



Dave Yost • Auditor of State



VILLAGE OF BOTKINS  
SHELBY 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, 2010.....	5
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, 2010.....	6
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2009.....	7
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, 2009.....	8
Notes to the Financial Statements .....	9
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	17
Schedule of Findings.....	19
Schedule of Prior Audit Findings.....	21

**This page intentionally left blank.**



# Dave Yost • Auditor of State

Village of Botkins  
Shelby County  
110 West Main Street  
Botkins, Ohio 45306

To the Members of 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.

A handwritten signature in black ink that reads "Dave Yost".

**Dave Yost**  
Auditor of State

May 10, 2011

**This page intentionally left blank.**



# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Village of Botkins  
Shelby County  
110 West Main Street  
Botkins, Ohio 45306

To the Members of Council:

We have audited the accompanying financial statements of the Village of Botkins, Shelby County, (the Village) as of and for the years ended December 31, 2010 and 2009. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe 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, 2010 and 2009 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2010 and 2009, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Botkins, Shelby County, as of December 31, 2010 and 2009, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 10, 2011, 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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

May 10, 2011



**VILLAGE OF BOTKINS  
SHELBY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Governmental Fund Types</u>				<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>					
Property and Local Taxes	\$36,802				\$36,802
Municipal Income Tax	402,927			\$216,960	619,887
Intergovernmental	134,180	\$74,650		73,868	282,698
Charges for Services	38,689				38,689
Fines, Licenses and Permits	10,318	200			10,518
Earnings on Investments	12,171	323			12,494
Miscellaneous	46,685	721			47,406
<b>Total Cash Receipts</b>	<u>681,772</u>	<u>75,894</u>		<u>290,828</u>	<u>1,048,494</u>
<b>Cash Disbursements:</b>					
<b>Current:</b>					
Security of Persons and Property	207,085	124			207,209
Public Health Services	5,882				5,882
Leisure Time Activities	39,795				39,795
Community Environment	651				651
Transportation		61,777			61,777
General Government	268,898				268,898
<b>Debt Service:</b>					
Redemption of Principal			\$8,650		8,650
Interest and Fiscal Charges			6,000		6,000
Capital Outlay	58,882			305,085	363,967
<b>Total Cash Disbursements</b>	<u>581,193</u>	<u>61,901</u>	<u>14,650</u>	<u>305,085</u>	<u>962,829</u>
<b>Total Receipts Over/(Under) Disbursements</b>	<u>100,579</u>	<u>13,993</u>	<u>(14,650)</u>	<u>(14,257)</u>	<u>85,665</u>
<b>Other Financing Receipts / (Disbursements):</b>					
Sale of Fixed Assets				49	49
Transfers-In			14,650		14,650
Transfers-Out	(14,650)				(14,650)
Other Financing Uses				(8,692)	(8,692)
<b>Total Other Financing Receipts / (Disbursements)</b>	<u>(14,650)</u>		<u>14,650</u>	<u>(8,643)</u>	<u>(8,643)</u>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	85,929	13,993		(22,900)	77,022
<b>Fund Cash Balances, January 1</b>	<u>191,885</u>	<u>41,678</u>	<u>99</u>	<u>404,751</u>	<u>638,413</u>
<b>Fund Cash Balances, December 31</b>	<u>\$277,814</u>	<u>\$55,671</u>	<u>\$99</u>	<u>\$381,851</u>	<u>\$715,435</u>

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

**VILLAGE OF BOTKINS  
SHELBY 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, 2010**

	Proprietary Fund Types	Fiduciary Fund Types	Totals (Memorandum Only)
	Enterprise	Private Purpose Trust	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$483,013		\$483,013
Earnings on Investments		\$515	
Miscellaneous	1,134		1,134
Total Operating Cash Receipts	<u>484,147</u>	<u>515</u>	<u>484,662</u>
<b>Operating Cash Disbursements:</b>			
Personal Services	78,084		78,084
Contractual Services	50,811		50,811
Supplies and Materials	115,689	481	116,170
Capital Outlay	433,662		433,662
Total Operating Cash Disbursements	<u>678,246</u>	<u>481</u>	<u>678,727</u>
Operating Income	<u>(194,099)</u>	<u>34</u>	<u>(194,065)</u>
<b>Non-Operating Cash Receipts / Disbursements:</b>			
Other Debt Proceeds	404,068		404,068
Redemption of Principal	(40,714)		(40,714)
Interest and Other Fiscal Charges	(12,033)		(12,033)
Total Non-Operating Cash Receipts / (Disbursements)	<u>351,321</u>		<u>351,321</u>
Net Receipts Over Disbursements	157,222	34	157,256
Fund Cash Balances, January 1	<u>907,529</u>	<u>17,788</u>	<u>925,317</u>
Fund Cash Balances, December 31	<u>\$1,064,751</u>	<u>\$17,822</u>	<u>\$1,082,573</u>

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

**VILLAGE OF BOTKINS  
SHELBY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Governmental Fund Types</u>				<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>					
Property and Local Taxes	\$36,656				\$36,656
Municipal Income Tax	309,538			\$166,675	476,213
Intergovernmental	80,294	\$74,500			154,794
Charges for Services	37,563				37,563
Fines, Licenses and Permits	8,910	135			9,045
Earnings on Investments	27,219	778			27,997
Miscellaneous	53,982	1,249		25,000	80,231
Total Cash Receipts	<u>554,162</u>	<u>76,662</u>		<u>191,675</u>	<u>822,499</u>
<b>Cash Disbursements:</b>					
<b>Current:</b>					
Security of Persons and Property	202,843	1,167			204,010
Public Health Services	6,632				6,632
Leisure Time Activities	51,350				51,350
Community Environment	836				836
Transportation		68,286			68,286
General Government	299,320				299,320
<b>Debt Service:</b>					
Interest and Fiscal Charges			\$6,000		6,000
Capital Outlay	7,749	8,730		360,936	377,415
Total Cash Disbursements	<u>568,730</u>	<u>78,183</u>	<u>6,000</u>	<u>360,936</u>	<u>1,013,849</u>
Total Receipts (Under) Disbursements	<u>(14,568)</u>	<u>(1,521)</u>	<u>(6,000)</u>	<u>(169,261)</u>	<u>(191,350)</u>
<b>Other Financing Receipts / (Disbursements):</b>					
Sale of Fixed Assets	38,102			2,201	40,303
Transfers-In	4,035		6,000		10,035
Transfers-Out	(6,000)	(4,035)			(10,035)
Other Financing Uses	(4,102)			(15,149)	(19,251)
Total Other Financing Receipts / (Disbursements)	<u>32,035</u>	<u>(4,035)</u>	<u>6,000</u>	<u>(12,948)</u>	<u>21,052</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	17,467	(5,556)		(182,209)	(170,298)
Fund Cash Balances, January 1	<u>174,418</u>	<u>47,234</u>	<u>99</u>	<u>586,960</u>	<u>808,711</u>
Fund Cash Balances, December 31	<u>\$191,885</u>	<u>\$41,678</u>	<u>\$99</u>	<u>\$404,751</u>	<u>\$638,413</u>

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

**VILLAGE OF BOTKINS  
SHELBY 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, 2009**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Private Purpose Trust</u>	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$481,664		\$481,664
Earnings on Investments		\$521	
Miscellaneous	1,636		1,636
Total Operating Cash Receipts	<u>483,300</u>	<u>521</u>	<u>483,821</u>
<b>Operating Cash Disbursements:</b>			
Personal Services	84,738		84,738
Contractual Services	55,313		55,313
Supplies and Materials	119,158	1,073	120,231
Capital Outlay	27,689		27,689
Total Operating Cash Disbursements	<u>286,898</u>	<u>1,073</u>	<u>287,971</u>
Operating Income/(Loss)	<u>196,402</u>	<u>(552)</u>	<u>195,850</u>
<b>Non-Operating Cash Disbursements:</b>			
Redemption of Principal	42,233		42,233
Interest and Other Fiscal Charges	19,563		19,563
Total Non-Operating Cash Disbursements	<u>61,796</u>		<u>61,796</u>
Net Receipts Over/(Under) Disbursements	134,606	(552)	134,054
Fund Cash Balances, January 1	<u>772,923</u>	<u>18,340</u>	<u>791,263</u>
Fund Cash Balances, December 31	<u>\$907,529</u>	<u>\$17,788</u>	<u>\$925,317</u>

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

**VILLAGE OF BOTKINS  
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009**

**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 Botkins, Shelby County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides general governmental services including public safety, street maintenance, park operations and water and sewer facilities.

The Village participates in the Public Entities Pool of Ohio (PEP), a risk sharing pool available to Ohio local governments. Note 8 to the financial statements provides additional information for this entity.

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. Deposits and Investments**

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

The Village maintains three checking accounts, a money market account and certificates of deposit all of which are valued at cost. The Village has no investments.

**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**

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.

**VILLAGE OF BOTKINS  
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The Village had 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.

**3. Debt Service Funds**

These funds account for resources the Village accumulates to pay bond and note debt. The Village had the following significant Debt Service Fund:

**Water Tower Loan Fund (OWDA)** - This fund is responsible for paying the debt from a loan used for a water tower construction project.

**4. 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:

**Capital Improvement Fund** – This fund receives a share of income tax receipts to pay for various needed improvements and new equipment.

**5. 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 Funds:

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

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

**Wastewater Plant Construction Fund** - This fund received monies from a Ohio Public Works Commission loan for the renovation and update of the wastewater plant

**Wastewater Plant Construction Design Fund** – This fund received monies from an Ohio Public Works Commission loan for the design of the wastewater plant.

**6. Fiduciary Funds**

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs.

**Library Funds** – The private purpose trust funds are maintained for the benefit of the Village of Botkins Library.

**VILLAGE OF BOTKINS  
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

**2. Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must also approve estimated resources.

**3. Encumbrances**

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and re-appropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law.

A summary of 2010 and 2009 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.

**G. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

**2. EQUITY IN POOLED DEPOSITS**

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

	<u>2010</u>	<u>2009</u>
Demand deposits	\$ 197,951	\$ 38,666
Certificates of deposit	20,000	20,000
Money market savings	1,580,057	1,505,064
Total deposits	<u>\$1,798,008</u>	<u>\$1,563,730</u>

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

**VILLAGE OF BOTKINS  
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**3. BUDGETARY ACTIVITY**

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

**2010 Budgeted vs. Actual Receipts**

<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$ 504,750	\$ 681,772	\$177,022
Special Revenue	67,052	75,894	8,842
Debt Service	14,650	14,650	
Capital Projects	248,868	290,877	42,009
Enterprise	850,778	888,215	37,437
Fiduciary	175	515	340
Total	<u>\$1,686,273</u>	<u>\$1,951,923</u>	<u>\$265,650</u>

**2010 Budgeted vs. Actual Budgetary Basis Expenditures**

<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$ 696,635	\$ 595,843	\$ 100,792
Special Revenue	108,729	61,901	46,828
Debt Service	14,749	14,650	99
Capital Projects	653,619	313,777	339,842
Enterprise	1,758,307	730,993	1,027,314
Fiduciary	17,963	481	17,482
Total	<u>\$3,250,002</u>	<u>\$1,717,645</u>	<u>\$1,532,357</u>

**2009 Budgeted vs. Actual Receipts**

<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$ 445,350	\$ 596,299	\$150,949
Special Revenue	64,210	76,662	12,452
Debt Service	6,000	6,000	
Capital Projects	140,000	193,876	53,876
Enterprise	385,400	483,300	97,900
Fiduciary	250	521	271
Total	<u>\$1,041,210</u>	<u>\$1,356,658</u>	<u>\$315,448</u>

**2009 Budgeted vs. Actual Budgetary Basis Expenditures**

<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$ 619,767	\$ 578,832	\$ 40,935
Special Revenue	111,444	82,218	29,226
Debt Service	6,099	6,000	99
Capital Projects	726,962	376,085	350,877
Enterprise	1,158,322	348,694	809,628
Fiduciary	18,590	1,073	17,517
Total	<u>\$2,641,184</u>	<u>\$1,392,902</u>	<u>\$1,248,282</u>



**VILLAGE OF BOTKINS  
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**4. 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.

Public utilities are also taxed on personal and real property located within the Village.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

**5. LOCAL INCOME TAX**

The Village levies a municipal income tax of 1.5% on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually. The Village has a contract with the City of St Marys to collect income tax on behalf the Village.

**6. DEBT**

Debt outstanding at December 31, 2010 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Department Authority Note - Water Treatment Plant	\$401,771	2.84%
Ohio Water Department Authority Note - Water Tower	191,358	3.00%
Ohio Water Development Authority Loan - Wastewater Treatment Plant Updates	<u>392,518</u>	0.00%
Total	<u>\$583,876</u>	

The Ohio Water Development Authority – Water Treatment Plant Note is a 15 year note requiring semi-annual payments of principal and interest of \$20,599. The original note was for \$500,347 at 2.84% and the first payment was due January 1, 2008. The proceeds of this note were used for water treatment plant improvements. This note is being paid by user charges from the Water Fund.

The Ohio Water Development Authority – Water Tower Note is a 15 year note requiring semi-annual payments of interest only of \$3,000 for the first 5 years and then semi-annual payments of principal and interest in the amount of \$11,650 thereafter. The original note was for \$200,007 with the first payment due January 1, 2006. The proceeds of this loan were used for water tower construction. This note is being paid with transfers from the General Fund to the Debt Service Fund.

**VILLAGE OF BOTKINS  
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**6. DEBT (Continued)**

The Ohio Water Development Authority Design and Construction Loan is an interest free loan which builds in amount as the project progresses. The original loan related to the design phase was for a 5 year term at 0% interest rate and was received by the Village in fiscal year 2010 in the amount of \$109,282. The first payment on this loan was due on 7-1-2010 and after the initial payment of \$11,550 the remaining balance of this loan was rolled into the Construction Loan. The Construction Loan is for a 20 year period at 0% interest rate and the first payment is tentatively scheduled for 7-1-2012. Costs accumulated to date (December 31, 2010), including the amount rolled over from the design phase of the project totaled \$392,518. The original total projected costs of the project was \$1,472,202. Amortization of the future debt payments on the debt will be determined when all costs have been incurred and the full amount of the loan is determinable.

Amortization of the above debt, including interest, is scheduled as follows:

<u>Year ending December 31:</u>	<u>OWDA Loan- WTP</u>	<u>OWDA Loan – ater Tower</u>	<u>Total</u>
2011	\$ 41,198	\$ 23,300	\$ 64,498
2012	41,198	23,300	64,498
2013	41,198	23,300	64,498
2014	41,198	23,300	64,498
2015	41,198	23,300	64,498
2016-2020	205,985	104,846	310,831
2021-2025	61,796		61,796
Total	<u>\$473,771</u>	<u>\$221,346</u>	<u>\$695,117</u>

**7. RETIREMENT SYSTEMS**

The Village's employees, excluding full-time law enforcement officers, belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple employer plan. The Ohio Revised Code prescribes the plan's retirement benefits, including postretirement healthcare and survivor and disability benefits. The Village's full-time uniformed police employees participate in the Ohio Police and Fire Pension Funds (OP&F) which is a multi-employer cost sharing public employees' retirement system. 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. For 2010 and 2009, OP&F participants contributed 10% of their wages. For 2010 and 2009, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2010 and 2009, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2010.

**VILLAGE OF BOTKINS  
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**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. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. 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 and Property Coverage**

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2009, PEP retained \$350,000 for casualty claims and \$150,000 for property claims.

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

**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, 2009 and 2008(the latest information available):

	<u>2009</u>	<u>2008</u>
Assets	\$36,374,898	\$35,769,535
Liabilities	<u>(15,256,862)</u>	<u>(15,310,206)</u>
Net Assets	<u>\$21,118,036</u>	<u>\$20,459,329</u>

At December 31, 2009 and 2008, respectively, the liabilities above include approximately \$14.1 million and \$13.7 million of estimated incurred claims payable. The assets above also include approximately \$13.7 million and \$12.9 million of unpaid claims to be billed to approximately 447 member governments in the future, as of December 31, 2009 and 2008, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2010, the Village's share of these unpaid claims collectible in future years is approximately \$15,000.

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.

**VILLAGE OF BOTKINS  
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**8. RISK MANAGEMENT (Continued)**

<b>Contributions to PEP</b>	
<b>2010</b>	<b>2009</b>
\$16,099.60	\$22,763.27

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP.

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.

**9. SUBSEQUENT EVENTS**

On January 29, 2008, the Village was awarded a grant for the "Streetscape Project". Initial estimated costs for the project was \$569,000 with the grant covering \$455,200 (the Village is responsible for the remainder). On February 10, 2009, the Village entered into an agreement for engineering services for this project. The actual project won't take place until 2011.

**10. RELATED PARTY TRANSACTIONS**

In 2009 the Village paid Brown Industrial, which is partially owned by Council Member Craig Brown, \$32,279 to convert a truck chassis into a snow plow.

During 2010 and 2009, the Village purchased \$2,676.09 and \$8,747.67, respectively, of services from Botkins Electric. Council Member Steven Hueker is a corporate officer at this business.

In 2010 the Village paid Council Member Nick Greve \$1,560 to update the Village web site.



# Dave Yost • 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 Botkins  
Shelby County  
P.O. Box 190  
Botkins, Ohio 45306

To the Members of Council:

We have audited the financial statements of the Village of Botkins, Shelby County, (the Village) as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated May 10, 2011 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 as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2010-01 described in the accompanying schedule of findings to be a material weakness.

### Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2010-02.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated May 10, 2011.

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost  
Auditor of State

May 10, 2011

VILLAGE OF BOTKINS  
SHELBY COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2010 AND 2009

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

FINDING NUMBER 2010-01

**Material Weakness**

**Accuracy of Financial Reporting**

The Village should have procedures and controls in place to help assure that all financial transactions are correctly recorded in the accounting records and financial statements to assist in reporting of financial activity and effective management of resources.

The following classification errors were noted:

<u>Fund Type</u>	<u>Year</u>	<u>Amount</u>	<u>Village Classification</u>	<u>Ohio Village Officer's Handbook</u>
General Fund	2010	\$15,857	Property and Local Taxes	Intergovernmental
General Fund	2010	7,621	Property and Local Taxes	Fines, Licenses, and Permits
Capital Projects	2010	404,068	Intergovernmental	Other Debt Proceeds
General	2009	38,102	Miscellaneous	Sale of Fixed Assets
General Fund	2009	15,919	Property and Local Taxes	Intergovernmental
General Fund	2009	6,464	Property and Local Taxes	Fines, Licenses, and Permits
Special Revenue	2009	4,035	Community Environment	Transfers Out

The accompanying financial statements have been adjusted to correctly classify these receipts.

Additionally, in 2010 the Village established a Capital Projects Fund to account for the receipts and related disbursements from an Ohio Water Development Authority Loan for water system improvements as Governmental Capital Projects Fund instead of an Enterprise Capital Projects Fund.

The accompanying financial statements and accounting records have been adjusted to reflect this Capital Projects Fund as an Enterprise Fund.

The failure to correctly classify financial activity in the accounting records and financial statements may impact a user's understanding of the financial operations, the Village's ability to make sound financial decisions, the Village's ability to comply with budgetary laws, and may result in the material misstatement of the financial statements. In addition, such undetected errors may result in irregularities not being detected in a timely manner by the Members of Council.

The Clerk/Treasurer should review the Ohio Village Officer's Handbook, Auditor of State Bulletins, and other resources for guidance in correctly classifying receipts and funds. Periodically, the Members of Council should perform a review of the accounting records to help identify errors and/or irregularities in a timely manner and prior to completion of the annual financial statements.

**FINDING NUMBER 2010-02**

**Noncompliance Citation**

**Ohio Rev. Code Section 5705.41(D)** prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

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.

- a) **"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 taxing authority can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution 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.
- b) **Blanket certificate** – Fiscal officers may prepare "blanket" certificates not exceeding an amount established by resolution or ordinance adopted by the legislative authority against any specific line item account over a period not exceeding three months 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.
- c) **Super Blanket certificate** – The taxing authority 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 one line item appropriation.

The Village did not timely prepare certificates for thirty-eight the sixty (63%) tested expenditures, and none of the purchase orders were signed by the Fiscal Officer.

Unless the exceptions noted above are used, prior certificate is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village funds exceeding budgetary spending limitations, the Clerk/Treasurer should certify that the funds are or will be available prior to the obligation by the Village, if appropriate. When prior certification is not possible, "then and now" certification should be used. Finally, all certificates should be signed by the Clerk/Treasurer upon completion.

**OFFICIALS' RESPONSE:** We did not receive a response from Officials to the findings reported above.



**VILLAGE OF BOTKINS  
SHELBY COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2008-001	Ohio Rev. Code Section 5705.41(D) – failed to properly certify expenditures	No	Repeat as 2010-02
2008-002	Ohio Rev. Code Section 5805.38(A) Appropriations were not approved at the correct legal level	Yes	

**This Page is Intentionally Left Blank.**



# Dave Yost • Auditor of State

VILLAGE OF BOTKINS

SHELBY 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  
JUNE 23, 2011