



Dave Yost • Auditor of State

VILLAGE OF BENTON RIDGE
HANCOCK COUNTY

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Dave Yost • Auditor of State

Village of Benton Ridge
Hancock County
P.O. Box 5
Benton Ridge, Ohio 45816-0005

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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Dave Yost
Auditor of State

November 16, 2011

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Benton Ridge
Hancock County
P.O. Box 5
Benton Ridge, Ohio 45816-0005

To the Village Council:

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

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

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

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

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2010 and 2009 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2010 and 2009, or its changes in financial position or cash flows, where applicable 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 and reserves for encumbrances of the Village of Benton Ridge, Hancock County, Ohio as of December 31, 2010 and 2009, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2011, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

Dave Yost
Auditor of State

November 16, 2011

**VILLAGE OF BENTON RIDGE
HANCOCK COUNTY**

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

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property and Local Taxes	\$5,736	\$38		\$5,774
Intergovernmental	40,638	27,311		67,949
Special Assessments		619		619
Charges for Services		2,225		2,225
Earnings on Investments	1,130	46		1,176
Miscellaneous		65		65
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	47,504	30,304		77,808
Cash Disbursements:				
Current:				
Security of Persons and Property	3,178	7,857		11,035
Public Health Services	1,421			1,421
Leisure Time Activities	697	15,421		16,118
Basic Utility Service	620			620
Transportation		3,120		3,120
General Government	27,160			27,160
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	33,076	26,398		59,474
Total Receipts Over Disbursements	<hr/>	<hr/>	<hr/>	<hr/>
	14,428	3,906		18,334
Other Financing Receipts				
Sale of Fixed Assets		1,088		1,088
	<hr/>	<hr/>	<hr/>	<hr/>
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements	14,428	4,994		19,422
Fund Cash Balances, January 1	<hr/>	<hr/>	<hr/>	<hr/>
	8,494	66,120	\$279,667	354,281
Fund Cash Balances, December 31	<hr/>	<hr/>	<hr/>	<hr/>
	\$22,922	\$71,114	\$279,667	\$373,703
Reserve for Encumbrances, December 31	<hr/>	<hr/>	<hr/>	<hr/>
	<u>\$1,903</u>	<u>\$1,108</u>		<u>\$3,011</u>

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

**VILLAGE OF BENTON RIDGE
HANCOCK COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Enterprise
Operating Cash Receipts:	
Charges for Services	\$71,740
Operating Cash Disbursements:	
Personal Services	13,183
Contractual Services	9,265
Supplies and Materials	509
Total Operating Cash Disbursements	22,957
Operating Income	48,783
Non-Operating Cash Disbursements:	
Redemption of Principal	13,368
Interest and Other Fiscal Charges	36,383
Total Non-Operating Cash Disbursements	49,751
Cash Disbursements Over Receipts	(968)
Fund Cash Balances, January 1	49,567
Fund Cash Balances, December 31	\$48,599
Reserve for Encumbrances, December 31	\$1,393

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

**VILLAGE OF BENTON RIDGE
HANCOCK COUNTY**

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

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property and Local Taxes	\$5,409	\$42		\$5,451
Intergovernmental	42,983	26,174	\$78,767	147,924
Special Assessments		10,284		10,284
Charges for Services		4,071		4,071
Earnings on Investments	929	69		998
Miscellaneous	731	255		986
	<u>50,052</u>	<u>40,895</u>	<u>78,767</u>	<u>169,714</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
Security of Persons and Property	3,121	7,177		10,298
Public Health Services	1,254			1,254
Leisure Time Activities	6,961	3,419		10,380
Basic Utility Service	707			707
Transportation		1,903		1,903
General Government	34,151			34,151
Capital Outlay			63,862	63,862
	<u>46,194</u>	<u>12,499</u>	<u>63,862</u>	<u>122,555</u>
Total Cash Disbursements				
Total Receipts Over Disbursements	<u>3,858</u>	<u>28,396</u>	<u>14,905</u>	<u>47,159</u>
Fund Cash Balances, January 1	<u>4,636</u>	<u>37,724</u>	<u>264,762</u>	<u>307,122</u>
Fund Cash Balances, December 31	<u>\$8,494</u>	<u>\$66,120</u>	<u>\$279,667</u>	<u>\$354,281</u>
Reserve for Encumbrances, December 31		<u>\$1,161</u>		<u>\$1,161</u>

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

VILLAGE OF BENTON RIDGE
HANCOCK COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>Enterprise</u>
Operating Cash Receipts:	
Charges for Services	\$81,032
Miscellaneous	<u>1,029</u>
Total Operating Cash Receipts	<u>82,061</u>
Operating Cash Disbursements:	
Personal Services	13,099
Contractual Services	14,284
Supplies and Materials	<u>5,944</u>
Total Operating Cash Disbursements	<u>33,327</u>
Operating Income	<u>48,734</u>
Non-Operating Cash Disbursements:	
Capital Outlay	6,126
Redemption of Principal	13,279
Interest and Other Fiscal Charges	<u>36,769</u>
Total Non-Operating Cash Disbursements	<u>56,174</u>
Cash Disbursements Over Receipts	(7,440)
Fund Cash Balances, January 1	<u>57,007</u>
Fund Cash Balances, December 31	<u><u>\$49,567</u></u>

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

**VILLAGE OF BENTON RIDGE
HANCOCK COUNTY**

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

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Benton Ridge, Hancock County, Ohio (the Village), as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides sewer utilities and park operations. The Village contracts with Blanchard Township to receive fire protection services.

The Village participates in the Public Entities Pool of Ohio. Note 7 to the financial statements provides additional information for this entity.

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Deposits and Investments

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

The Village values certificate of deposits at cost.

D. Fund Accounting

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

1. General Fund

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

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than from private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

Lighting Fund - This fund receives monies from special assessment on property owners to pay for street lighting.

**VILLAGE OF BENTON RIDGE
HANCOCK COUNTY**

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

1. Summary of Significant Accounting Policies (Continued)

Park Fund – This fund receives grants, other subdivision's support and usage fees to fund maintenance and upkeep of the park.

3. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant Capital Project Fund:

Sewer Construction Fund – This fund received grants and loans proceeds for the construction of the sanitary sewer system within the Village.

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 Fund:

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

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

1. Appropriations

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

2. 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.

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Village did not encumber all commitments required by Ohio Law. Management has included an audit adjustment in the accompanying financial statements and budgetary presentations for material items that should have been encumbered

A summary of 2010 and 2009 budgetary activity appears in Note 3.

**VILLAGE OF BENTON RIDGE
HANCOCK COUNTY**

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

1. Summary of Significant Accounting Policies (Continued)

F. Property, Plant, and Equipment

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

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:

	2010	2009
Demand deposits	\$72,302	\$53,848
Certificates of deposit	350,000	350,000
Total deposits	\$422,302	\$403,848

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

3. Budgetary Activity

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

2010 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$46,103	\$47,504	\$1,401
Special Revenue	41,763	31,392	(10,371)
Enterprise	68,500	71,740	3,240
Total	\$156,366	\$150,636	(\$5,730)

2010 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$50,000	\$34,979	\$15,021
Special Revenue	85,161	27,506	57,655
Capital Projects	100,000		100,000
Enterprise	120,200	74,101	46,099
Total	\$355,361	\$136,586	\$218,775

**VILLAGE OF BENTON RIDGE
HANCOCK COUNTY**

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

3. Budgetary Activity (Continued)

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$53,103	\$50,052	(\$3,051)
Special Revenue	31,410	40,895	9,485
Capital Projects	4,000	78,767	74,767
Enterprise	83,000	82,061	(939)
Total	\$171,513	\$251,775	\$80,262

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$51,001	\$46,194	\$4,807
Special Revenue	55,243	13,660	41,583
Capital Projects	100,000	63,862	36,138
Enterprise	129,208	89,501	39,707
Total	\$335,452	\$213,217	\$122,235

4. Property Tax

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

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

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

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

5. Debt

Debt outstanding at December 31, 2010 was as follows:

**VILLAGE OF BENTON RIDGE
HANCOCK COUNTY**

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

5. Debt (Continued)

	Principal	Interest Rate
USDA Bonds	\$669,000	4.25%
Village of Rawson Mortgage Revenue Bond	148,347	4.5%
Village of Rawson OPWC Loan	53,738	
Total	\$871,085	

The Village has entered into an agreement with United States Department of Agriculture Rural Development in the amount of \$683,000 in bonds. The bonds were used to extinguish an OWDA loan the Village entered into for the construction of a waste water treatment facility. The Village has agreed to set utility rates sufficient to cover the mortgage revenue bond debt service requirements.

The USDA bond covenant requires the Village to establish and fund a debt service reserve fund, included as a debt service fund. The balance in the fund at December 31, 2010 is \$36,200.

The Village has entered into an intergovernmental agreement with the Villages of Rawson and Mt. Cory to pay back Mortgage Revenue Bonds for \$159,500 for the construction of a wastewater treatment facility. The facility has been built and is owned by the Village of Rawson. The facility will be leased to the Villages of Benton Ridge and Mt. Cory for a minimum of 40 years. The facility was built based on the aggregated population of the three villages, and the cost will be shared in proportion to their populations. The Village of Benton Ridge's share of the debt is 31% of bond with an interest rate of 4.5%. In addition, the Village is responsible for the reserve balance requirement for their portion of the debt payment, \$8,838, payable over 10 years. Sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover the mortgage revenue bond debt service requirements.

The Village has entered into an intergovernmental agreement with the Villages of Rawson and Mt. Cory to pay back Ohio Public Works Commission Loan CT31B for \$277,350 for the construction of a wastewater treatment facility. The facility has been built and is owned by the Village of Rawson. The facility will be leased to the Villages of Benton Ridge and Mt. Cory for a minimum of 40 years. The facility was built based on the aggregated population of the three villages, and the cost will be shared in proportion to their populations. The Village of Benton Ridge's share of the debt is 31% of this interest free loan. Sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements.

**VILLAGE OF BENTON RIDGE
HANCOCK COUNTY**

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

5. Debt (Continued)

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

Year ending December 31:	USDA Loan	Village of Rawson USDA Loan	Village of Rawson USDA Reserve	Village of Rawson OPWC Loan
2011	\$36,432	\$8,838	\$884	\$4,299
2012	36,093	8,838	884	4,299
2013	35,752	8,838	884	4,299
2014	36,413	8,838	884	4,299
2015	36,030	8,838	884	4,299
2016-2020	180,945	44,190		21,495
2021-2025	180,960	44,190		10,748
2026-2030	181,085	44,190		
2031-2035	180,852	44,190		
2036-2040	181,413	44,190		
2041-2045	180,745	17,538		
2046-2047	72,377			
Total	<u>\$1,339,097</u>	<u>\$282,678</u>	<u>\$4,420</u>	<u>\$53,738</u>

6. Retirement System

The Village's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2010 and 2009, 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, 2010.

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 Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**VILLAGE OF BENTON RIDGE
HANCOCK COUNTY**

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

7. Risk Management (Continued)

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2010, PEP retained \$350,000 for casualty claims and \$150,000 for property claims.

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

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Assets	\$34,952,010	\$36,374,898
Liabilities	<u>(14,320,812)</u>	<u>(15,256,862)</u>
Net Assets	<u>\$20,631,198</u>	<u>\$21,118,036</u>

At December 31, 2010 and 2009, respectively, the liabilities above include approximately \$12.9 million and \$14.1 million of estimated incurred claims payable. The assets above also include approximately \$12.4 million and \$13.7 million of unpaid claims to be billed to approximately 454 member governments in the future, as of December 31, 2010 and 2009, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2010, the Village's share of these unpaid claims collectible in future years is approximately \$4,000.

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

<u>Contributions to PEP</u>	
2009	\$4,705
2010	\$4,578

VILLAGE OF BENTON RIDGE
HANCOCK COUNTY

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

7. Risk Management (Continued)

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.



Dave Yost • Auditor of State

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

Village of Benton Ridge
Hancock County
P.O. Box 5
Benton Ridge, Ohio 45816-0005

To the Village Council:

We have audited the financial statements of the Village of Benton Ridge, Hancock County, Ohio (the Village), as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated November 16, 2011, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2010-002 and 2010-003 described in the accompanying schedule of findings to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2010-001 and 2010-003.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated November 16, 2011.

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

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

Dave Yost
Auditor of State

November 16, 2011

VILLAGE OF BENTON RIDGE
HANCOCK COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND 2009

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

FINDING NUMBER 2010-001

Noncompliance Citation

Ohio Revised Code, § 5705.41(D)(1), states that no subdivision shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision. The fiscal officer must certify that the amount required to meet such a commitment 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 encumbrance. Every such contract made without such a certificate shall be void and no warrant shall be issued in payment of any amount due thereon.

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

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

Amounts of less than \$3,000 may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

- 2. Blanket Certificate:** Fiscal Officers may prepare "blanket" certificates not exceeding amounts (appropriations) as approved by Council via Ordinance or Resolution, or running beyond the current year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
- 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.

Ninety-six percent of the transactions tested were not certified by the Clerk at the time the commitment was incurred, and there was no evidence the Village followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances. In addition, the Village system did not correctly account for outstanding purchase commitments at the end of December 2010 or 2009. The accompanying financial and budgetary presentations for the Special Revenue funds have been adjusted to reflect the correct amounts of outstanding encumbrances at the end of 2009 resulting in an adjustment of \$1,161 for 2009.

**FINDING NUMBER 2010-001
(Continued)**

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 Council.

To improve controls over disbursements, we recommend all Village disbursements received prior certification of the Clerk and the Council review the outstanding purchase orders listing at year end to determine its accuracy.

FINDING NUMBER 2010-002

Material Weakness

Financial Reporting

We encountered the following transactions that required reclassification adjustments and the accompanying financial statements reflect these amounts:

- In 2009 and 2010 disbursements on the financial statements for all funds did not agree to the ledgers account amounts or total disbursements in the cashbook requiring reclassifications ranging from \$123 to \$63,862 and cash balance adjustments ranging from \$220 to \$36,346.
- In 2010 receipts in the Special Revenue funds required reclassifications ranging from \$1,088 to \$14,071.
- In 2009 receipts in the Special Revenue funds required reclassifications ranging from \$10,235 to \$6,164, and the cash balance was under stated by \$6,213.
- In 2009 \$78,767 of receipts in the Capital Project fund were not reflected on the financial statements resulting in the cash balance being understated by \$78,767.
- In 2009 and 2010 the Sewer fund debt expenditure amount included the interest and reserve portion of the Village's USDA loan \$36,769 and \$36,383 respectively.
- In 2009 no encumbrances were reported on the financial statements for the Special Revenue, and \$1,161 should have been reserved.

Accurate financial reporting is the responsibility of the Clerk and Village Council and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. To ensure the Village's financial statements and notes to the statements are complete and accurate, the Village should adopt policies and procedures, including a final review of the statements and notes by the Clerk and Council to identify and correct errors and omissions.

FINDING NUMBER 2010-003

Noncompliance Citation/Material Weakness

Ohio Revised Code § 5705.10(D) states, in part, that all revenue derived from a specific source shall be credited to a special fund for the purpose for which the monies were received.

During our testing the following transactions were found to be posted to the incorrect fund:

- In 2010 \$596 of homestead and rollback money was posted to the Street (\$551) and Highway (\$45) funds and should have been credited to the General fund.
- In 2009 and 2010 interest monies were posted to the Sewer fund and should have been posted to the General fund in amounts of \$436 and \$546 respectively.
- In 2009 a prior audit adjustment of \$3,040 was posted to Sewer fund and should have been posted to the Capital Project fund.

The accompanying financial statements and the Village's accounting records were adjusted to reflect these amounts in the proper funds.

Accurate financial reporting is the responsibility of the Clerk and Village Council. We recommend Council monitor receipt posting and audit adjustments to ensure money and corrections are posted to the correct fund.

Officials' Response:

We did not receive a response from Officials to the findings reported above.

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**VILLAGE OF BENTON RIDGE
HANCOCK COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2008-001	Ohio Revised Code § 5705.10(D) for postings errors	No	Not corrected repeated as findings 2010-003 in this report.
2008-002	Ohio Revised Code § 5705.41(B), expenditures exceeded appropriations	Yes	
2008-003	Ohio Revised Code § 5705.10(H), deficit fund balance	Yes	

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Dave Yost • Auditor of State

VILLAGE OF BENTON RIDGE

HANCOCK 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
DECEMBER 1, 2011