

VILLAGE OF BOTKINS  
SHELBY COUNTY, OHIO

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AUDITED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED  
DECEMBER 31, 2008 AND 2007





# Mary Taylor, CPA

Auditor of State

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

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, 2007 through December 31, 2008. 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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Mary Taylor, CPA  
Auditor of State

July 15, 2009

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VILLAGE OF BOTKINS  
SHELBY COUNTY, OHIO

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# ***E.S. Evans and Company***

**Certified Public Accountants**

205 West Elm Street • Lima, Ohio 45801 • Phone: (419) 223-3075  
P.O. Box 298 • Lima, Ohio 45802 • Fax: (419) 222-8507 • www.esevans.com

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E.S. Evans, CPA, PFS (1930-1999) • Robert E. Wendel, CPA • Dan F. Clifford, CPA, CVA  
Steven D. Hooker, CPA • John E. Klay, CPA

June 15, 2009

## 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, 2008 and 2007. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in 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.

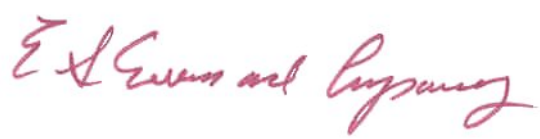
Instead of the combined funds the accompanying financial statements present, GAAP requires presenting entity wide statements and also to present its larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards require us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2008 and 2007 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2008 and 2007, or its changes in financial position or cash flows of its proprietary funds for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village as of December 31, 2008 and 2007, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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

In accordance with Government Auditing Standards, we have also issued our report dated June 15, 2009, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with Government Auditing Standards. You should read it in conjunction with this report in assessing the results of our audit.

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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

For the Year Ended December 31, 2008

	<u>Governmental Fund Types</u>		
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>
<u>Cash Receipts:</u>			
Property Tax and Other Local Taxes	\$ 60,311	\$ -	\$ -
Municipal Income Tax	347,462	-	-
Intergovernmental Receipts	72,599	86,039	-
Charges for Services	36,469	-	-
Fines, Licenses, and Permits	2,044	203	-
Interest Receipts	38,994	1,318	-
Miscellaneous	32,489	2,227	-
Total Cash Receipts	<u>590,368</u>	<u>89,787</u>	<u>-</u>
<u>Cash Disbursements:</u>			
Current -			
Security of Persons and Property	197,150	368	-
Public Health Services	4,483	-	-
Leisure Time Activities	55,066	-	-
Community Environment	1,226	-	-
Transportation	-	68,659	-
General Government	271,143	-	-
Capital Outlay	14,511	15,612	-
Debt Service:			
Redemption of Principal	-	-	-
Interest and Other Fiscal Charges	-	-	6,000
Total Cash Disbursements	<u>543,579</u>	<u>84,639</u>	<u>6,000</u>
Total Cash Receipts Over/(Under)			
Cash Disbursements	<u>46,789</u>	<u>5,148</u>	<u>(6,000)</u>
<u>Other Financing Sources/(Uses):</u>			
Proceeds from Loan	-	-	-
Other Financing Uses	-	-	-
Transfers-In	-	-	6,000
Transfers-Out	(6,000)	-	-
Total Other Financing Sources/(Uses)	<u>(6,000)</u>	<u>-</u>	<u>6,000</u>
Excess of Cash Receipts and Other Financing Sources Over/(Under)			
Cash Disbursements	40,789	5,148	-
<u>Fund Cash Balance - January 1, 2008</u>	<u>133,627</u>	<u>42,087</u>	<u>100</u>
<u>Fund Cash Balance - December 31, 2008</u>	<u>\$ 174,416</u>	<u>\$ 47,235</u>	<u>\$ 100</u>

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

<u>Governmental Fund Type</u>	<u>Totals</u>
<u>Capital Projects</u>	<u>(Memorandum Only)</u>
\$ -	\$ 60,311
187,095	534,557
-	158,638
-	36,469
-	2,247
-	40,312
-	34,716
187,095	867,250
-	197,518
-	4,483
-	55,066
-	1,226
-	68,659
-	271,143
122,868	152,991
-	-
-	6,000
122,868	757,086
64,227	110,164
-	-
(6,109)	(6,109)
-	6,000
-	(6,000)
(6,109)	(6,109)
58,118	104,055
528,843	704,657
\$ 586,961	\$ 808,712

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VILLAGE OF BOTKINS  
SHELBY COUNTY, OHIO

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

For the Year Ended December 31, 2008

	Proprietary Fund Types	Fiduciary Fund Types	Totals
	Enterprise	Private Purpose Trust	(Memorandum Only)
<u>Operating Cash Receipts:</u>			
Charges for Services	\$ 447,303	\$ -	\$ 447,303
Miscellaneous	1,194	-	1,194
Total Operating Cash Receipts	448,497	-	448,497
<u>Operating Cash Disbursements:</u>			
Personal Services	80,674	-	80,674
Contractual Services	51,582	-	51,582
Material and Supplies	121,234	327	121,561
Capital Outlay	9,938	-	9,938
Total Operating Cash Disbursements	263,428	327	263,755
Operating Income/(Loss)	185,069	(327)	184,742
<u>Non-Operating Cash Receipts:</u>			
Earnings on Investments	-	769	769
Total Non-Operating Cash Receipts	-	769	769
<u>Non-Operating Cash Disbursements:</u>			
Redemption of Principal	27,179	-	27,179
Interest and Other Fiscal Charges	14,018	-	14,018
Total Non-Operating Cash Disbursements	41,197	-	41,197
Net Receipts Over/(Under) Disbursements	143,872	442	144,314
<u>Fund Cash Balance</u> - January 1, 2008	629,050	17,898	646,948
<u>Fund Cash Balance</u> - December 31, 2008	\$ 772,922	\$ 18,340	\$ 791,262

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

For the Year Ended December 31, 2007

	Governmental Fund Types		
	General	Special Revenue	Debt Service
<u>Cash Receipts:</u>			
Property Tax and Other Local Taxes	\$ 61,947	\$ -	\$ -
Municipal Income Tax	324,686	-	-
Intergovernmental Receipts	74,653	74,118	-
Charges for Services	35,406	-	-
Fines, Licenses, and Permits	3,725	65	-
Interest Receipts	60,829	2,304	-
Miscellaneous	40,558	1,820	-
Total Cash Receipts	<u>601,804</u>	<u>78,307</u>	<u>-</u>
<u>Cash Disbursements:</u>			
Current -			
Security of Persons and Property	199,346	-	-
Public Health Services	4,342	-	-
Leisure Time Activities	42,102	-	-
Community Environment	2,673	-	-
Transportation	-	68,126	-
General Government	286,736	-	-
Capital Outlay	13,434	12,295	493,476
Debt Service:			
Redemption of Principal	-	-	-
Interest and Other Fiscal Charges	-	-	6,000
Total Cash Disbursements	<u>548,633</u>	<u>80,421</u>	<u>499,476</u>
Total Cash Receipts Over/(Under)			
Cash Disbursements	<u>53,171</u>	<u>(2,114)</u>	<u>(499,476)</u>
Other Financing Sources/(Uses):			
Proceeds from Loan	-	-	493,476
Other Financing Uses	-	-	-
Transfers-In	-	-	6,000
Transfers-Out	(6,000)	-	-
Total Other Financing Sources/(Uses)	<u>(6,000)</u>	<u>-</u>	<u>499,476</u>
Excess of Cash Receipts and Other Financing Sources Over/(Under)			
Cash Disbursements	47,171	(2,114)	-
<u>Fund Cash Balance - January 1, 2007</u>	<u>86,456</u>	<u>44,201</u>	<u>100</u>
<u>Fund Cash Balance - December 31, 2007</u>	<u>\$ 133,627</u>	<u>\$ 42,087</u>	<u>\$ 100</u>

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

Governmental Fund Type	Totals
Capital Projects	(Memorandum Only)
\$ -	\$ 61,947
174,831	499,517
285,500	434,271
-	35,406
-	3,790
-	63,133
3,346	45,724
<u>463,677</u>	<u>1,143,788</u>
-	199,346
-	4,342
-	42,102
-	2,673
-	68,126
-	286,736
443,331	962,536
-	-
-	6,000
<u>443,331</u>	<u>1,571,861</u>
<u>20,346</u>	<u>(428,073)</u>
-	493,476
(6,539)	(6,539)
-	6,000
-	(6,000)
<u>(6,539)</u>	<u>486,937</u>
13,807	58,864
515,036	645,793
\$ <u>528,843</u>	\$ <u>704,657</u>

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VILLAGE OF BOTKINS  
SHELBY COUNTY, OHIO

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

For the Year Ended December 31, 2007

	Proprietary Fund Types	Fiduciary Fund Types	Totals
	Enterprise	Private Purpose Trust	(Memorandum Only)
<u>Operating Cash Receipts:</u>			
Charges for Services	\$ 412,857	\$ -	\$ 412,857
Miscellaneous	3,685	-	3,685
Total Operating Cash Receipts	416,542	-	416,542
<u>Operating Cash Disbursements:</u>			
Personal Services	80,895	-	80,895
Contractual Services	51,335	-	51,335
Material and Supplies	115,035	963	115,998
Capital Outlay	131,239	-	131,239
Total Operating Cash Disbursements	378,504	963	379,467
Operating Income/(Loss)	38,038	(963)	37,075
<u>Non-Operating Cash Receipts:</u>			
Earnings on Investments	-	589	589
Total Non-Operating Cash Receipts	-	589	589
<u>Non-Operating Cash Disbursements:</u>			
Redemption of Principal	-	-	-
Interest and Other Fiscal Charges	-	-	-
Total Non-Operating Cash Disbursements	-	-	-
Net Receipts Over/(Under) Disbursements	38,038	(374)	37,664
<u>Fund Cash Balance - January 1, 2007</u>	591,012	18,272	609,284
<u>Fund Cash Balance - December 31, 2007</u>	\$ 629,050	\$ 17,898	\$ 646,948

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

VILLAGE OF BOTKINS  
SHELBY COUNTY, OHIO

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NOTES TO FINANCIAL STATEMENTS

December 31, 2008 and 2007

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 and certificates of deposit, 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

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NOTES TO FINANCIAL STATEMENTS  
December 31, 2008 and 2007

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.

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.

VILLAGE OF BOTKINS  
SHELBY COUNTY, OHIO

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NOTES TO FINANCIAL STATEMENTS  
December 31, 2008 and 2007

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:

OWDA – Water Tower Loan Fund - This fund was established to repay the loan on the water tower.

OWDA – Iron Removal Loan Fund - This fund was established to account for the loan proceeds on the iron removal project.

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

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.

The Village's private purpose trust funds are for the benefit of the Village of Botkins Library.

VILLAGE OF BOTKINS  
SHELBY COUNTY, OHIO

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NOTES TO FINANCIAL STATEMENTS  
December 31, 2008 and 2007

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, function, or object 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 2008 and 2007 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

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NOTES TO FINANCIAL STATEMENTS  
December 31, 2008 and 2007

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:

		<u>2008</u>		<u>2007</u>	
Demand Deposits	\$	179,974	\$	231,605	
Certificates of Deposit		1,420,000		1,120,000	
Total Deposits	\$	<u>1,599,974</u>	\$	<u>1,351,605</u>	

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, 2008 and 2007 follows:

<u>2008 Budgeted vs. Actual Receipts</u>						
<u>Fund Type</u>		<u>Budgeted</u>		<u>Actual</u>		<u>Variance</u>
	\$	Receipts	\$	Receipts	\$	
General	\$	658,978	\$	590,368	\$	(68,610)
Special Revenue		102,804		89,787		(13,017)
Debt Service		6,099		6,000		(99)
Capital Projects		696,844		187,095		(509,749)
Enterprise		1,004,050		448,497		(555,553)
Trust		18,298		769		(17,529)
	\$	<u>2,487,073</u>	\$	<u>1,322,516</u>	\$	<u>(1,164,557)</u>

VILLAGE OF BOTKINS  
SHELBY COUNTY, OHIO

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NOTES TO FINANCIAL STATEMENTS  
December 31, 2008 and 2007

Note 3 – Budgetary Activity – (continued)

2008 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 658,978	\$ 549,579	\$ 109,399
Special Revenue	102,804	84,639	18,165
Debt Service	6,099	6,000	99
Capital Projects	696,844	128,977	567,867
Enterprise	1,004,050	304,625	699,425
Trust	18,298	327	17,971
	<u>\$ 2,487,073</u>	<u>\$ 1,074,147</u>	<u>\$ 1,412,926</u>

2007 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 595,208	\$ 601,804	\$ 6,596
Special Revenue	106,059	78,307	(27,752)
Debt Service	497,430	499,476	2,046
Capital Projects	965,037	463,677	(501,360)
Enterprise	941,813	416,542	(525,271)
Trust	18,392	589	(17,803)
	<u>\$ 3,123,939</u>	<u>\$ 2,060,395</u>	<u>\$ (1,063,544)</u>

2007 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 595,208	\$ 554,633	\$ 40,575
Special Revenue	106,059	80,421	25,638
Debt Service	497,430	499,476	(2,046)
Capital Projects	965,037	449,870	515,167
Enterprise	941,813	378,504	563,309
Trust	18,392	963	17,429
	<u>\$ 3,123,939</u>	<u>\$ 1,963,867</u>	<u>\$ 1,160,072</u>

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Debt Service – OWDA Iron Removal Fund by \$2,046 at December 31, 2007.

VILLAGE OF BOTKINS  
SHELBY COUNTY, OHIO

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NOTES TO FINANCIAL STATEMENTS

December 31, 2008 and 2007

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

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NOTES TO FINANCIAL STATEMENTS  
December 31, 2008 and 2007

Note 6 - Debt Obligations

Debt outstanding at December 31, 2008 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Note - Water Tower	\$ 200,007	3.00%
Ohio Water Development Authority Note - Water Treatment Plant	473,168	2.84%
Total	\$ 673,175	

The Ohio Water Development Authority Note – Water Tower is a 15 year note requiring semi-annual payments of interest of \$3,000 only for the first 5 years and then semi-annual payments of principal and interest in the amount of \$11,650. The proceeds of this loan was used for water tower construction.

The Ohio Water Development Authority Note – Water Treatment Plant is a 15 year note requiring semi-annual payments of principal and interest of \$20,599. The proceeds of this loan was used for water treatment plant improvements.

The annual requirements to amortize all debt outstanding as of December 31, 2008, including interest payments of \$124,989 are scheduled as follows:

Year Ending December 31,	OWDA Loan - WT	OWDA Loan - WTP	TOTAL
2009	\$ 6,000	\$ 41,198	\$ 47,198
2010	14,649	41,198	55,847
2011	23,299	41,198	64,497
2012	23,299	41,198	64,497
2013	23,299	41,198	64,497
2014-2018	116,496	205,990	322,486
2019-2023	34,949	144,193	179,142
	\$ 241,991	\$ 556,173	\$ 798,164

VILLAGE OF BOTKINS  
SHELBY COUNTY, OHIO

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NOTES TO FINANCIAL STATEMENTS

December 31, 2008 and 2007

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 2007, OPERS members contributed 9.5 percent of their gross salary. The Village contributed an amount equal to 13.85 percent of participants' gross salaries. For 2008, OPERS members contributed 10.0 percent of their gross salary. The Village contributed an amount equaling 14.0 percent of participants' gross salaries. The Village has paid all required contributions through December 31, 2008.

Police and Firemen's Disability and Pension Fund

The Village of Botkins' uniformed police employees participate in the Ohio Police and Fire Pension Funds (OP&F). This is a multi-employer cost sharing public employees' retirement system. The Ohio Revised Code prescribes the plan's retirement benefits, including postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2007 and 2008, OP&F members contributed 10 percent of their gross salary. The Village contributed an amount equal to 19.5 percent of participants' gross salaries. The Village has paid all required contributions through December 31, 2008.

Note 8 - Risk Management

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

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

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual 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

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NOTES TO FINANCIAL STATEMENTS

December 31, 2008 and 2007

Note 8 - Risk Management – (continued)

Casualty Coverage

For an occurrence prior to January 1, 2006 PEP retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year.

For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with PEP.

If losses exhaust PEP's retained earnings, APEEP provides excess of funds available coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (prior to January 1, 2006) or \$3,000,000 (on or subsequent to January 1, 2006) as noted above.

Property Coverage

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

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

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

VILLAGE OF BOTKINS  
SHELBY COUNTY, OHIO

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NOTES TO FINANCIAL STATEMENTS  
December 31, 2008 and 2007

Note 8 - Risk Management – (continued)

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2007 and 2006 (the latest information available):

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

At December 31, 2007 and 2006, respectively, the liabilities above include approximately \$15.9 million and \$15.0 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$15.0 million and \$14.4 million of unpaid claims to be billed to approximately 443 member governments in the future, as of December 31, 2007 and 2006, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Village's share of these unpaid claims collectible in future years is approximately \$17,000. This payable includes the subsequent year's contribution due if the Village terminates participation, as described in the last paragraph below.

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

Contributions to PEP

2006	\$ 18,177
2007	\$ 20,307
2008	\$ 19,445

After completing one year of membership, members may withdraw on each anniversary of the date they joined PEP provided they provide written notice to PEP 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

VILLAGE OF BOTKINS  
SHELBY COUNTY, OHIO

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NOTES TO FINANCIAL STATEMENTS

December 31, 2008 and 2007

Note 9 – Contingencies

Under a settlement agreement with the Eastern Shawnee Indian Tribe, Village Council passed Ordinance 06-19 on June 13, 2006 and Ordinance 06-20 on June 20, 2006. Under the terms and conditions of the settlement, the Village entered into a certain real estate option agreement dated May 30, 2006 with the Tribe, whereby the Village granted the Tribe the first and exclusive right and option to purchase certain land located within the Village consisting of approximately 50 acres. The purchase price for the land under option is \$600,000 and the option period expires at the latest, on December 31, 2009.

On January 29, 2008, the Village was preliminarily awarded a grant for the “Streetscape Project”. Initial estimated cost for the project is \$569,000 with the grant covering \$455,200. The Village is liable for the balance. On February 10, 2009, the Village entered into an agreement for engineering services for this project. The actual project won’t take place until 2011.

On November 25, 2008, the Village was awarded an OPWC Issue II grant in the amount of \$250,000 for wastewater treatment plant updates. Total estimated cost of the project is \$1,209,950. The Village is currently looking into a loan to finance the balance as well as to contract with an engineer for the project. It is estimated that the project will take place in 2010.

On March 9, 2007, a party filed a complaint for damages against numerous defendants, including the Botkins Volunteer Fire Department. The Village has insurance coverage through the Public Entities Pool of Ohio which has assumed the defense of the Village without any reservation of rights.

Note 10 – Other Material Noncompliance

Contrary to Ohio law, the Village did not issue a purchase order prior to making some purchases of goods and services.

Contrary to Ohio law, the Village did not appropriate at the minimum required level as set by the Ohio Revised Code.

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# ***E.S. Evans and Company***

**Certified Public Accountants**

205 West Elm Street • Lima, Ohio 45801 • Phone: (419) 223-3075  
P.O. Box 298 • Lima, Ohio 45802 • Fax: (419) 222-8507 • [www.esevans.com](http://www.esevans.com)

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E.S. Evans, CPA, PFS (1930-1999) • Robert E. Wendel, CPA • Dan F. Clifford, CPA, CVA  
Steven D. Hooker, CPA • John E. Klay, CPA

June 15, 2009

## **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, 2008 and 2007, and have issued our report thereon dated June 15, 2009, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village of Botkins' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village of Botkins' internal control over financial reporting.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village of Botkins' ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that a misstatement of the Village of Botkins' financial statements that is more than inconsequential will not be prevented or detected by the Village's internal control.

We consider the following deficiencies described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting: 2008-001 and 2008-002.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Village of Botkins' internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe none of the significant deficiencies described above are material weaknesses.

We also noted certain internal control matters that we reported to the Village of Botkins' management in separate letter dated June 15, 2009.

#### 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 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 an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and are described in the accompanying schedule of findings as items 2008-001 and 2008-002.

In a separate letter to the Village of Botkins' management dated June 15, 2009, we reported other matters related to noncompliance.

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Village's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of management, Village Council, and Auditor of State of Ohio and are not intended to be and should not be used by anyone other than these specified parties.

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VILLAGE OF BOTKINS  
SHELBY COUNTY, OHIO

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SCHEDULE OF FINDINGS  
December 31, 2008 and 2007

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number 2008-001 – Noncompliance Citation and Significant Deficiency

Ohio Revised Code § 5705.41 (D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless there is attached thereto a signed 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 null and void and no warrant shall be issued in payment of any amount due thereon.

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

However, there are several exceptions to the standard requirement stated above that a Clerk's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: “then and now” certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. “Then and Now” certificate — If the Clerk can certify that both at the time that the contract or order was made (“then”), and at the time that the Clerk 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.

Amounts of less than \$3,000 may be paid by the Clerk 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.

2. Blanket Certificate — Village Clerk's may prepare “blanket” certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

VILLAGE OF BOTKINS  
SHELBY COUNTY, OHIO

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SCHEDULE OF FINDINGS  
December 31, 2008 and 2007

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number 2008-001 – Noncompliance Citation and Significant Deficiency – (continued)

3. Super Blanket Certificate — The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Unless the exceptions noted above are used, prior certification is not only required by Ohio law, but is a key control in the disbursements process to help assure purchase commitments receive prior approval, and to help reduce the possibility of Village funds being over expended or exceeding budgetary spending limitations as set by the Village Council.

One-hundred percent of the transactions tested were not certified by the Fiscal Officer at the time the commitment was incurred due to no signature on the purchase order. In addition, ninety-six percent of the transactions tested had the purchase order being issued after the purchase was made with no “then and now” certification being used. Failure to properly certify the availability of funds can result in overspending funds and possible negative fund cash balances.

To improve controls over disbursements, we recommend all Village disbursements receive certification of the Fiscal Officer prior incurring the obligation, including a valid signature. When prior certification is not possible, “then and now” certification should be used.

VILLAGE RESPONSE – The Village will work to correct this in the future.

VILLAGE OF BOTKINS  
SHELBY COUNTY, OHIO

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SCHEDULE OF FINDINGS  
December 31, 2008 and 2007

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number 2008-002 – Noncompliance Citation and Significant Deficiency

Ohio Revised Code Section 5805.38(A) requires that on or about the first day of each fiscal year, an appropriation measure is to be passed. Section (C) of this Code Section requires the following minimum level of budgetary control to be classified so as to set forth separately the amounts appropriated for each office, department, and division, and, within each, the amount appropriated for personal services. For the Village, budgetary appropriations should be set at the fund, function and object level for each fund. The Village Council is currently approving all appropriations at the fund level. The approval of appropriations at the fund level does not provide sufficient detail for Council to establish budgetary controls over the Village's funds. We would recommend adopting appropriations at the fund, function, object level in order to adequately monitor expenditures and be in compliance with the Ohio Revised Code.

VILLAGE RESPONSE – The Village will work to correct this in the future.

VILLAGE OF BOTKINS  
SHELBY COUNTY, OHIO

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SCHEDULE OF PRIOR AUDIT FINDINGS  
December 31, 2008 and 2007

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2006-001	ORC 5705.41 (D)	NO	Reissued as Finding 2008-001



**Mary Taylor, CPA**  
Auditor of State

**VILLAGE OF BOTKINS**

**SHELBY COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JULY 28, 2009**