



**VILLAGE OF HELENA
SANDUSKY COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2008



Mary Taylor, CPA
Auditor of State

VILLAGE OF HELENA
SANDUSKY COUNTY

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Mary Taylor, CPA
Auditor of State

Village of Helena
Sandusky County
P.O. Box 85
Helena, Ohio 43435-0085

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 an 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 adverse 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

September 21, 2009

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Helena
Sandusky County
P.O. Box 85
Helena, Ohio 43435-0085

To the Village Council:

We have audited the accompanying financial statements of the Village of Helena, Sandusky County, (the Village) as of and for the years ended December 31, 2008 and 2007. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in 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. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. 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.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following

paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2008 and 2007 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, 2008 and 2007, or its changes in financial position or cash flows, where applicable 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 reserve for encumbrances of the Village of Helena, Sandusky County, as of December 31, 2008 and 2007, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 2009, 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.



Mary Taylor, CPA
Auditor of State

September 21, 2009

**VILLAGE OF HELENA
SANDUSKY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Local Taxes	\$17,627		\$17,627
Intergovernmental	26,002	\$12,432	38,434
Charges for Services	1,251		1,251
Earnings on Investments	7,410	3,406	10,816
Miscellaneous	162		162
	<u>52,452</u>	<u>15,838</u>	<u>68,290</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	3,820		3,820
Public Health Services	130		130
Leisure Time Activities	5,372		5,372
Community Environment	3,987		3,987
Basic Utility Service	15,203		15,203
Transportation		3,849	3,849
General Government	25,568		25,568
	<u>54,080</u>	<u>3,849</u>	<u>57,929</u>
Total Cash Disbursements	<u>54,080</u>	<u>3,849</u>	<u>57,929</u>
Total Receipts Over/(Under) Disbursements	<u>(1,628)</u>	<u>11,989</u>	<u>10,361</u>
Other Financing Disbursements:			
Other Financing Uses	<u>(197)</u>		<u>(197)</u>
Excess of Cash Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(1,825)	11,989	10,164
Fund Cash Balances, January 1	<u>219,805</u>	<u>120,802</u>	<u>340,607</u>
Fund Cash Balances, December 31	<u>\$217,980</u>	<u>\$132,791</u>	<u>\$350,771</u>
Reserve for Encumbrances, December 31	<u><u>\$2,233</u></u>		<u><u>\$2,233</u></u>

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

**VILLAGE OF HELENA
SANDUSKY COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCE - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$28,834
Operating Cash Disbursements:	
Personal Services	6,187
Contractual Services	12,537
Total Operating Cash Disbursements	18,724
Operating Income	10,110
Non-Operating Cash Receipts:	
Earnings on Investments	5
Non-Operating Cash Disbursements:	
Capital Outlay	1,000
Redemption of Principal	7,500
Total Non-Operating Cash Disbursements	8,500
Net Receipts Over Disbursements	1,615
Fund Cash Balance, January 1	11,280
Fund Cash Balance, December 31	\$12,895
Reserve for Encumbrances, December 31	\$1,698

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

**VILLAGE OF HELENA
SANDUSKY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Local Taxes	\$19,164		\$19,164
Intergovernmental	21,273	\$13,392	34,665
Charges for Services	301		301
Earnings on Investments	10,292	4,537	14,829
Miscellaneous	8		8
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	51,038	17,929	68,967
	<hr/>	<hr/>	<hr/>
Cash Disbursements:			
Current:			
Security of Persons and Property	4,567		4,567
Public Health Services	128		128
Leisure Time Activities	1,623		1,623
Community Environment	886		886
Basic Utility Service	14,892		14,892
Transportation		654	654
General Government	23,857		23,857
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	45,953	654	46,607
	<hr/>	<hr/>	<hr/>
Total Receipts Over Disbursements	5,085	17,275	22,360
Fund Cash Balances, January 1	214,720	103,527	318,247
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	<u>\$219,805</u>	<u>\$120,802</u>	<u>\$340,607</u>
Reserve for Encumbrances, December 31	<u>\$2,154</u>		<u>\$2,154</u>

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

**VILLAGE OF HELENA
SANDUSKY COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCE - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$27,455
Operating Cash Disbursements:	
Personal Services	272
Contractual Services	35,076
Total Operating Cash Disbursements	35,348
Operating Loss	(7,893)
Non-Operating Cash Receipts:	
Earnings on Investments	57
Miscellaneous Receipts	51
Total Non-Operating Cash Receipts	108
Non-Operating Cash Disbursements:	
Capital Outlay	100
Redemption of Principal	2,500
Total Non-Operating Cash Disbursements	2,600
Net Disbursements Over Receipts	(10,385)
Fund Cash Balance, January 1	21,665
Fund Cash Balance, December 31	\$11,280
Reserve for Encumbrances, December 31	\$3,300

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

**VILLAGE OF HELENA
SANDUSKY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007**

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 Helena, Sandusky County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides park operations, fire protection, and police services. The Sandusky County Sheriff's department provides security of persons and property. The Village contracts with Helena Community Volunteer Fire Department to receive fire protection services.

The Village's management believes these financial statements present all activities for which the Village is financially accountable.

B. Accounting Basis

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. The Village 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 include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Fund Accounting

The Village uses fund accounting to segregate cash that is 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 private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant special revenue fund:

Street Construction, Maintenance and Repair Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing Village streets.

3. Enterprise Fund

This fund accounts for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or

**VILLAGE OF HELENA
SANDUSKY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

services through user charges. The Village had the following enterprise fund:

Sewer Fund - This fund receives charges for services from residents to cover sewer service costs.

D. 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 level of control, and appropriations may not exceed estimated resources. The 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 2008 and 2007 budgetary activity appears in Note 4.

E. 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.

2. Restatement of Fund Balance

In prior years the Village had included permissive tax held by the County on its financial statements. For 2007 these funds have been appropriately excluded. The effect on the special revenue fund balance as previously reported is as follows:

**VILLAGE OF HELENA
SANDUSKY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

2. Restatement of Fund Balance (Continued)

	Special Revenue
Fund Balance as reported at December 31, 2006	\$113,136
Adjustment for permissive tax	(9,609)
Restated Fund Balance at January 1, 2007	\$103,527

3. Equity in Pooled Deposits

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

	2008	2007
Demand deposits	\$61,903	\$54,797
Certificates of Deposit	301,763	297,090
Total deposits	\$363,666	\$351,887

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

4. Budgetary Activity

Budgetary activity for the years ending December 31, 2008 and 2007 follows:

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$48,198	\$52,452	\$4,254
Special Revenue	15,039	15,838	799
Enterprise	28,052	28,839	787
Total	\$91,289	\$97,129	\$5,840

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$66,837	\$56,510	\$10,327
Special Revenue	17,400	3,849	13,551
Enterprise	36,750	28,922	7,828
Total	\$120,987	\$89,281	\$31,706

**VILLAGE OF HELENA
SANDUSKY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

4. Budgetary Activity (Continued)

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$45,404	\$51,038	\$5,634
Special Revenue	13,820	17,929	4,109
Enterprise	86,288	27,563	(58,725)
Total	\$145,512	\$96,530	(\$48,982)

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$64,201	\$48,107	\$16,094
Special Revenue	17,300	654	16,646
Enterprise	42,950	41,248	1,702
Total	\$124,451	\$90,009	\$34,442

5. Property Tax

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted 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 financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Unpaid sewer fees owed by residents of the Village are included on the tax bills the residents receive from the County.

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.

6. Debt

Debt outstanding at December 31, 2008, was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan #4183	\$17,500	0%
Ohio Water Development Authority Loan #4484	39,788	0%
Total	\$57,288	

The Ohio Water Development Authority (OWDA) loan #4183 relates to a wastewater system project the Ohio Environmental Protection Agency mandated. The OWDA approved \$25,000 in loans to

**VILLAGE OF HELENA
SANDUSKY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

6. Debt (Continued)

the Village for the planning of this project. The Village will repay the loans in annual installments of \$2,500, over 10 years. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Water Development Authority (OWDA) loan #4484 relates to a wastewater system project the Ohio Environmental Protection Agency mandated. The OWDA approved \$50,000 in loans to the Village for the design of this project. The Village will repay the loans in annual installments of \$5,000, over 10 years. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

Amortization of the above debt is scheduled as follows:

Year ending December 31:	OWDA #4183	OWDA #4484
2009	\$2,500	\$5,000
2010	2,500	5,000
2011	2,500	5,000
2012	2,500	5,000
2013	2,500	5,000
2014-2017	5,000	14,788
Total	\$17,500	\$39,788

7. Retirement Systems

The Village's officials belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes the plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2008 and 2007, OPERS members contributed 10 and 9.5%, respectively, of their gross salaries and the Village contributed an amount equaling 14 and 13.85%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2008.

Effective July 1, 1991, all employees not otherwise covered by a state retirement system have an option to choose Social Security or the appropriate state system. As of December 31, 2008, council members and the Mayor have elected Social Security. The Village's liability is 6.2 percent of wages paid.

8. Risk Management

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

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

The Village 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

**VILLAGE OF HELENA
SANDUSKY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

8. Risk Management (Continued)

contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

For an occurrence prior to January 1, 2006 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.

For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage 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 (prior to January 1, 2006) or \$3,000,000 (on or subsequent to January 1, 2006) as noted above.

Property Coverage

Beginning in 2005, APEEP established a risk-sharing property program. Under the program, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. This amount was increased to \$300,000 in 2007. For 2007, APEEP reinsures members for specific losses exceeding \$100,000 up to \$300,000 per occurrence, subject to an annual aggregate loss payment. For 2006, 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 values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000 in 2006, or \$100,000 and \$300,000 in 2007, Travelers will then reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 was \$2,014,548.

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 government.

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

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, 2007 and 2006 (the latest information available):

**VILLAGE OF HELENA
SANDUSKY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

8. Risk Management (Continued)

	<u>2007</u>	<u>2006</u>
Assets	\$37,560,071	\$36,123,194
Liabilities	<u>(17,340,825)</u>	<u>(16,738,904)</u>
Net Assets	<u>\$20,219,246</u>	<u>\$19,384,290</u>

At December 31, 2007 and 2006, respectively, the liabilities above include approximately \$15.9 million and \$15.0 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$15.0 million and \$14.4 million of unpaid claims to be billed to approximately 443 member governments in the future, as of December 31, 2007 and 2006, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Village's share of these unpaid claims collectible in future years is approximately \$5,000. This payable includes the subsequent year's contribution due if the Village terminates participation, as described in the last paragraph below.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

<u>Contributions to PEP</u>	
2007	\$3,855
2008	\$4,550

After completing one year of membership, members may withdraw on each anniversary of the date they joined PEP provided they 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 contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

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Mary Taylor, CPA

Auditor of State

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

Village of Helena
Sandusky County
P.O. Box 85
Helena, Ohio 43435-0085

To the Village Council:

We have audited the financial statements of the Village of Helena, Sandusky County, (the Village) as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated September 21, 2009, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. 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 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

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.

We consider findings 2008-001 and 2008-002 described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting.

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. However, we believe the significant deficiencies described above are also material weaknesses.

We also noted certain internal control matters that we reported to the Village's management in a separate letter dated September 21, 2009.

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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain noncompliance matters that we reported to the Village's management in a separate letter dated September 21, 2009.

We intend this report solely 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.



Mary Taylor, CPA
Auditor of State

September 21, 2009

**VILLAGE OF HELENA
SANDUSKY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2008 AND 2007**

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

FINDING NUMBER 2008-001

Material Weakness

Financial Reporting

Errors were noted in the financial statements that required audit adjustments. In fiscal year 2008, personal property reimbursement (HB66) and personal property exemption monies received from the State were posted as taxes instead of intergovernmental revenues (General Fund \$707). The Kilowatt reimbursement was also posted as taxes instead of intergovernmental revenues (General Fund \$833). Homestead and Rollback were posted as Gasoline Tax in the Street Construction, Maintenance, Repair Fund (\$2,648); State Highway Fund (\$215) instead of the General Fund (\$2,863). One Local Government revenue was classified as Motor Vehicle License Tax from the County Auditor which caused it to be posted to the Street Construction, Maintenance, Repair Fund (\$1,122); and the State Highway Fund (\$91) instead of the General Fund (\$1,213). Not all revenues for Motor Vehicle License Tax and Gasoline Tax were properly distributed between the Street Construction, Maintenance, Repair Fund and the State Highway Fund; more being posted into the State Highway fund (\$1,152). Interest was overstated by \$2,921, investments were understated by \$1,669 and there was a loss on an investment of \$197. Also, a check for \$1,000 was marked as cleared when it was still outstanding at year-end.

In fiscal year 2007, personal property reimbursement (HB66) and personal property exemption monies received from the State were posted as taxes instead of intergovernmental revenues (General Fund \$553). The Kilowatt reimbursement was also posted as taxes instead of intergovernmental revenues (General Fund \$787). Not all revenues for Motor Vehicle License Tax and Gasoline Tax were properly distributed between the Street Construction, Maintenance, Repair Fund and the State Highway Fund; more being posted into the State Highway Fund (\$639). One Gasoline Tax receipt was never posted (\$277). A Local Government receipt for \$1,294.41 was incorrectly posted as \$129.41 resulting in a variance of \$1,165 that was never posted. On all the monthly reconciliations, except for December, there was an adjustment amount noted as the system investments being greater/less than the bank investments. Interest was understated by \$2,345 and investments were understated by \$3,787.

The necessary adjustments and reclassifications were posted to the financial statements and the Village's accounting records for the items noted above.

Sound financial reporting is the responsibility of the Clerk/Treasurer and Council and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

To ensure the Village's financial statements and notes to the statements are complete and accurate, the Village should adopt policies and procedures, including a final review of the statements and notes by the Clerk/Treasurer and Council, to identify and correct errors and omissions.

FINDING NUMBER 2008-002

Material Weakness

Reconciliations

The Village has several certificates of deposits. The Clerk/Treasurer is unfamiliar with the UAN Investment program and therefore several mistakes were made including not selecting the reinvestment option when entering interest. When the records did not reconcile the Clerk/Treasurer mistakenly adjusted interest in order to reconcile. This resulted in the value of four of the seventeen CDs in 2008 being understated by \$1,669 (General Fund \$1,606; Street Construction Fund \$63) and twelve of the sixteen CDs in 2007 being understated by \$3,787 (General Fund \$2,176; Street Construction Fund \$1,611). As noted in Finding Number 2008-001, the interest earned was not recorded correctly resulting in an overstatement in 2008 of \$2,921 (General Fund \$2,016; Special Revenue Fund \$905) and an understatement in 2007 by \$2,345 (General Fund \$1,618; Special Revenue Fund \$727). In addition, one Gasoline Tax receipt was never posted (General Fund \$277) and a Local Government receipt for \$1,294.41 was incorrectly posted as \$129.41 a variance of \$1,165 never posted (General Fund).

The necessary adjustments and reclassifications were posted to the financial statements and the Village's accounting records for the items noted above.

We recommend the Clerk/Treasurer and Council review the bank reconciliation and the investment summary to identify and correct errors and omissions and not assume all errors have to do with the interest posted or not posted to the UAN system.

Officials' Response:

We did not receive a response from Officials to the findings reported above.



Mary Taylor, CPA
Auditor of State

VILLAGE OF HELENA

SANDUSKY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
OCTOBER 13, 2009**