



**Auditor of State
Betty Montgomery**

VILLAGE OF BOTKINS
SHELBY COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Village of Botkins
Shelby County
210 South Mill Street
P.O. Box 190
Botkins, Ohio 45306

To the Village Mayor and 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, 2002 and 2001. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

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 the Village as of December 31, 2002 and 2001, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 13, 2003, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Village of Botkins
Shelby County
Independent Accountants' Report
Page 2

This report is intended solely for the information and use of the audit committee, management, Village Council, and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

August 13, 2003

**VILLAGE OF BOTKINS
SHELBY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>				<u>Fiduciary Fund Type</u>	Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
Cash Receipts:						
Property Tax and Other Local Taxes	\$315,982			\$196,650		\$512,632
Special Assessments	4,054		\$71,331			75,385
Intergovernmental Receipts	84,698	\$55,777		84,567		225,042
Charges for Services	30,542					30,542
Fines, Licenses, and Permits	2,451	1,313				3,764
Earnings on Investments	9,898	779				10,677
Miscellaneous	44,793				\$10,309	55,102
Total Cash Receipts	492,418	57,869	71,331	281,217	10,309	913,144
Cash Disbursements:						
Current:						
Security of Persons and Property	171,822	1,269				173,091
Public Health Services	4,351					4,351
Leisure Time Activities	35,249					35,249
Community Environment	996				240	1,236
Basic Utility Services	4,752					4,752
Transportation		41,487				41,487
General Government	254,973					254,973
Debt Service:						
Principal Payments			58,365			58,365
Interest Payments			9,438			9,438
Financing and Other Debt-Service Related			3,397	328		3,725
Capital Outlay	19,645	25,831		313,024		358,500
Total Cash Disbursements	491,788	68,587	71,200	313,352	240	945,167
Total Receipts Over/(Under) Disbursements	630	(10,718)	131	(32,135)	10,069	(32,023)
Other Financing Receipts and (Disbursements):						
Sale of Assets				175		175
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	630	(10,718)	131	(31,960)	10,069	(31,848)
Fund Cash Balances, January 1	158,766	53,293	2,263	140,583	10,100	365,005
Fund Cash Balances, December 31	\$159,396	\$42,575	\$2,394	\$108,623	\$20,169	\$333,157
Reserves for Encumbrances, December 31				\$10,018		\$10,018

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 - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2002

	<u>Enterprise Funds</u>
Operating Cash Receipts:	
Charges for Services	<u>\$229,298</u>
Total Operating Cash Receipts	<u>229,298</u>
Operating Cash Disbursements:	
Personal Services	52,156
Contractual Services	28,333
Supplies and Materials	81,007
Capital Outlay	<u>9,507</u>
Total Operating Cash Disbursements	<u>171,003</u>
Operating Income/(Loss)	58,295
Fund Cash Balances, January 1	<u>205,789</u>
Fund Cash Balances, December 31	<u><u>\$264,084</u></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 AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>			<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>	
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>		<u>Expendable Trust</u>
Cash Receipts:						
Property Tax and Other Local Taxes	\$333,406			\$219,450		\$552,856
Special Assessments	4,236			7,233		11,469
Intergovernmental Receipts	99,687	\$78,799	\$74,680	150,964		404,130
Charges for Services	29,652					29,652
Fines, Licenses, and Permits	3,865					3,865
Earnings on Investments	35,088	428			\$381	35,897
Miscellaneous	41,871	1,466				43,337
Total Cash Receipts	547,805	80,693	74,680	377,647	381	1,081,206
Cash Disbursements:						
Current:						
Security of Persons and Property	179,462	941				180,403
Public Health Services	4,342					4,342
Leisure Time Activities	44,951					44,951
Community Environment	536					536
Basic Utility Services	2,990					2,990
Transportation		47,726				47,726
General Government	253,326					253,326
Debt Service:						
Principal Payments			58,365			58,365
Interest Payments			12,584			12,584
Financing and Other Debt-Service Related			3,556			3,556
Capital Outlay	102,979	36,435		536,441		675,855
Total Cash Disbursements	588,586	85,102	74,505	536,441		1,284,634
Total Receipts Over/(Under) Disbursements	(40,781)	(4,409)	175	(158,794)	381	(203,428)
Other Financing Receipts and (Disbursements):						
Transfers-In				50,041		50,041
Transfers-Out	(50,041)					(50,041)
Total Other Financing Receipts/(Disbursements)	(50,041)			50,041		
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(90,822)	(4,409)	175	(108,753)	381	(203,428)
Fund Cash Balances, January 1	249,588	57,702	2,088	249,336	9,719	568,433
Fund Cash Balances, December 31	\$158,766	\$53,293	\$2,263	\$140,583	\$10,100	\$365,005
Reserves for Encumbrances, December 31	\$17,641	\$0	\$0	\$0	\$0	\$17,641

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 - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2001**

	Enterprise Funds
Operating Cash Receipts:	
Charges for Services	\$202,322
Total Operating Cash Receipts	202,322
Operating Cash Disbursements:	
Personal Services	49,828
Contractual Services	27,665
Supplies and Materials	78,497
Capital Outlay	24,922
Total Operating Cash Disbursements	180,912
Operating Income/(Loss)	21,410
Non-Operating Cash Receipts:	
Other Non-Operating Receipts	1,000
Total Non-Operating Cash Receipts	1,000
Net Receipts Over/(Under) Disbursements	22,410
Fund Cash Balances, January 1	183,379
Fund Cash Balances, December 31	\$205,789

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, 2002 AND 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Botkins, Shelby County, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general government services, including water and sewer utilities, park operations (leisure time activities), and police services.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

C. Cash and Investments

The Village invests in certificates of deposit and an overnight repurchase agreement which are valued at cost.

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 is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Fund

These funds are used to 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 Construction, Maintenance and Repair Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village streets.

State Highway Improvement Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village streets.

**VILLAGE OF BOTKINS
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Debt Service Fund

These funds are used to accumulate resources for the payment of bonds and note indebtedness. The Village had the following significant debt service funds:

Special Assessment Bond Fund – This bond fund was established to provide for the construction of water and sewer lines. This fund receives assessments against property owners.

4. Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project funds:

Capital Improvement Fund - This fund receives proceeds from the income tax levy. The proceeds are being used for capital projects and improvements and purchase of new equipment.

Fire Capital Improvement Fund - This fund receives transfers from the General Fund for the purchase of new equipment for the fire department.

Issue II Fund - This fund receives Issue II funds from the State for qualifying capital projects and improvements in the Village.

5. Enterprise Funds

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

Water Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

Sewer Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

6. Fiduciary Funds (Trust Funds)

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. Other trust funds are classified as expendable. Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant fiduciary funds:

Library Fund – This expendable trust fund receives donations to be used for the Village of Botkins Library.

Louise Sheets Fund – This expendable trust fund received a donation to be used for the Village of Botkins Library.

**VILLAGE OF BOTKINS
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(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 level of control, and appropriations may not exceed estimated resources. The 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 commitments are made. Encumbrances outstanding at year end are carried over and need not be reappropriated.

The Village did not encumber all commitments required by Ohio Rev. Code Section 5705.41(D). The budgetary presentations have been adjusted to include material items that should have been encumbered.

A summary of 2002 and 2001 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

**VILLAGE OF BOTKINS
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2002	2001
Demand deposits	(\$1,472)	\$160,794
Certificates of deposit	320,000	410,000
Total deposits	318,528	570,794
Overnight repurchase agreement	278,713	
Total investments	278,713	
Total deposits and investments	\$597,241	\$570,794

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2002 and 2001 follows:

2002 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$714,035	\$492,418	(\$221,617)
Special Revenue	53,108	57,869	4,761
Debt Service	71,305	71,331	26
Capital Projects	281,392	281,392	0
Enterprise	180,000	229,298	49,298
Fiduciary	196	10,309	10,113
Total	\$1,300,036	\$1,142,617	(\$157,419)

2002 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$756,550	\$491,788	\$264,762
Special Revenue	104,716	68,587	36,129
Debt Service	73,568	71,200	2,368
Capital Projects	421,974	323,370	98,604
Enterprise	385,789	171,003	214,786
Fiduciary	9,846	240	9,606
Total	\$1,752,443	\$1,126,188	\$626,255

**VILLAGE OF BOTKINS
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$746,646	\$547,805	(\$198,841)
Special Revenue	75,778	80,693	4,915
Debt Service	74,350	74,680	330
Capital Projects	427,688	427,688	0
Enterprise	176,000	203,322	27,322
Fiduciary	375	381	6
Total	\$1,500,837	\$1,334,569	(\$166,268)

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$995,068	\$656,268	\$338,800
Special Revenue	134,646	85,102	49,544
Debt Service	76,438	74,505	1,933
Capital Projects	677,023	536,441	140,582
Enterprise	359,378	180,912	178,466
Fiduciary	10,094	10,094	0
Total	\$2,252,647	\$1,533,228	\$719,419

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due the following June 20.

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

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

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

**VILLAGE OF BOTKINS
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

5. LOCAL INCOME TAX

The Village levies a municipal income tax of one and a half percent 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.

6. DEBT

Debt outstanding at December 31, 2002 was as follows:

	Principal	Interest Rate
Special Assessment Bonds	\$116,731	5.00%

Special Assessment bonds consist of water and sewer improvement issues. These bonds are direct obligations of the Village of Botkins and its full faith, credit and resources are pledged and are payable from taxes levied on all taxable property in the Village. The bonds are being repaid with assessments against the benefiting property owners.

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

	Special Assessment Bonds
Year ending December 31:	
2003	64,657
2004	61,511
Total	\$126,168

7. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. OP&F and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2002 and 2001, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant wages. PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2002 and 2001. The Village has paid all contributions required through December 31, 2002.

**VILLAGE OF BOTKINS
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

8. RISK MANAGEMENT

Risk Pool Membership

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 insurance 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 claim, including loss adjustment expenses. Claims exceeding \$250,000 are reinsured with APEEP up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000, from the General Reinsurance Corporation.

If losses exhaust PEP's retained earnings, APEEP covers PEP losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

PEP retains property risks, including automobile physical damage, up to \$10,000 on any specific loss with an annual aggregate of \$700,000 for 2001 and \$1,250,000 for 2002. The Travelers Indemnity Company reinsures losses exceeding \$10,000 if the annual aggregate is reached and all specific losses exceeding \$100,000. APEEP's Operating Fund and Guarantee Fund pay for losses and loss adjustment expenses should they exceed operating contributions.

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.

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:

<u>Casualty Coverage</u>	<u>2002</u>	<u>2001</u>
Assets	\$20,174,977	\$19,358,458
Liabilities	(8,550,749)	(8,827,588)
Retained earnings	\$11,624,228	\$10,530,870

<u>Property Coverage</u>	<u>2002</u>	<u>2001</u>
Assets	\$2,565,408	1,890,323
Liabilities	(655,318)	(469,100)
Retained earnings	\$1,910,090	\$1,421,223

**VILLAGE OF BOTKINS
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

9. CONTINGENT LIABILITIES

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the federal government. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND
ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Village of Botkins
Shelby County
210 South Mill Street
P.O. Box 190
Botkins, Ohio 45306

To the Village Mayor and 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, 2002 and 2001, and have issued our report thereon dated August 13, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2002-001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a 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 in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated August 13, 2003.

Village of Botkins
Shelby County
Independent Accountants' Report on Compliance and on Internal Control
Required by *Government Auditing Standards*
Page 2

This report is intended solely for the information and use of the audit committee, management, and Village Council, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

August 13, 2003

VILLAGE OF BOTKINS
SHELBY COUNTY

SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

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

FINDING NUMBER 2002-001

Noncompliance Citation:

Ohio Rev. Code Section 5705.41 (D), provides that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money without attaching thereto the certificate of the fiscal officer of the subdivision that the amount required to meet the same in the fiscal year in which the contract is made has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Contracts and orders for expenditures lacking prior certification shall be null and void.

This section also provides an exception to this requirement:

If the fiscal officer can certify that both at the time the contract or order was made and at the time he is completing his certification sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from previous encumbrance, the taxing authority can authorize the drawing of a warrant. The taxing authority must approve of such payment by resolution or ordinance within 30 days of the date of the fiscal officer's certification.

Amounts of less than \$1,000 (which was increased to \$3,000 as of April 7, 2003) 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 was otherwise lawful.

The Village failed to certify the availability of funds prior to incurring the obligation for 72% of the items examined for 2002 and 2001, and the exception above was not utilized. The Village should develop policies and procedures to improve compliance with this requirement and certify the availability of funds prior to incurring the obligation.

VILLAGE OF BOTKINS
SHELBY COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2000-30375-001	Revised Code 5705.41 (D), failure to certify funds.	No	Not corrected, reissued as Finding 2002-001.



**Auditor of State
Betty Montgomery**

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800-282-0370

Facsimile 614-466-4490

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
SEPTEMBER 11, 2003**