

VILLAGE OF BOTKINS
SHELBY COUNTY, OHIO

AUDITED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2004 AND 2003



**Auditor of State
Betty Montgomery**

Village Council
Village of Botkins
P. O. Box 190
Botkins, Ohio 45306-0190

We have reviewed the *Independent Auditor's Report* of the Village of Botkins, Shelby County, prepared by E.S. Evans and Company, for the audit period January 1, 2003 through December 31, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditor's Report* on your financial statements. While the Auditor of State 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. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditor's Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Botkins is responsible for compliance with these laws and regulations.

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BETTY MONTGOMERY
Auditor of State

March 13, 2006

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VILLAGE OF BOTKINS
SHELBY COUNTY, OHIO

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E.S. Evans and Company

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Robert E. Wendel, CPA • Dan F. Clifford, CPA • E.S. Evans, CPA, PFS (1930-1999)

August 12, 2005

INDEPENDENT AUDITOR'S REPORT

Village of Botkins
Shelby County, Ohio

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, 2004 and 2003. 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 described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. While the Village does not follow GAAP, generally accepted auditing standards require us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since the Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2004, or their changes in financial position or cash flows of its proprietary funds for the year 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 as of December 31, 2004 and 2003, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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

In accordance with Government Auditing Standards, we have also issued our report dated August 12, 2005, 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.

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VILLAGE OF BOTKINS
SHELBY COUNTY, OHIO

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL
FUND TYPES AND SIMILAR FIDUCIARY FUNDS

For the Year Ended December 31, 2004

| | Governmental Fund Types | | |
|---|-------------------------|--------------------|-----------------|
| | General | Special Revenue | Debt Service |
| <u>Cash Receipts:</u> | | | |
| Property Tax and Other Local Taxes | \$ 54,584 | \$ - | \$ - |
| Municipal Income Tax | 262,376 | - | - |
| Intergovernmental Revenues | 148,795 | 569,486 | - |
| Special Assessments | 4,201 | - | 64,641 |
| Charges for Services | 32,402 | - | - |
| Fines, Licenses, and Permits | 2,603 | 542 | - |
| Interest Revenues | 4,028 | 1,135 | - |
| Miscellaneous | 39,153 | - | - |
| Total Cash Receipts | <u>548,142</u> | <u>571,163</u> | <u>64,641</u> |
| <u>Cash Disbursements:</u> | | | |
| Current - | | | |
| Security of Persons and Property | 176,298 | 8,346 | - |
| Public Health Services | 4,384 | - | - |
| Leisure Time Activities | 29,027 | - | - |
| Community Environment | 964 | - | - |
| Basic Utility Services | 2,978 | 499,000 | - |
| Transportation | - | 46,782 | - |
| General Government | 243,031 | - | - |
| Capital Outlay | 8,813 | 7,853 | - |
| Debt Service: | | | |
| Redemption of Principal | - | - | 58,365 |
| Interest and Other Fiscal Charges | - | - | 6,224 |
| Total Cash Disbursements | <u>465,495</u> | <u>561,981</u> | <u>64,589</u> |
| Total Cash Receipts Over/(Under) | | | |
| Cash Disbursements | <u>82,647</u> | <u>9,182</u> | <u>52</u> |
| Other Financing Sources/(Uses): | | | |
| Sale of Fixed Assets | - | - | - |
| Other Financing Uses | - | - | - |
| Transfers-In | 2,534 | - | - |
| Transfers-Out | - | - | (2,534) |
| Total Other Financing Sources/(Uses) | <u>2,534</u> | <u>-</u> | <u>(2,534)</u> |
| Excess of Cash Receipts and Other Financing Sources Over/(Under) | | | |
| Cash Disbursements | 85,181 | 9,182 | (2,482) |
| <u>Fund Cash Balance - January 1, 2004 - Restated - Note 9</u> | <u>88,906</u> | <u>52,729</u> | <u>2,482</u> |
| <u>Fund Cash Balance - December 31, 2004</u> | <u>\$ 174,087</u> | <u>\$ 61,911</u> | <u>\$ -</u> |

The accompanying notes are an integral part
of these financial statements.

| <u>Governmental Fund Type</u> Capital Projects | <u>Fiduciary Fund Type</u> Expendable Trust | <u>Totals</u> (Memorandum Only) |
|--|---|---------------------------------------|
| \$ - | \$ - | \$ 54,584 |
| 214,673 | - | 477,049 |
| 200,000 | - | 918,281 |
| 6,183 | - | 75,025 |
| - | - | 32,402 |
| - | - | 3,145 |
| - | 277 | 5,440 |
| - | - | 39,153 |
| 420,856 | 277 | 1,605,079 |
| - | - | 184,644 |
| - | - | 4,384 |
| - | - | 29,027 |
| - | - | 964 |
| - | - | 501,978 |
| - | - | 46,782 |
| - | - | 243,031 |
| 415,718 | - | 432,384 |
| - | - | 58,365 |
| 295 | - | 6,519 |
| 416,013 | - | 1,508,078 |
| 4,843 | 277 | 97,001 |
| 515 | - | 515 |
| (9,287) | - | (9,287) |
| - | - | 2,534 |
| - | - | (2,534) |
| (8,772) | - | (8,772) |
| (3,929) | 277 | 88,229 |
| 184,794 | 17,143 | 346,054 |
| \$ 180,865 | \$ 17,420 | \$ 434,283 |

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VILLAGE OF BOTKINS
SHELBY COUNTY, OHIO

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCE - PROPRIETARY FUND TYPES

For the Year Ended December 31, 2004

| | |
|---|-------------------|
| <u>Operating Cash Receipts:</u> | |
| Charges for Services | \$ 291,928 |
| Miscellaneous | 2,420 |
| Total Operating Cash Receipts | <u>294,348</u> |
| <u>Operating Cash Disbursements:</u> | |
| Personal Services | 60,106 |
| Contractual Services | 85,298 |
| Material and Supplies | 50,416 |
| Capital Outlay | 28,551 |
| Total Operating Cash Disbursements | <u>224,371</u> |
| Excess of Operating Cash Receipts Over/ (Under) Operating Cash Disbursements | 69,977 |
| <u>Fund Cash Balance</u> - January 1, 2004 | <u>305,582</u> |
| <u>Fund Cash Balance</u> - December 31, 2004 | <u>\$ 375,559</u> |

The accompanying notes are an integral part
of these financial statements.

VILLAGE OF BOTKINS
SHELBY COUNTY, OHIO

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL
FUND TYPES AND SIMILAR FIDUCIARY FUNDS

For the Year Ended December 31, 2003

| | Governmental Fund Types | | |
|---|-------------------------|--------------------|-----------------|
| | General | Special Revenue | Debt Service |
| <u>Cash Receipts:</u> | | | |
| Property Tax and Other Local Taxes | \$ 51,890 | \$ - | \$ - |
| Municipal Income Tax | 478,453 | - | - |
| Intergovernmental Revenues | 67,434 | 149,360 | - |
| Special Assessments | 4,106 | - | 67,982 |
| Charges for Services | 31,458 | - | - |
| Fines, Licenses, and Permits | 2,013 | 575 | - |
| Interest Revenues | 6,281 | 538 | - |
| Miscellaneous | 20,591 | - | - |
| Total Cash Receipts | 662,226 | 150,473 | 67,982 |
| <u>Cash Disbursements:</u> | | | |
| Current - | | | |
| Security of Persons and Property | 173,182 | 694 | - |
| Public Health Services | 4,384 | - | - |
| Leisure Time Activities | 25,519 | - | - |
| Community Environment | 754 | - | - |
| Basic Utility Services | 2,384 | - | - |
| Transportation | - | 43,358 | - |
| General Government | 316,664 | - | - |
| Capital Outlay | 2,837 | 96,267 | - |
| Debt Service: | | | |
| Redemption of Principal | - | - | 58,365 |
| Interest and Other Fiscal Charges | - | - | 9,529 |
| Total Cash Disbursements | 525,724 | 140,319 | 67,894 |
| Total Cash Receipts Over/(Under) | | | |
| Cash Disbursements | 136,502 | 10,154 | 88 |
| Other Financing Sources/(Uses): | | | |
| Sale of Fixed Assets | - | - | - |
| Tranfers-In | - | - | - |
| Transfers-Out | (197,100) | - | - |
| Total Other Financing Sources/(Uses) | (197,100) | - | - |
| Excess of Cash Receipts and Other Financing Sources Over/(Under) | | | |
| Cash Disbursements | (60,598) | 10,154 | 88 |
| <u>Fund Cash Balance - January 1, 2003</u> | 159,396 | 42,575 | 2,394 |
| <u>Fund Cash Balance - December 31, 2003</u> | \$ 98,798 | \$ 52,729 | \$ 2,482 |

The accompanying notes are an integral part
of these financial statements.

| <u>Governmental Fund Type</u> | <u>Fiduciary Fund Type</u> | <u>Totals</u> |
|-----------------------------------|--------------------------------|------------------------------|
| <u>Capital Projects</u> | <u>Expendable Trust</u> | <u>(Memorandum Only)</u> |
| \$ - | \$ - | \$ 51,890 |
| - | - | 478,453 |
| 34,000 | - | 250,794 |
| 6,533 | - | 78,621 |
| - | - | 31,458 |
| - | - | 2,588 |
| - | 425 | 7,244 |
| 2,600 | - | 23,191 |
| <u>43,133</u> | <u>425</u> | <u>924,239</u> |
| - | - | 173,876 |
| - | - | 4,384 |
| - | - | 25,519 |
| - | 3,451 | 4,205 |
| - | - | 2,384 |
| - | - | 43,358 |
| - | - | 316,664 |
| 173,958 | - | 273,062 |
| - | - | 58,365 |
| 311 | - | 9,840 |
| <u>174,269</u> | <u>3,451</u> | <u>911,657</u> |
| <u>(131,136)</u> | <u>(3,026)</u> | <u>12,582</u> |
| 315 | - | 315 |
| 197,100 | - | 197,100 |
| - | - | (197,100) |
| <u>197,415</u> | <u>-</u> | <u>315</u> |
| 66,279 | (3,026) | 12,897 |
| 108,623 | 20,169 | 333,157 |
| <u>\$ 174,902</u> | <u>\$ 17,143</u> | <u>\$ 346,054</u> |

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VILLAGE OF BOTKINS
SHELBY COUNTY, OHIO

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCE - PROPRIETARY FUND TYPES

For the Year Ended December 31, 2003

| | |
|---|--------------------------|
| <u>Operating Cash Receipts:</u> | |
| Charges for Services | \$ <u>257,291</u> |
| <u>Operating Cash Disbursements:</u> | |
| Personal Services | 54,272 |
| Travel Transportation | - |
| Contractual Services | 39,802 |
| Material and Supplies | 102,406 |
| Capital Outlay | <u>19,313</u> |
| Total Operating Cash Disbursements | <u>215,793</u> |
| Excess of Operating Cash Receipts Over/ (Under) Operating Cash Disbursements | 41,498 |
| <u>Fund Cash Balance</u> - January 1, 2003 | <u>264,084</u> |
| <u>Fund Cash Balance</u> - December 31, 2003 | \$ <u><u>305,582</u></u> |

The accompanying notes are an integral part
of these financial statements.

VILLAGE OF BOTKINS
SHELBY COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS
December 31, 2004 and 2003

Note 1 - Summary of Significant Accounting Policies

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 political and corporate body. A publicly-elected six-member Council governs the Village. The Village provides general governmental services including public safety, street maintenance, park operations, and water and sewer facilities.

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

Basis of Accounting

These financial statements follow the accounting basis prescribed or permitted by the Auditor of State. This basis is similar to the cash receipts and disbursements basis of accounting. Consequently, receipts are recognized when received 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.

Cash and Investments

The Village maintains three checking accounts, a certificate of deposit, and invests in an overnight repurchase agreement, all at which are valued at cost.

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:

General Fund

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

VILLAGE OF BOTKINS
SHELBY COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS
December 31, 2004 and 2003

Note 1 - Summary of Significant Accounting Policies - (continued)

Fund Accounting - (continued)

Special Revenue Funds

The Special Revenue Funds account for proceeds from specific sources (other than 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 construction, 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.

FEMA Grant Fund – This fund accounts for the proceeds and expenditure of FEMA grant monies.

CDBG Grant Fund – This fund accounts for the proceeds and expenditure of CDBG grant monies.

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 a share of income tax funding and special assessments to pay for various needed improvements and new equipment.

Capital Improvement – Fire Fund - This fund receives a share of income tax funding to pay for various needed improvements of the fire department.

Capital Improvement - Issue II Fund – This fund is used to account for grants received through participation in Issue II projects.

Development Grant Fund - This fund accounts for the proceeds and expenditure of development grant monies.

VILLAGE OF BOTKINS
SHELBY COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS
December 31, 2004 and 2003

Note 1 - Summary of Significant Accounting Policies - (continued)

Fund Accounting - (continued)

Debt Service Funds

The debt service fund is 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 fund was established to provide for the construction of water and sewer lines. This fund receives assessments against property owners.

Enterprise Funds

Enterprise 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 the cost of providing this utility.

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

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.

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

VILLAGE OF BOTKINS
SHELBY COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS
December 31, 2004 and 2003

Note 1 - Summary of Significant Accounting Policies - (continued)

Budgetary Process

The Ohio Revised Code requires that each fund be budgeted.

Estimated Resources

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

Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund or function level of control, and appropriations may not exceed estimated resources. Village Council must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

Encumbrances

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

A summary of 2004 and 2003 budgetary activity appears in Note 3.

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.

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.

VILLAGE OF BOTKINS
SHELBY COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS
December 31, 2004 and 2003

Note 2 – Equity in Pooled Cash

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

| | 2004 | | 2003 |
|--------------------------------|------------|----|---------|
| Demand Deposits | \$ 389,842 | \$ | 13,048 |
| Certificates of Deposit | 420,000 | | 20,000 |
| Total Deposits | 809,842 | | 33,048 |
| Overnight Repurchase Agreement | - | | 618,588 |
| Total Investments | - | | 618,588 |
| Total Deposits and Investments | \$ 809,842 | \$ | 651,636 |

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

Note 3 – Budgetary Activity

Budgetary activity for the years ending December 31, 2004 and 2003 follows:

| 2004 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|--------------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$ 488,800 | \$ 550,676 | \$ 61,876 |
| Special Revenue | 611,169 | 571,163 | (40,006) |
| Debt Service | 67,123 | 64,641 | (2,482) |
| Capital Projects | 644,929 | 421,371 | (223,558) |
| Expendable Trust | 17,244 | 277 | (16,967) |
| Enterprise | 525,582 | 294,348 | (231,234) |
| | \$ 2,354,847 | \$ 1,902,476 | \$ (452,371) |

VILLAGE OF BOTKINS
SHELBY COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS
December 31, 2004 and 2003

Note 3 – Budgetary Activity – (continued)

2004 Budgeted vs. Actual Budgetary Basis Expenditures

| <u>Fund Type</u> | <u>Appropriation Authority</u> | <u>Budgetary Expenditures</u> | <u>Variance</u> |
|------------------|------------------------------------|-----------------------------------|-------------------|
| General | \$ 488,800 | \$ 465,495 | \$ 23,305 |
| Special Revenue | 611,169 | 561,981 | 49,188 |
| Debt Service | 67,123 | 67,123 | - |
| Capital Projects | 644,929 | 425,300 | 219,629 |
| Expendable Trust | 17,244 | - | 17,244 |
| Enterprise | 525,582 | 224,371 | 301,211 |
| | <u>\$ 2,354,847</u> | <u>\$ 1,744,270</u> | <u>\$ 610,577</u> |

2003 Budgeted vs. Actual Receipts

| <u>Fund Type</u> | <u>Budgeted Receipts</u> | <u>Actual Receipts</u> | <u>Variance</u> |
|------------------|------------------------------|----------------------------|---------------------|
| General | \$ 993,047 | \$ 662,226 | \$ (330,821) |
| Special Revenue | 176,497 | 150,473 | (26,024) |
| Debt Service | 70,319 | 67,982 | (2,337) |
| Capital Projects | 530,872 | 240,548 | (290,324) |
| Expendable Trust | 20,319 | 425 | (19,894) |
| Enterprise | 461,085 | 257,291 | (203,794) |
| | <u>\$ 2,252,139</u> | <u>\$ 1,378,945</u> | <u>\$ (873,194)</u> |

2003 Budgeted vs. Actual Budgetary Basis Expenditures

| <u>Fund Type</u> | <u>Appropriation Authority</u> | <u>Budgetary Expenditures</u> | <u>Variance</u> |
|------------------|------------------------------------|-----------------------------------|-------------------|
| General | \$ 993,047 | \$ 722,824 | \$ 270,223 |
| Special Revenue | 176,497 | 140,319 | 36,178 |
| Debt Service | 70,319 | 67,894 | 2,425 |
| Capital Projects | 530,872 | 174,269 | 356,603 |
| Expendable Trust | 20,319 | 3,451 | 16,868 |
| Enterprise | 461,085 | 215,793 | 245,292 |
| | <u>\$ 2,252,139</u> | <u>\$ 1,324,550</u> | <u>\$ 927,589</u> |

VILLAGE OF BOTKINS
SHELBY COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS
December 31, 2004 and 2003

Note 3 – Budgetary Activity – (continued)

Contrary to Ohio law, at various times throughout the year, budgetary expenditures exceeded appropriation authority in the CDBG Grant Fund (\$80,003), Capital Improvement – Issue II Fund (\$34,000), and the Development Grant - 412 Fund (\$200,000) during 2003. At various times throughout 2004, budgetary expenditures exceeded appropriation authority in the Fire Marshall Grant Fund (\$7,700).

Note 4 - Property Tax

Real property taxes become a lien on January 1 preceding the October 1 date for which the Village Council adopts tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The State pays the Village amounts equaling these deductions. The Village includes these with Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half payment is due December 31. The second half payment is due the following June 20.

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

Property owners assess tangible personal property tax. They must file a list of tangible property to the County by each April 30. The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on the Village's behalf.

Note 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 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. Mary's to collect income tax on behalf of the Village.

VILLAGE OF BOTKINS
SHELBY COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS
December 31, 2004 and 2003

Note 6 - Debt Obligations

The Village had no outstanding debt at December 31, 2004. The Special Assessment bonds were fully redeemed during calendar year 2004.

Note 7 – Retirement Systems

Ohio Public Employees Retirement System (OPERS)

The Village's employees, excluding the Village's 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 Ohio Revised Code also prescribes contribution rates. For 2004 and 2003, OPERS members contributed 8.5 percent of their gross salary. The Village contributed an amount equal to 13.55 percent of participants' gross salaries. The Village has paid all required contributions through December 31, 2004.

Police and Firemen's Disability and Pension Fund

The Village of Botkins uniformed police employees participate in the police and firemen's disability and pension fund. This is a multi-employer cost sharing public employees' retirement system created by the State of Ohio. The fund provides pension disability and health care to qualified police personnel and survivors and death benefits to qualified spouses, children and dependent parents.

Employees contribute 10.0 percent of gross salaries and the employer contributes 19.5 percent of gross salaries. The Village has paid all required contributions through December 31, 2004.

Note 8 - Risk Management

Risk Pool Membership

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

VILLAGE OF BOTKINS
SHELBY COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS
December 31, 2004 and 2003

Note 8 - Risk Management – (continued)

Casualty Coverage

PEP retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000 up to \$1,750,000 per claim and \$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 \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsures losses exceeding \$100,000 up to \$500,000,000 per occurrence. APEEP's Guarantee Fund pays losses and loss adjustment expenses exceeding 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 member.

Financial Position

PEP's financial statements (audited by other accountants) conform to generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2004 and 2003:

| <u>Casualty Coverage</u> | <u>2004</u> | <u>2003</u> |
|--------------------------|---------------|---------------|
| Assets | \$ 30,547,049 | \$ 25,288,098 |
| Liabilities | (16,989,918) | (12,872,985) |
| Member's Equity | \$ 13,557,131 | \$ 12,415,113 |

| <u>Property Coverage</u> | <u>2004</u> | <u>2003</u> |
|--------------------------|--------------|--------------|
| Assets | \$ 3,652,970 | \$ 2,565,408 |
| Liabilities | (544,771) | (655,318) |
| Member's Equity | \$ 3,108,199 | \$ 1,910,090 |

VILLAGE OF BOTKINS
SHELBY COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS
December 31, 2004 and 2003

Note 9 – Restatement

The beginning balance of fund cash balance has been restated amongst the funds at January 1, 2004 to properly reflect the income tax revenues. This has been adjusted due to a prior audit comment on how income tax revenues should be handled. The following adjustment was made at 1-1-04:

| | General Fund | Capital Projects Fund | TOTAL |
|------------------------------|------------------|--------------------------|-------------------|
| Balance at December 31, 2003 | \$ 98,798 | \$ 174,902 | \$ 273,700 |
| Income Tax Restatement | (9,892) | 9,892 | - |
| Balance at January 1, 2004 | <u>\$ 88,906</u> | <u>\$ 184,794</u> | <u>\$ 273,700</u> |

Note 10 – Subsequent Event

On November 9, 2004, the Village Council passed Ordinance 04-19 authorizing the submission, execution, and performance of a proposed real estate purchase agreement upon certain conditions with the Eastern Shawnee Indian Tribe of Oklahoma. The real estate agreement would sell approximately 50 acres at a cost of \$600,000 to the Tribe for use in building an economic development project which includes certain entertainment and gaming activities. As of the date of this report, the purchase agreement has not been signed and returned by the Eastern Shawnee Indian Tribe.

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Robert E. Wendel, CPA • Dan F. Clifford, CPA • E.S. Evans, CPA, PFS (1930-1999)

August 12, 2005

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

Village of Botkins
Shelby County, Ohio

We have audited the financial statements of the Village of Botkins, Shelby County, Ohio, (the Village as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated August 12, 2005, 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 Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of Botkins' internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control 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 caused by error or fraud in amounts material to the financial statements being audited may occur and not be timely detected 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 material weaknesses. In a separate letter to the Village of Botkins' management dated August 12, 2005, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the Village of Botkins' financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under Government Auditing Standards which are described in the accompanying schedule of findings as items 2004-001 and 2004-002. In a separate letter to the Village of Botkins' management dated August 12, 2005, we reported other matters related to noncompliance which we deemed immaterial.

We intend this report solely for the information and use of management of the Village of Botkins and the Auditor of State of Ohio. It is not intended for anyone other than these specified parties.

A handwritten signature in red ink, appearing to read "E. J. ...", is located in the lower right quadrant of the page.

VILLAGE OF BOTKINS
SHELBY COUNTY, OHIO

SCHEDULE OF FINDINGS
December 31, 2004 and 2003

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| FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS |
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Finding Number 2004-001 – Noncompliance

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

We found that purchase orders are being issued at the time a bill is being paid. In addition, the Village is not utilizing the “then and now” certifications, nor are the purchase orders being signed by the Clerk. Using a “then and now” certificate is provided for in sections 5705.41(D)(1) of the Ohio Revised Code.

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

However, if the amount is less than \$3,000 (\$1,000 prior to April 7, 2003), it may be paid by the Clerk/Treasurer without a resolution or ordinance 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 Village Council.

To improve controls over disbursements, we recommend all Village purchases be made using a purchase order and that those who do not receive prior certification of the Clerk/Treasurer utilize the “then and now” certification. In addition, all purchase orders need to obtain the required approvals.

VILLAGE RESPONSE – The Village will take this into consideration.

VILLAGE OF BOTKINS
SHELBY COUNTY, OHIO

SCHEDULE OF FINDINGS
December 31, 2004 and 2003

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

Finding Number 2004-002 – Noncompliance

Ohio Revised Code Section 5705.41(B) states that “no subdivision or taxing unit is to expend money unless it has been appropriated. During 2003 and 2004, we noted the following expenditures in excess of appropriations:

| <u>In 2003:</u> | <u>Excess</u> |
|--------------------------------|---------------|
| CDGB Grant | \$ 80,003 |
| Capital Improvement - Issue II | 34,000 |
| Development Grant - 412 | 200,000 |

| <u>In 2004:</u> | <u>Excess</u> |
|---------------------|---------------|
| Fire Marshall Grant | \$ 7,700 |

VILLAGE RESPONSE – The Village will take this into consideration.

VILLAGE OF BOTKINS
SHELBY COUNTY, OHIO

SCHEDULE OF PRIOR AUDIT FINDINGS
December 31, 2004 and 2003

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain: |
|----------------|-----------------|------------------|---|
| 2002-001 | ORC 5705.41 (D) | NO | Reissued as Finding 2004-001 |



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Betty Montgomery**

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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
MARCH 30, 2006**