special Revenue	139,725	142,422	2,697
Permanent	1,200	1,322	122
Enterprise	385,710	370,970	(14,740)

2012 Budgeted vs Actual Budgetary Basis Disbursements

<u>Funds</u>	<u>Appropriation Authority</u>	<u>Budgetary Disbursements</u>	<u>Variance</u>
General	\$ 119,791	\$ 111,513	\$ 8,278
Special Revenue	175,382	122,544	52,838
Permanent	-	-	-
Enterprise	432,400	397,544	34,856

2011 Budgeted vs Actual Receipts

<u>Funds</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 104,215	\$ 129,667	\$ 25,452
Special Revenue	977,875	348,334	(629,541)
Debt Service	22,290	22,290	-
Permanent	1,200	-	(1,200)
Enterprise	241,686	262,046	20,360

2011 Budgeted vs Actual Budgetary Basis Disbursements

<u>Funds</u>	<u>Appropriation Authority</u>	<u>Budgetary Disbursements</u>	<u>Variance</u>
General	\$ 129,665	\$ 113,400	\$ 16,265
Special Revenue	530,422	390,145	140,277
Debt Service	22,290	22,290	-
Permanent	-	-	-
Enterprise	296,620	265,839	30,781

**VILLAGE OF RACINE
MEIGS COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2012 and 2011**

6. RETIREMENT SYSTEM

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

Contribution rates are also prescribed by the Ohio Revised Code. For 2012 and 2011, members of OPERS contributed 10 percent of their wages. The Village contributes an amount equal to 14 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2012.

7. RISK MANAGEMENT

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio 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 is legally separate from its member governments.

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.

OPRM coverage programs 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 41.5% (41.5% effective November 1, 2011, 40% through October 31, 2011 and 17.5% through October 31, 2010) 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 782 and 761 members as of December 31, 2011 and 2010, respectively.

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.

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

**VILLAGE OF RACINE
MEIGS COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2012 and 2011**

7. RISK MANAGEMENT - (Continued)

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2011 and 2010 (the latest information available).

	2011	2010
Assets	\$12,501,280	\$12,036,541
Liabilities	(5,328,761)	(4,845,056)
Members' Equity	\$7,172,519	\$7,191,485

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

8. DEBT

Debt outstanding as of December 31, 2012 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority	\$ 777,369	1.50 - 2.00%
General Obligation Notes	189,397	3.25 - 4.00%
Total	\$ 966,766	

The beginning balance of the General Obligation Notes has been adjusted by \$31,835.

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 purchase of a garbage truck, replace the Village Hall roof, purchase a lawn mower and to repair the Village water well. The notes are collateralized solely by the Village's taxing authority.

**VILLAGE OF RACINE
MEIGS COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2012 and 2011**

8. DEBT - (Continued)

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

	<u>OWDA Loans</u>	<u>G.O. Notes</u>
Year ending December 31:		
2013	\$ 19,465	\$ 33,699
2014	38,930	27,435
2015	38,930	49,898
2016	36,056	22,264
2017	33,182	96,876
2018-2022	165,910	-0-
2023-2027	165,910	-0-
2028-2032	165,910	-0-
2033-2037	<u>149,319</u>	<u>-0-</u>
Total	<u>\$813,612</u>	<u>\$ 230,172</u>

9. CONTINGENT LIABILITES/SUBSEQUENT EVENTS

Management believes there are no pending claims or lawsuits.

10. INTERFUND TRANSFERS

During 2011, the Village made the following transfers:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Special Revenue Fund:		
Fire Fund	\$ -0-	\$ 22,290
Debt Service Fund:		
General Oblig. Bond Retirement Fund	<u>22,290</u>	<u>-0-</u>
Total	<u>\$ 22,290</u>	<u>\$ 22,290</u>

In 2011, the Township transferred \$22,900 from the Fire Fund to the G. O. Bond Retirement Fund to pay fire truck debt service. All applicable Ohio Revised Code compliance requirements were met.

**VILLAGE OF RACINE
MEIGS COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2012 and 2011**

11. PRIOR PERIOD ADJUSTMENT

The Village had a prior period fund balance adjustment to the following funds:

<u>Fund</u>	<u>Fund Balance 12/31/2010</u>	<u>Prior Period Adjustment</u>	<u>Fund Balance, Restated 1/1/2011</u>
General Fund	\$ 25,557	\$ 27,888	\$ 53,445
Permanent Fund:			
Nonexpendable Trust Cemetery Endowment Fund	27,888	14,091	41,979

Adjustments necessary due to Village not posting a certificate of deposit purchased with Cemetery Trust funds to its' accounting records properly in a prior year.

Rockefeller Building
614 W Superior Ave Ste 1242
Cleveland OH 44113-1306
Office phone - (216) 575-1630
Fax - (216) 436-2411

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, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of Racine, Meigs County (the Village), as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements and have issued our report thereon dated June 11, 2013, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits. We also noted the Village implemented Governmental Standards Board (GASB) Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*."

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting that we consider 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 internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. We consider finding 2012-001 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, opining 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 we must report under *Government Auditing Standards*.

Entity's Response to Finding

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

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Charles E. Harris & Associates, Inc.
June 11, 2013

**VILLAGE OF RACINE
MEIGS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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**FINDING NUMBER 2012-001
Material Weakness**

Incorrect Accounting Transactions

During the audit of the Village's financial records for the years ended December 31, 2012 and 2011 we noted several transactions incorrectly recorded or not recorded. Management has agreed with the required reclassifications and adjustments. The financial statements and Village's records have been adjusted to present the accounting information correctly.

The following are the more significant erroneous accounting transactions:

- Debt Service for 2011 was included in General Government and Transportation;
- Loan Proceeds for 2012 and 2011 were included in Miscellaneous and Other Financing Sources;
- Intergovernmental grants for 2011 were reported as Special Assessments;
- On behalf loan disbursements made by OWDA during 2011 were not recorded as a receipt nor disbursement;
- A certificate of deposit was discovered that was purchased in a prior year, which caused a restatement of prior year fund balance.

We recommend that the Village closely follow the Village Officer's Handbook, the Uniform Accounting Network and the Ohio Revised Code when recording transactions. Furthermore, we recommend that the Village record certificate of deposit purchases and interest revenue properly in the appropriate fund. The Fiscal Officer should contact the Auditor of State for additional guidance as needed.

Official's Response:

The Fiscal Officer will implement changes as recommended to correctly record all transactions.

**VILLAGE OF RACINE
MEIGS COUNTY
DECEMBER 31, 2012 AND 2011**

SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING NUMBER	FUNDING SUMMARY	FULLY CORRECTED?	Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2010-VRMC-001	Village had a number of incorrect accounting entries	No	Not Corrected: Reissued in current Schedule of Findings as 2012-001.
2010-VRMC-001	Contrary to Ohio Revised Code Section 5705.39 the Village had appropriations that exceeded estimated resources	Yes	Finding no longer valid.

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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
JULY 23, 2013**