



**VILLAGE OF BENTON RIDGE
HANCOCK COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2005



**Auditor of State
Betty Montgomery**



Mary Taylor, CPA
Auditor of State

February 9, 2007

The attached audit report was completed and prepared for release prior to the commencement of my term of office on January 8, 2007. Thus, I am certifying this audit report for release under the signature of my predecessor.

Mary Taylor

MARY TAYLOR, CPA
Auditor of State

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VILLAGE OF BENTON RIDGE
HANCOCK COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2005.....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2004.....	6
Notes to the Financial Statements	7
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	15
Schedule of Findings.....	17
Schedule of Prior Audit Finding	23

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**Auditor of State
Betty Montgomery**

Village of Benton Ridge
Hancock County
100 Main Street, P.O. Box 5
Benton Ridge, Ohio 45816-0005

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005, interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS 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. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in cursive script that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

January 2, 2007

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Village of Benton Ridge
Hancock County
100 Main Street, P.O. Box 5
Benton Ridge, Ohio 45816-0005

To the Village Council:

We have audited the accompanying financial statements of the Village of Benton Ridge, Hancock County, (the Village) as of and for the years ended December 31, 2005 and 2004. 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 our audit provides a reasonable basis for our opinion.

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

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2005 and 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2005 and 2004. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since this Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

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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, 2005 and 2004, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2005 and 2004, or its changes in financial position 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 and reserves for encumbrances of Village of Benton Ridge, Hancock County, as of December 31, 2005 and 2004, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the years ended December 31, 2005 and 2004. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 2, 2007, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Betty Montgomery
Auditor of State

January 2, 2007

**VILLAGE OF BENTON RIDGE
HANCOCK 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**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$5,787	\$2,576		\$8,363
Special Assessments		10,124		10,124
Intergovernmental Receipts	51,107	12,455	\$121,008	184,570
Charges for Services		2,838	33,247	36,085
Earnings on Investments	894			894
Miscellaneous	3,903	172	828	4,903
	<u>61,691</u>	<u>28,165</u>	<u>155,083</u>	<u>244,939</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
Security of Persons and Property	3,058	8,416		11,474
Public Health Services	1,181			1,181
Leisure Time Activities	10,663	5,349		16,012
Basic Utility Services	382			382
Transportation		2,512		2,512
General Government	48,178			48,178
Debt Service:				
Principal Payments	2,150		2,150	4,300
Interest Payments			288	288
Capital Outlay			424,322	424,322
	<u>65,612</u>	<u>16,277</u>	<u>426,760</u>	<u>508,649</u>
Total Cash Disbursements				
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(3,921)</u>	<u>11,888</u>	<u>(271,677)</u>	<u>(263,710)</u>
Other Financing Receipts:				
Other Debt Proceeds			281,608	281,608
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	(3,921)	11,888	9,931	17,898
Fund Cash Balances, January 1	5,180	29,548	97,563	132,291
Fund Cash Balances, December 31	<u><u>\$1,259</u></u>	<u><u>\$41,436</u></u>	<u><u>\$107,494</u></u>	<u><u>\$150,189</u></u>
Reserves for Encumbrances, December 31	<u><u>\$1,215</u></u>		<u><u>\$295,592</u></u>	<u><u>\$296,807</u></u>

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

**VILLAGE OF BENTON RIDGE
HANCOCK COUNTY**

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

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$5,062	\$2,469		\$7,531
Special Assessments		8,843		8,843
Intergovernmental Receipts	51,147	10,292		61,439
Charges for Services		2,004	\$39,993	41,997
Earnings on Investments	1,260			1,260
Miscellaneous	43	146		189
	<u>57,512</u>	<u>23,754</u>	<u>39,993</u>	<u>121,259</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
Security of Persons and Property	2,747	8,309		11,056
Public Health Services	1,205			1,205
Leisure Time Activities	36,939	7,628		44,567
Transportation		5,070		5,070
General Government	41,243			41,243
Debt Service:				
Principal Payments	15,615		4,299	19,914
Interest Payments	672			672
Capital Outlay			13,341	13,341
	<u>98,421</u>	<u>21,007</u>	<u>17,640</u>	<u>137,068</u>
Total Cash Disbursements				
Total Cash Receipts Over/(Under) Cash Disbursements	(40,909)	2,747	22,353	(15,809)
Fund Cash Balances, January 1	46,089	26,801	75,210	148,100
Fund Cash Balances, December 31	<u><u>\$5,180</u></u>	<u><u>\$29,548</u></u>	<u><u>\$97,563</u></u>	<u><u>\$132,291</u></u>
Reserves for Encumbrances, December 31	<u><u>\$2,748</u></u>			<u><u>\$2,748</u></u>

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

**VILLAGE OF BENTON RIDGE
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Benton Ridge, Hancock County, (the Village) as a body corporate and politic. A publicly-elected six-member Council governs the Village. The Village provides sewer utilities and park operations. The Village contracts with Blanchard Township to receive fire protection 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 accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. This basis recognizes receipts when received in cash rather than when earned, and recognizes disbursements 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 adequately disclose material matters the Auditor of State prescribes.

C. Cash and Investments

The Village's accounting basis includes investments as assets. This basis does not report disbursements for investment purchases or receipts for investment sales. The Village reports gains or losses at the time of sale as receipts or disbursements, respectively.

The Village values certificates of deposit at cost. STAR Ohio is recorded at share values reported by the State of Ohio.

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:

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

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

Street Lighting Fund - This fund receives assessments for street lights within the Village.

**VILLAGE OF BENTON RIDGE
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Park Fund -This fund receives tax levy money for the operation of the Village Park.

3. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project fund:

Sewer Construction Fund - This fund receives intergovernmental grants, loan proceeds, and user fees to be used for construction of a new sanitary sewer system within the Village.

E. Budgetary Process

The Ohio Revised Code requires that each fund 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 commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Village did not use the encumbrance method of accounting. Management has included audit adjustments in the accompanying budgetary presentations for material items that should have been encumbered.

A summary of 2005 and 2004 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

**VILLAGE OF BENTON RIDGE
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2005	2004
Demand deposits	\$145,189	\$50,161
Certificates of deposit	5,000	5,000
Total deposits	150,189	55,161
STAR Ohio		
Total investments		77,130
Total deposits and investments	\$150,189	\$132,291

Deposits: Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

Investments: Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2005 and 2004 follows:

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$54,432	\$61,691	\$7,259
Special Revenue	18,844	28,165	9,321
Capital Projects	48,320	436,691	388,371
Total	\$121,596	\$526,547	\$404,951

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$59,612	\$66,827	(\$7,215)
Special Revenue	48,393	16,277	32,116
Capital Projects	145,883	722,352	(576,469)
Total	\$253,888	\$805,456	(\$551,568)

**VILLAGE OF BENTON RIDGE
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

3. BUDGETARY ACTIVITY – (CONTINUED)

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$54,556	\$57,512	\$2,956
Special Revenue	17,446	23,754	6,308
Capital Projects	31,500	39,993	8,493
Total	\$103,502	\$121,259	\$17,757

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$100,645	\$101,169	(\$524)
Special Revenue	44,247	21,007	23,240
Capital Projects	106,710	17,640	89,070
Total	\$251,602	\$139,816	\$111,786

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the general fund and capital projects, sewer construction fund by \$7,215 and \$576,469, respectively, for the year ended December 31, 2005, and in the general fund by \$524 for the year ended December 31, 2004.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Village Council adopts tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The State pays the Village amounts equaling these deductions. The Village includes these with Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half payment 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.

Property owners assess tangible personal property tax. They must file a list of tangible 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 the Village's behalf.

**VILLAGE OF BENTON RIDGE
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

5. DEBT

Debt outstanding at December 31, 2005 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan #4283	\$281,089	3.27%
Ohio Water Development Authority Loan #4290	519	3.99%
Village of Rawson	75,233	
Total	\$356,841	

The Ohio Water Development Authority (OWDA) loan #4283 relates to the installation of a sanitary sewer system project the Ohio Environmental Protection Agency mandated. The OWDA approved up to \$695,678 in loans to the Village for this project at an interest rate of 3.27%. The Village will repay the loans with money from the USDA. As of December 31, 2005, the Village has drawn \$281,089 on this loan. Sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Water Development Authority (OWDA) loan #4290 relates to the installation of a sanitary sewer system within the Village. The OWDA approved up to \$145,024 in loans to the Village for this project at an interest rate of 3.99%. As of December 31, 2005, the Village has drawn \$519 on this loan. Sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Village has entered into an intergovernmental agreement with the Villages of Rawson and Mt. Cory to pay back Ohio Public Works Commission Loan CT31B for \$277,350 for the construction of a wastewater treatment facility. The facility has been built and is owned by the Village of Rawson. The facility will be leased to the Villages of Benton Ridge and Mt. Cory for a minimum of 40 years. The facility was built based on the aggregated population of the three villages, and the cost will be shared in proportion to their populations. The Village of Benton Ridge's share of the debt is 31% of this interest free loan. Sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements.

Amortization of the OPWC debt, including interest, follows:

Year ending December 31:	OPWC Loan through the Village of Rawson
2006	\$2,150
2007	4,299
2008	4,299
2009	4,299
2010	4,299
2011-2015	21,495
2016-2020	21,495
2021-2023	12,897
Total	\$75,233

**VILLAGE OF BENTON RIDGE
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

6. RETIREMENT SYSTEM

Officials and employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes the plan's retirement benefits, including postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 8.5 percent of their wages. The Village contributed an amount equal to 13.55 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2005.

7. RISK MANAGEMENT

The Government is exposed to various risks of property and casualty losses, and injuries to employees.

The Government insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Government belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

PEP retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$12,000,000 with the General Reinsurance Corporation, through contracts with PEP.

If losses exhaust PEP's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

Through 2004, PEP retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence. APEEP's Guarantee Fund was responsible for losses and loss adjustment expenses exceeding operating contributions.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable value. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2005 was \$1,682,589.

**VILLAGE OF BENTON RIDGE
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

7. RISK MANAGEMENT – (CONTINUED)

The aforementioned casualty and property reinsurance agreements do not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective township.

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

Members may withdraw on each anniversary of the date they joined PEP. They must provide written notice to PEP 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contribution, minus the subsequent year's premium. Also upon withdrawal, payments for all property and casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the withdrawal.

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2005 and 2004.

<u>Casualty Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$29,719,675	\$27,437,169
Liabilities	<u>(15,994,168)</u>	<u>(13,880,038)</u>
Retained earnings	<u>\$13,725,507</u>	<u>\$13,557,131</u>
<u>Property Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$4,443,332	\$3,648,272
Liabilities	<u>(1,068,245)</u>	<u>(540,073)</u>
Retained earnings	<u>\$3,375,087</u>	<u>\$3,108,199</u>

The Casualty Coverage assets and retained earnings above include approximately \$14.3 million and \$12 million of unpaid claims to be billed to approximately 430 member governments in the future, as of December 31, 2005 and 2004, respectively. PEP will collect these amounts in future annual premium billings when PEP's related liabilities are due for payment. The Government's share of these unpaid claims is approximately \$8,804.

**VILLAGE OF BENTON RIDGE
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

8. CONTINGENT LIABILITIES

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

9. SUBSEQUENT EVENTS

The Village was awarded a \$455,000 grant from the USDA in 2006 for the sewer installation project. The Ohio Public Works Commission has disbursed another \$608,328 in grants for this project. This is in addition to the loans approved by OWDA disclosed in Note 5.

On August 1, 2006, the Village entered into a lease agreement in the amount of \$21,581 for playground equipment. The Village has applied for a park grant for the repayment of this lease.



**Auditor of State
Betty Montgomery**

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

Village of Benton Ridge
Hancock County
100 Main Street, P.O. Box 5
Benton Ridge, Ohio 45816-0005

To the Village Council:

We have audited the financial statements of the Village of Benton Ridge, Hancock County, (the Village) as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated January 2, 2007, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2005-005.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. However, we do not believe the reportable condition described above is a material weakness. In a separate letter to the Village's management dated January 2, 2007, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

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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 an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2005-001 through 2005-004. In a separate letter to the Village's management dated January 2, 2007, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the finance committee, management, and Village Council. It is not intended for anyone other than these specified parties.



Betty Montgomery
Auditor of State

January 2, 2007

VILLAGE OF BENTON RIDGE
HANCOCK COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004

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

FINDING NUMBER 2005-001

Finding for Recovery Repaid Under Audit

The Village's sewer utility records consist of manually prepared ledger sheets for each account within the Village's sewer utility system. Gail Schoonover, Village Clerk/Treasurer is responsible for maintaining the billing and collection records and depositing the sewer utility revenues with the bank. Testing of the individual sewer utility account ledger sheets indicated payments were noted as being made to Gail Schoonover's personal sewer utility account during the period January 2004 through September 2006. However, these payments could not be traced to deposits into the bank, except for one deposit of \$360.00 made on August 31, 2005.

A calculation of the unpaid sewer utility monthly charges including a delinquency charge of ten percent as established by Village of Benton Ridge Ordinance 02-98 for the period of January 1, 2004, through September 30, 2006, amounts to \$1,954.83 less the \$360.00 paid in August 2005 for a net of \$1,594.83 for monies due but not collected.

In accordance with the foregoing facts and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public money due but not collected is hereby issued against Gail Schoonover, and The Cincinnati Insurance Company, her bonding company, jointly and severally, and in favor of the Sewer Capital Project Fund of the Village of Benton Ridge in the total amount of \$1,594.83.

The finding for recovery was repaid on the dates of November 1, 2006, (\$955.91) and December 29, 2006, (\$638.92).

We recommend that monitoring controls be established by the Village Council as outlined in Finding Number 2005-006.

Client Response:

We received no response to this finding.

FINDING NUMBER 2005-002

Finding for Recovery

The Ohio Supreme Court has considered the extent of non-charter municipality's authority to provide by ordinance for the compensation of its employee where such an ordinance is at variance with a statute concerning the same subject. *Northern Ohio Patrolmen's Benevolent Assoc. v. City of Parma*, 61 Ohio St. 2d 375 (1980). In short, the Court states that Ohio Constitution art. XVIII, § 3 is a direct grant of power to all municipalities to exercise local self government, and a non-charter municipality may enact an ordinance governing the salary paid to its employees.

However, Advisory Opinion 93-006, the Ohio Ethics Commission held, in part, that Ohio Revised Code Section 102.03(D) prohibits members of village council from enacting an ordinance granting in in-term increase in compensation for current members of council.

**FINDING NUMBER 2005-002
(continued)**

Village Ordinance 1997-4 sets the salary for members of the Village Council at \$50 per regular meeting attended and \$25 per special meeting attended. In 2003 the Village Council enacted Village Ordinance 0-5-03 establishing that Council members be paid \$75.00 per regular meeting and \$35.00 per special meeting. In 2004 the Village Council enacted Village Ordinance 0-5-04 establishing that Council members be paid \$100.00 per month (including Regular Meetings) and \$75.00 per Special Meeting. Both ordinances included language that the ordinance “shall take effect as soon as permitted by law.”

As stated in the previous paragraphs Council members are not entitled to in-term increases. The following table represents the amount for 2004 and 2005 that each Council member should have been paid and the in-term increase amount each Council member was paid:

<u>Council Member</u>	<u>Year</u>	<u>Regular Meetings Attended</u>	<u>Special Meetings Attended</u>	<u>Amount Due</u>	<u>Amount Paid</u>	<u>Amount Overpaid</u>
Kevin Schoonover	2004	12	2	\$650.00	\$970.00	\$320.00
	2005	12	2	650.00	1,425.00	775.00
Total overpayment				<u>\$1,300.00</u>	<u>\$2,395.00</u>	<u>\$1,095.00</u>
Tonia Anderson	2004	12	1	625.00	935.00	310.00
	2005	12	3	675.00	1,460.00	785.00
Total overpayment				<u>\$1,300.00</u>	<u>\$2,395.00</u>	<u>\$1,095.00</u>
Scott Sterling	2004	12	4	700.00	1,040.00	340.00
	2005	12	2	650.00	1,350.00	700.00
Total overpayment				<u>\$1,350.00</u>	<u>\$2,390.00</u>	<u>\$1,040.00</u>
Robert Schoonover, JR	2004	12	2	650.00	970.00	320.00
	2005	12	1	625.00	1,275.00	650.00
Total overpayment				<u>\$1,275.00</u>	<u>\$2,245.00</u>	<u>\$970.00</u>
Tom Fields	2005	12	3	<u>\$1,005.00</u>	<u>\$1,425.00</u>	<u>\$420.00</u>
Jeanette Walker	2005	12	3	<u>\$1,005.00</u>	<u>\$1,460.00</u>	<u>\$455.00</u>

**FINDING NUMBER 2005-002
(Continued)**

In accordance with the foregoing facts and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Council Members Kevin Schoonover, in the amount of \$1,095.00; Tonia Anderson in the amount of \$1,095.00; Scott Sterling in the amount of \$1,040.00; Robert Schoonover, Jr. in the amount of \$970.00; Tom Fields in the amount of \$420.00; and Jeanette Walker in the amount of \$455.00, for a total amount of \$5,075.00 and in favor of the General Fund of the Village of Benton Ridge.

Kevin Schoobover repaid the Village \$1,095 on January 6, 2007.

Client Response:

We received no responses to this finding.

FINDING NUMBER 2005-003

Noncompliance Citation

Ohio Revised Code § 5705.41(D)(1) states that no subdivision shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Every such contract made without such a certificate shall be void and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

Then and Now Certificate: If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for payment of the amount due. The Village has thirty days from the receipt of the "then and now" certificate to approve payment by resolution or ordinance.

Amounts of less than \$3,000 may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

Blanket Certificate: Fiscal Officers may prepare "blanket" certificates not exceeding amounts (appropriations) as approved by Council via Ordinance or Resolution, or running beyond the current year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

**FINDING NUMBER 2005-003
(Continued)**

Super Blanket Certificate: The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

None of the transactions tested were certified by the Clerk/Treasurer at the time the commitment was incurred, and there was no evidence that the Village followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances. In addition, the Village had \$296,807 and \$2,748 in outstanding purchase commitments as of December 31, 2005 and 2004, respectively, that were not certified at year end. The accompanying budgetary presentations have been adjusted to reflect these amounts as an outstanding encumbrance at year end in the General and Sewer Capital Projects Funds.

Certification is not only required by Ohio law but is a key control in the disbursements process to help assure purchase commitments receive prior approval, and to help reduce the possibility of Village funds being over expended or exceeding budgetary spending limitations as set by the Council. To improve controls over disbursements, we recommend all Village disbursements received prior certification of the Clerk/Treasurer and the Council periodically review the expenditures made to ensure they are within the appropriations adopted by the Council, certified by the Clerk/Treasurer and recorded against appropriations.

Clients Response:

We received no response to this finding.

FINDING NUMBER 2005-004

Noncompliance Citation

Ohio Revised Code § 5705.41(B) prohibits a subdivision from making expenditure unless it has been properly appropriated. Our testing of budgetary compliance at December 31, 2005 and 2004 identified the following funds in which expenditures exceeded appropriations:

Fund	Appropriations	Expenditures	Excess
2005			
General Fund	\$59,612	\$66,827	(\$7,215)
Capital Projects, Sewer Construction Fund	145,883	722,352	(576,469)
2004			
Capital Projects, Sewer Construction Fund	100,645	101,169	(524)

In addition, expenditures exceeded appropriations at the legal level of control (object level) in 16 accounts in 2005 and 11 accounts in 2004 in amounts ranging from \$50 to \$272,413.

Management was advised that the failure to have adequate appropriations in place at the time expenditures are being made could cause expenditures to exceed available resources, resulting in deficit spending practices.

**FINDING NUMBER 2005-004
(Continued)**

The Clerk/Treasurer should not issue checks for expenditures that would exceed appropriations. The Clerk/Treasurer should inform Council of the insufficiency of appropriations, and whether current resources permit an increase to appropriations. Council should determine if they wish to increase appropriations and if needed, obtain an amended certificate of estimated resources.

Clients Response:

We received no response to this finding.

FINDING NUMBER 2005-005

Reportable Condition

Sewer Utility Billings and Collections

Our testing of the sewer utility billings and collections disclosed the following deficiencies:

- Utility billing stubs and utility register are maintained manually. The Utility Register entries are made in pencil and the ledger pages by account show names of utility customers but not addresses for each account, or other identifying account designation.
- Utility billing stubs are sent to each customer with a pre-printed amount due for the billing. There is no customer identification number on the stub. The customer then completes part of the stub and writes the customer name and amount due and returns with payment. The Clerk indicates payment received was by check or cash.
- There is no current delinquency list being maintained.
- No reconciliation is performed between the Utility Register collections and the General Receipts ledger.
- No policy exists for write-offs and the manner that they are to be approved, collected and credited.
- Delinquent accounts are not consistently charged interest, contrary to Ordinance 02-98. Interest is charged at the Clerk-Treasurers discretion. It was noted that interest has not been charged to accounts of several Council members or to customers that are infrequent late payers.
- Payments received on delinquent amounts are credited to the current balance and not applied against delinquencies that were sent to the Village Solicitor for collection.
- It was observed that utility collections consisting of cash and checks are received at the Village hall by dropping the payment through the front door mail slot. These payments lay on the floor until picked up by the Clerk. The payments are then placed in an unlocked change box left on a filing cabinet at the Village hall. Deposits are made only once a month.
- Review of the Utility Register noted that balances at December 31, 2005, were not carried forward to 2006 for some accounts.

The result of these deficiencies is that the Village is not collecting all revenues due which could result in the Village not being able to meet the operational costs or debt liabilities due Village for the utility sewer system. The estimated amount of delinquents for 2004 and 2005 are \$4,627 and \$13,352, respectively. To strengthen controls and accountability over utility collections and ensure that utility receipts are being properly calculated and accounted for, we recommend the following:

**FINDING NUMBER 2005-005
(Continued)**

- Council should consider purchasing utility software to replace the manual system. If Council wishes to maintain the current manual system the following should be performed on the Utility Register:
 - Entries should be in ink.
 - Each ledger sheet should include the name and address of the customer, and an account identification number.
- The Utility Billing stubs should include a pre-printed customer identification number.
- A monthly delinquency list should be maintained.
- A monthly reconciliation should be performed between the Utility Register collections and the General Receipts ledger. The Sewer Committee should review this reconciliation for accuracy and completeness.
- A policy should be implemented for write-offs and the manner that they are to be collected and credited. The Council should approve all write-offs.
- Interest should be charged to all delinquent accounts uniformly. Circumstances for waiving this practice for any account should be brought to Council for approval.
- Payments received on delinquent amounts should be applied to the delinquent balance and not applied to the current balance.
- A secured drop box should be provided by the Village for customers to place their payments. Also, any collections should be deposited timely or locked in the safe at the Village Hall until deposited.
- A review of the Utility Register should be performed and carry forward prior year balances to the current year.

Clients Response:

We received no response to this finding.

**VILLAGE OF BENTON RIDGE
HANCOCK COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2005 AND 2004**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2003-001	ORC § 5705.41(D) (1) requires expenditure to be prior certified.	No	Repeated in this report as finding 2005-003.



Mary Taylor, CPA
Auditor of State

VILLAGE OF BENTON RIDGE

HANCOCK 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
FEBRUARY 15, 2007**