



Dave Yost • Auditor of State

VILLAGE OF BOTKINS
SHELBY COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Village of Botkins
Shelby County
210 South Mill Street
Botkins, Ohio 45306

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Village of Botkins, Shelby County, (the Village) as of and for the years ended December 31, 2014 and 2013.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

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

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2014 and 2013, or changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Botkins, Shelby County as of December 31, 2014 and 2013, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 29, 2015, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

April 29, 2015

**VILLAGE OF BOTKINS
SHELBY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

| | <u>General</u> | <u>Special Revenue</u> | <u>Capital Projects</u> | <u>Totals (Memorandum Only)</u> |
|-----------------------------------------------|------------------|----------------------------|-----------------------------|-----------------------------------------|
| Cash Receipts: | | | | |
| Property and Other Local Taxes | \$36,812 | \$0 | \$0 | \$36,812 |
| Municipal Income Tax | 497,624 | 0 | 267,952 | 765,576 |
| Intergovernmental | 82,752 | 223,691 | 0 | 306,443 |
| Special Assessments | 63 | 0 | 0 | 63 |
| Charges for Services | 50,810 | 0 | 0 | 50,810 |
| Fines, Licenses and Permits | 12,539 | 0 | 0 | 12,539 |
| Earnings on Investments | 5,834 | 120 | 0 | 5,954 |
| Miscellaneous | 121,274 | 890 | 0 | 122,164 |
| Total Cash Receipts | <u>807,708</u> | <u>224,701</u> | <u>267,952</u> | <u>1,300,361</u> |
| Cash Disbursements: | | | | |
| Current: | | | | |
| Security of Persons and Property | 235,884 | 0 | 0 | 235,884 |
| Public Health Services | 3,794 | 0 | 0 | 3,794 |
| Leisure Time Activities | 110,462 | 0 | 0 | 110,462 |
| Community Environment | 307 | 0 | 0 | 307 |
| Transportation | 0 | 90,880 | 0 | 90,880 |
| General Government | 274,190 | 0 | 0 | 274,190 |
| Capital Outlay | 0 | 0 | 227,104 | 227,104 |
| Debt Service: | | | | |
| Principal Retirement | 0 | 0 | 47,594 | 47,594 |
| Interest and Fiscal Charges | 0 | 0 | 2,789 | 2,789 |
| Total Cash Disbursements | <u>624,637</u> | <u>90,880</u> | <u>277,487</u> | <u>993,004</u> |
| Excess of Receipts Over (Under) Disbursements | <u>183,071</u> | <u>133,821</u> | <u>(9,535)</u> | <u>307,357</u> |
| Fund Cash Balances, January 1 | <u>475,045</u> | <u>49,523</u> | <u>347,439</u> | <u>872,007</u> |
| Fund Cash Balances, December 31: | | | | |
| Restricted | 0 | 183,344 | 337,904 | 521,248 |
| Assigned | 23,530 | 0 | 0 | 23,530 |
| Unassigned (Deficit) | 634,586 | 0 | 0 | 634,586 |
| Fund Cash Balances, December 31 | <u>\$658,116</u> | <u>\$183,344</u> | <u>\$337,904</u> | <u>\$1,179,364</u> |

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

**VILLAGE OF BOTKINS
SHELBY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

| | <u>Fund Type</u> | <u>Type</u> | <u>Totals</u> |
|------------------------------------------------|-------------------|----------------------------------|------------------------------|
| | <u>Enterprise</u> | <u>Private Purpose Trust</u> | <u>(Memorandum Only)</u> |
| Operating Cash Receipts: | | | |
| Charges for Services | \$541,154 | \$0 | \$541,154 |
| Earnings on Investments (trust funds only) | 0 | 70 | 70 |
| Miscellaneous | 7,150 | 0 | 7,150 |
| Total Operating Cash Receipts | <u>548,304</u> | <u>70</u> | <u>548,374</u> |
| Operating Cash Disbursements: | | | |
| Personal Services | 108,717 | 0 | 108,717 |
| Employee Fringe Benefits | 27,268 | 0 | 27,268 |
| Contractual Services | 48,076 | 0 | 48,076 |
| Supplies and Materials | 125,575 | 218 | 125,793 |
| Total Operating Cash Disbursements | <u>309,636</u> | <u>218</u> | <u>309,854</u> |
| Operating Income (Loss) | <u>238,668</u> | <u>(148)</u> | <u>238,520</u> |
| Non-Operating Receipts (Disbursements): | | | |
| Intergovernmental | 155,566 | 0 | 155,566 |
| Capital Outlay | (699,699) | 0 | (699,699) |
| Principal Retirement | (62,613) | 0 | (62,613) |
| Interest and Other Fiscal Charges | (6,440) | 0 | (6,440) |
| Total Non-Operating Receipts (Disbursements) | <u>(613,186)</u> | <u>0</u> | <u>(613,186)</u> |
| Net Change in Fund Cash Balances | (374,518) | (148) | (374,666) |
| Fund Cash Balances, January 1 | <u>1,157,810</u> | <u>17,619</u> | <u>1,175,429</u> |
| Fund Cash Balances, December 31 | <u>\$783,292</u> | <u>\$17,471</u> | <u>\$800,763</u> |

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

**VILLAGE OF BOTKINS
SHELBY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

| | General | Special Revenue | Capital Projects | Totals (Memorandum Only) |
|-----------------------------------------------|------------------|----------------------------|-----------------------------|-----------------------------------------|
| Cash Receipts: | | | | |
| Property and Other Local Taxes | \$35,799 | \$0 | \$0 | \$35,799 |
| Municipal Income Tax | 451,442 | 0 | 243,083 | 694,525 |
| Intergovernmental | 46,268 | 139,190 | 0 | 185,458 |
| Special Assessments | 84 | 0 | 0 | 84 |
| Charges for Services | 100,942 | 0 | 0 | 100,942 |
| Fines, Licenses and Permits | 13,410 | 0 | 0 | 13,410 |
| Earnings on Investments | 5,872 | 204 | 0 | 6,076 |
| Miscellaneous | 123,748 | 867 | 0 | 124,615 |
| Total Cash Receipts | <u>777,565</u> | <u>140,261</u> | <u>243,083</u> | <u>1,160,909</u> |
| Cash Disbursements: | | | | |
| Current: | | | | |
| Security of Persons and Property | 226,520 | 0 | 0 | 226,520 |
| Public Health Services | 4,171 | 0 | 0 | 4,171 |
| Leisure Time Activities | 54,616 | 0 | 0 | 54,616 |
| Community Environment | 174 | 0 | 0 | 174 |
| Transportation | 342 | 86,187 | 0 | 86,529 |
| General Government | 369,162 | 0 | 29,730 | 398,892 |
| Capital Outlay | 0 | 43,000 | 220,991 | 263,991 |
| Debt Service: | | | | |
| Principal Retirement | 0 | 0 | 46,736 | 46,736 |
| Interest and Fiscal Charges | 0 | 0 | 3,647 | 3,647 |
| Total Cash Disbursements | <u>654,985</u> | <u>129,187</u> | <u>301,104</u> | <u>1,085,276</u> |
| Excess of Receipts Over (Under) Disbursements | 122,580 | 11,074 | (58,021) | 75,633 |
| Fund Cash Balances, January 1 | <u>352,465</u> | <u>38,449</u> | <u>405,460</u> | <u>796,374</u> |
| Fund Cash Balances, December 31: | | | | |
| Restricted | 0 | 49,523 | 347,439 | 396,962 |
| Assigned | 280,548 | 0 | 0 | 280,548 |
| Unassigned (Deficit) | 194,497 | 0 | 0 | 194,497 |
| Fund Cash Balances, December 31 | <u>\$475,045</u> | <u>\$49,523</u> | <u>\$347,439</u> | <u>\$872,007</u> |

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

**VILLAGE OF BOTKINS
SHELBY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

| | <u>Fund Types</u> | <u>Types</u> | <u>Totals</u> |
|------------------------------------------------|--------------------|----------------------------------|------------------------------|
| | <u>Enterprise</u> | <u>Private Purpose Trust</u> | <u>(Memorandum Only)</u> |
| Operating Cash Receipts: | | | |
| Charges for Services | \$567,185 | \$0 | \$567,185 |
| Earnings on Investments (trust funds only) | 0 | 83 | 83 |
| Miscellaneous | 5,880 | 0 | 5,880 |
| Total Operating Cash Receipts | <u>573,065</u> | <u>83</u> | <u>573,148</u> |
| Operating Cash Disbursements: | | | |
| Personal Services | 103,229 | 0 | 103,229 |
| Employee Fringe Benefits | 25,442 | 0 | 25,442 |
| Contractual Services | 67,806 | 0 | 67,806 |
| Supplies and Materials | 149,797 | 0 | 149,797 |
| Total Operating Cash Disbursements | <u>346,274</u> | <u>0</u> | <u>346,274</u> |
| Operating Income (Loss) | <u>226,791</u> | <u>83</u> | <u>226,874</u> |
| Non-Operating Receipts (Disbursements): | | | |
| Capital Outlay | (161,065) | 0 | (161,065) |
| Principal Retirement | (124,124) | 0 | (124,124) |
| Interest and Other Fiscal Charges | (13,982) | 0 | (13,982) |
| Total Non-Operating Receipts (Disbursements) | <u>(299,171)</u> | <u>0</u> | <u>(299,171)</u> |
| Net Change in Fund Cash Balances | (72,380) | 83 | (72,297) |
| Fund Cash Balances, January 1 | <u>1,230,190</u> | <u>17,536</u> | <u>1,247,726</u> |
| Fund Cash Balances, December 31 | <u>\$1,157,810</u> | <u>\$17,619</u> | <u>\$1,175,429</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, 2014 AND 2013**

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 water and sewer utilities, park operations, and police services. The Village has its own Police Department to provide security of persons and property. The Village appropriates general fund money to support a volunteer fire department.

The Village participates in The Ohio Plan, (Ohio Plan Risk Management) a risk management service available to Ohio local governments. Note 7 to the financial statements provide 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 permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

C. Deposits and Investments

The Village maintains three checking accounts, a money market account and two certificates of deposit. The Village has no investments.

D. 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 accounts for and reports all financial resources not accounted for and reported in another fund.

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

**VILLAGE OF BOTKINS
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Scrap Tire Grant Fund – This fund receives money designated by the Ohio EPA. All Scrap Tire Grant Fund monies are pass-through dollars only. The role of the Village is as facilitator of the grant.

3. Capital Projects Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant capital project funds:

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

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

4. 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.

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

5. 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.

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 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.

**VILLAGE OF BOTKINS
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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 reappropriated in the subsequent year.

A summary of 2014 and 2013 budgetary activity appears in Note 3.

F. Fund Balance

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

1. Non spendable

The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

2. Restricted

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

3. Committed

Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

**VILLAGE OF BOTKINS
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

G. 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.

H. 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 and investments. The carrying amount of deposits at December 31 was as follows:

| | 2013 | 2014 |
|-------------------------|-------------|-------------|
| Demand deposits | \$328,002 | \$255,587 |
| Certificates of deposit | 20,000 | 20,000 |
| Money Market Savings | 1,699,434 | 1,704,540 |
| Total deposits | \$2,047,436 | \$1,980,127 |

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2014 and 2013 follows:

| 2014 Budgeted vs. Actual Receipts | | | |
|------------------------------------------|--------------------------|------------------------|-----------------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$759,972 | \$807,708 | \$47,736 |
| Special Revenue | 216,444 | 224,701 | 8,257 |
| Capital Projects | 260,468 | 267,952 | 7,484 |
| Enterprise | 703,579 | 703,870 | 291 |
| Fiduciary | 70 | 70 | |
| Total | \$1,940,533 | \$2,004,301 | \$63,768 |

**VILLAGE OF BOTKINS
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2014 Budgeted vs. Actual Budgetary Basis Expenditures

| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
|------------------|------------------------------------|-----------------------------------|--------------------|
| General | \$1,040,520 | \$624,637 | \$415,883 |
| Special Revenue | 259,193 | 90,880 | 168,313 |
| Capital Projects | 551,439 | 277,487 | 273,952 |
| Enterprise | 1,850,876 | 1,078,388 | 772,488 |
| Fiduciary | 17,689 | 218 | 17,471 |
| Total | <u>\$3,719,717</u> | <u>\$2,071,610</u> | <u>\$1,648,107</u> |

2013 Budgeted vs. Actual Receipts

| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
|------------------|------------------------------|----------------------------|------------------|
| General | \$561,175 | \$777,565 | \$216,390 |
| Special Revenue | 131,181 | 140,261 | 9,080 |
| Capital Projects | 149,000 | 243,083 | 94,083 |
| Enterprise | 552,884 | 573,065 | 20,181 |
| Fiduciary | 83 | 83 | |
| Total | <u>\$1,394,323</u> | <u>\$1,734,057</u> | <u>\$339,734</u> |

2013 Budgeted vs. Actual Budgetary Basis Expenditures

| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
|------------------|------------------------------------|-----------------------------------|--------------------|
| General | \$913,641 | \$654,985 | \$258,656 |
| Special Revenue | 169,632 | 129,187 | 40,445 |
| Capital Projects | 554,459 | 301,104 | 253,355 |
| Enterprise | 1,783,077 | 645,445 | 1,137,632 |
| Fiduciary | 17,619 | 17,619 | |
| Total | <u>\$3,438,428</u> | <u>\$1,730,721</u> | <u>\$1,707,707</u> |

4. TAXES

A. 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.

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, 2014 AND 2013
(Continued)**

4. TAXES (Continued)

B. Local Income Tax

The Village levies a municipal income tax of 1.5 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. The Village has a contract with the City of St Marys to collect income tax on behalf of the Village.

5. DEBT

Debt outstanding at December 31, 2014 was as follows:

| | Principal | Interest Rate |
|---------------------------------------------------------------|--------------------|----------------------|
| Ohio Water Development Authority Loan - Water Tower | \$127,068 | 3.0% |
| Ohio Water Development Authority Loan - Water Treatment Plant | 292,970 | 2.8% |
| Ohio Water Development Authority Loan - WPCLF Construction | 1,215,371 | 0.0% |
| First National Bank - Fire Truck Loan | 122,609 | 1.8% |
| Total | \$1,758,018 | |

The Ohio Water Development Authority (OWDA) – Water Tower is a 15 year note requiring semi-annual payments of interest only of \$3,000.00 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. Maturity date 2020. The proceeds of this loan were used for water tower construction. This note is being paid by user charges from the Water Fund.

The Ohio Water Development Authority (OWDA) –Water Treatment Plant 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 01, 2008. Maturity date is 2022. 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 Design and Construction Loan (WPCLF) is an interest free loan. The original loan 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 the loan was due 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 20 year period at 0% interest rate and the first payment was due 7-1-2012. OWDA approved up to \$1,472,200 in loans for this project. The Village will repay the loan in semiannual installments of \$36,805 over 20 years. The scheduled payment amount assumes the whole amount will be borrowed. OWDA will adjust scheduled payments to reflect any revisions in the amounts the Village actually borrows. Sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Fire Truck Loan is a 5 year note at First National Bank and requires semi-annual payments of principal and interest of \$25,191. The original note was for \$240,000 at a rate of 1.78% with the first payment due October 17, 2012. The proceeds of this note were used for the purchase of a 2010 Sutphen Custom Engine for the Volunteer Fire Department. This note is being paid from the Capital Projects Fund. Maturity date is 2017.

**VILLAGE OF BOTKINS
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

5. DEBT (Continued)

The Village of Botkins issued a health care facility revenue bond series 2012 in 2012 with the principal amount of \$9,760,000 outstanding at December 31, 2012, for the Series 2012 bond issue. The 2012 bond issue was for a facility used by the Franciscan Care Center. The Village is not obligated in any way to pay debt charges on the bond from any of its funds, and therefore it has been excluded entirely from the Village's debt presentation. There has not been and is not any condition of default under the bond or the related financing documents.

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

| Year ending December 31: | OWDA Water Tower | OWDA Water Treatment Plant | OWDA WPCLF Construction | First Nat'l Bank Fire Truck |
|-----------------------------|---------------------|----------------------------------|-------------------------------|--------------------------------|
| 2015 | \$23,299 | \$41,197 | \$73,610 | \$50,382 |
| 2016 | 23,299 | 41,197 | 73,610 | 50,382 |
| 2017 | 23,299 | 41,197 | 73,610 | 21,845 |
| 2018 | 23,299 | 41,197 | 73,610 | |
| 2019 | 23,299 | 41,197 | 73,610 | |
| 2020-2024 | 10,573 | 86,985 | 368,050 | |
| 2025-2029 | | | 368,050 | |
| 2030-2032 | | | 111,221 | |
| Total | <u>\$127,068</u> | <u>\$292,970</u> | <u>\$1,215,371</u> | <u>\$122,609</u> |

6. RETIREMENT SYSTEMS

The Village's single full-time Police Officer belongs to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 10.00% of their wages from January 01, 2013 to June 30, 2013; 10.75% from July 1, 2013 to June 30, 2014; and 11.5% of their wages from July 1, 2014 through December 31, 2014. For 2014 and 2013, the Village contributed to OP&F an amount equal to 19.5% of the full-time police member's wages. For 2013 and 2014, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2014.

7. 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 Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Government Risk Management Plan, (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

**VILLAGE OF BOTKINS
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

7. RISK MANAGEMENT (Continued)

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retains 41.5% (effective November 1, 2011) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2012 (and through October 2014) the plan increased its retention to 50% of the first \$250,000 casualty treaty. The Plan's property retention remained unchanged from prior years. This change was made to balance the reinsurance market conditions. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 767 and 774 members as of December 31, 2012 and 2013 respectively.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

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

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2012 and 2013 (the latest information available).

| | 2012 | 2013 |
|-----------------|--------------|--------------|
| Assets | \$13,100,381 | \$13,774,304 |
| Liabilities | (6,687,193) | (7,968,395) |
| Members' Equity | \$6,413,188 | \$5,805,909 |

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

8. RELATED PARTY TRANSACTIONS

During 2014 and 2013, the Village purchased \$327.99 and \$606.73, respectively, of services from Brown Industrial, which is partially owned by Council Member Craig Brown. The Village Council passed Resolution 13-33; a PIRG Agreement with Brown Industrial December 10, 2013, resulting in a payment of \$10,047.36 from the general fund paid to Brown Industrial March 13, 2014.

During 2014 and 2013, the Village purchased \$3,241.61 and \$3,199.78, respectively, of goods and services from Botkins Electric and Plumbing of which Council Member Steve Heuker is a corporate officer of the business.



Dave Yost • Auditor of State

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

Village of Botkins
Shelby County
210 South Mill Street
Botkins, Ohio 45306

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of Botkins, Shelby County, (the Village) as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements and have issued our report thereon dated April 29, 2015 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2014-001 described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed 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 2014-001.

Village's Response to Finding

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

Purpose of this Report

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



Dave Yost
Auditor of State
Columbus, Ohio

April 29, 2015

VILLAGE OF BOTKINS
SHELBY COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013

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

FINDING NUMBER 2014-001

Noncompliance Citation and Material Weakness

Financial Reporting

Ohio Rev. Code § 733.28 states the Village Clerk shall keep the books of the Village, exhibit accurate statements of all moneys received and expended, of all the property owned by the Village and the income derived therefrom, and of all taxes and assessments.

The Village's financial reports for 2014 and 2013 contained errors which resulted in reclassifications and adjustments to correctly report the financial activity during the period as follows:

2014

- General Fund balance of \$23,530 was reclassified from unassigned to assigned fund balance due to 2015 appropriations exceeding 2015 estimated receipts.
- Capital Projects Fund balance of \$337,904 was reclassified from unassigned to restricted due to restrictions from income tax levy.

2013

- General Fund fire contract revenues of \$53,008 were reclassified from miscellaneous to charges for services revenue.
- General Fund balance of \$280,548 was reclassified from unassigned to assigned fund balance due to 2014 appropriations exceeding 2014 estimated receipts.
- Special Revenue intergovernmental receipts and capital outlay disbursements of \$43,000 were adjusted from Capital Projects Fund miscellaneous revenue and capital outlay disbursements.
- Capital Projects Fund balance of \$347,439 was reclassified from unassigned to restricted due to restrictions from income tax levy.
- Capital Projects Fund income tax deduction expenditures of \$29,730 were reclassified from capital outlay to general government disbursements.

The following errors were identified in the 2014 and 2013 financial statements, but were not material or adjusted:

2014

- General Fund equipment sales of \$6,797 were classified as miscellaneous revenue instead of sale of capital assets.
- Capital Projects Fund income tax deduction expenditures of \$9,716 were classified as capital outlay rather than general government disbursements.

2013

- General Fund equipment and other asset sales of \$41,175 were classified as miscellaneous revenue instead of sale of capital assets.

To improve the accuracy and completeness of the Village's financial statements and provide comparative financial statements from year to year, the posting of receipts and disbursements should be performed consistently with the instructions contained in the Ohio Village Officer's Handbook.

Official's Response: I have read the issues for the Village of Botkins audit for 2014 and 2013 and will take note of the needed corrections for further reporting. Moving forward I will add a "sale of capital assets" to revenue to correct mentioned issue, as well as referencing the recommended changes with the officer's handbook.

**VILLAGE OF BOTKINS
SHELBY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2014 AND 2013**

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i> |
|----------------|-------------------------------------------------------------------------------------------------------------------------------------------------|------------------|----------------------------------------------------------------------------------------------------------------------------------------|
| 2012-001 | Material Weakness - OPWC Grant Transactions Classification – Should be classified as an Enterprise Fund and not a Capital Projects fund. | Yes | |
| 2012-002 | Noncompliance ORC 5705.41(D) - Properly Certifying the Availability of funds | Yes | |



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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
MAY 28, 2015**