



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

VILLAGE OF BENTON RIDGE
HANCOCK COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

Village of Benton Ridge
Hancock County
100 Main Street
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 (the Village) as of and for the year ended December 31, 2001. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village as of December 31, 2001, and its combined cash receipts and disbursements for the year then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 3, 2002 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Jim Petro
Auditor of State

April 3, 2002

**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, 2001**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$4,404	\$2,318		\$6,722
Special Assessments		7,592		7,592
Intergovernmental Receipts	50,928	21,467		72,395
Charges for Services		340	\$29,640	29,980
Earnings on Investments	3,468	70		3,538
Miscellaneous	499	5,401		5,900
	<u>59,299</u>	<u>37,188</u>	<u>29,640</u>	<u>126,127</u>
Cash Disbursements:				
Current:				
Security of Persons and Property		6,626		6,626
Leisure Time Activities	14,503	12,494		26,997
Basic Utility Services	2,623		14,254	16,877
Transportation		931		931
General Government	31,131			31,131
Capital Outlay	31,415	5,961		37,376
	<u>79,672</u>	<u>26,012</u>	<u>14,254</u>	<u>119,938</u>
Total Cash Disbursements	<u>79,672</u>	<u>26,012</u>	<u>14,254</u>	<u>119,938</u>
Total Receipts Over/(Under) Disbursements	(20,373)	11,176	15,386	6,189
Fund Cash Balances, January 1	<u>63,721</u>	<u>35,927</u>	<u>68,898</u>	<u>168,546</u>
Fund Cash Balances, December 31	<u>\$43,348</u>	<u>\$47,103</u>	<u>\$84,284</u>	<u>\$174,735</u>

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

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**VILLAGE OF BENTON RIDGE
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Benton Ridge, Hancock County, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general government services, including sewer utilities, and park operations (leisure time activities). The Village contracts with Blanchard Township for fire protection.

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

B. Basis of Accounting

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

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

C. Cash and Investments

Certificates of deposits are valued at cost. The investment in STAR Ohio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Fund

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

**VILLAGE OF BENTON RIDGE
HANCOCK COUNTY**

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

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

Park Fund - This fund receives tax levy money for the operation of the Village Park.

Street Lighting Fund - This fund receives assessments for street lights within the Village.

3. Capital Projects 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 projects fund:

Sewer Construction Fund - This fund receives user fees to be used for future construction of a new sanitary sewer system within the Village.

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 Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. The Village did not use the encumbrance method of accounting.

A summary of 2001 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

**VILLAGE OF BENTON RIDGE
HANCOCK COUNTY**

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

	2001
Demand deposits	\$93,255
Certificates of deposit	7,500
STAR Ohio	73,980
Total deposits and investments	\$174,735

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

Investments: Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2001:

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$56,303	\$59,299	\$2,996
Special Revenue	13,918	37,188	23,270
Capital Projects	9,500	29,640	20,140
Total	\$79,721	\$126,127	\$46,406

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$116,700	\$79,672	\$37,028
Special Revenue	41,800	26,012	15,788
Capital Projects	70,000	14,254	55,746
Total	\$228,500	\$119,938	\$108,562

4. COMPLIANCE

The Village did not certify funds as required by Ohio Revised Code § 5705.41(D).

As of December 31, 2001 there were five instances for which expenditures exceeded appropriations at the fund/function/object legal level of control, in amounts ranging from \$30 to \$34,593. In addition, the following funds had expenditures exceeding appropriations at year end.

Fund	Amount Appropriated	Amount Expended	Excess of Expenditures over Appropriations
Permissive License Tax Fund		\$5,961	\$5,961
Park Fund	\$4,200	12,495	8,295

**VILLAGE OF BENTON RIDGE
HANCOCK COUNTY**

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

5. PROPERTY TAX

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

6. RETIREMENT SYSTEMS

All elected officials and employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of PERS participants' gross salaries for 2001. The Village has paid all contributions required through December 31, 2001.

7. RISK MANAGEMENT

Risk Pool Membership

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

Casualty Insurance

PEP retains casualty risks up to \$250,000 per claim. Claims exceeding \$250,000 are reinsured with APEEP up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000, from the General Reinsurance Corporation.

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

**VILLAGE OF BENTON RIDGE
HANCOCK COUNTY**

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

Property Insurance

PEP retains property risks, including automobile physical damage up to \$100,000 on any specific loss. The Travelers Indemnity Company reinsures specific losses exceeding \$100,000. The Travelers Indemnity Company also provides aggregate excess coverage for property including automobile physical damage subject to an annual stop loss. When the stop loss is reached in any year, The Travelers Indemnity Company provides coverage in excess of \$10,000.

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

Financial Position

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

<u>Casualty Coverage</u>	<u>2000</u>	<u>1999</u>
Assets	\$17,112,129	\$15,295,389
Liabilities	<u>7,715,035</u>	<u>6,636,543</u>
Retained earnings	<u>\$9,397,094</u>	<u>\$8,658,846</u>

<u>Property Coverage</u>	<u>2000</u>	<u>1999</u>
Assets	\$1,575,614	\$1,118,222
Liabilities	<u>281,561</u>	<u>279,871</u>
Retained earnings	<u>\$1,294,053</u>	<u>\$838,351</u>

8. INTERGOVERNMENTAL AGREEMENT

The Village has entered into an intergovernmental agreement with the Village of Rawson and Mt. Cory for the construction of a wastewater treatment facility. The facility will be built and owned by the Village of Rawson, with planned construction sometime in 2002. The facility will then be leased to the Villages of Benton Ridge and Mt. Cory for a minimum of 40 years. The facility will be built upon the aggregated population of all three villages, and the cost will be shared in proportion to their populations. Benton Ridge's share is estimated at 31%. Each village will have a representative on the management board of the facility.

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

Village of Benton Ridge
Hancock County
100 Main Street
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 (the Village) as of and for the year ended December 31, 2001, and have issued our report thereon dated April 3, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2001-30232-001 and 2001-30232-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated April 3, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted instances involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the Village's ability to record, process, summarize and report financial data consistent the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2001-30232-003 and 2001-30232-004.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe reportable condition 2001-30232-003 described above is a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated April 3, 2002.

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

Jim Petro
Auditor of State

April 3, 2002

**VILLAGE OF BENTON RIDGE
HANCOCK COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001**

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

FINDING NUMBER 2001-30232-001

Noncompliance Citation

Ohio Revised Code § 5705.41 (B) prohibits a subdivision from making any expenditure of money unless it has been lawfully appropriated as provided in such chapter.

As of December 31, 2001 there were five instances for which expenditures exceeded appropriations at the fund/function/object legal level of control, in amounts ranging from \$30 to \$34,593. In addition, the following funds had expenditures exceeding appropriations at year end.

<u>Fund</u>	<u>Amount Appropriated</u>	<u>Amount Expended</u>	<u>Excess of Expenditures over Appropriations</u>
Permissive License Tax Fund		\$5,961	\$5,961
Park Fund	\$4,200	12,495	8,295

The Clerk/Treasurer should not issue purchase orders for expenditures that would exceed appropriations. The Clerk/Treasurer should inform the Council of the insufficiency of appropriations, and whether current resources permit an increase to appropriations. The Council should determine if they wish to increase appropriations and if needed, obtain an amended certificate of estimated resources. We reported this matter in the prior audit's management letter.

FINDING NUMBER 2001-30232-002

Ohio Revised Code § 5705.41(D) states that no subdivision or taxing unit shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. 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. Further, contracts and orders for expenditures lacking prior certification should be considered null and void.

This section also provides two exceptions to the above requirements:

- A. Then and Now Certificate - if no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the purchase order or contract and at the time of the certificate, appropriated and free of any previous encumbrance, the Council may authorize the issuance of a check in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.
- B. If the amount involved is less than \$1,000, the fiscal officer may authorize it to be paid without the affirmation of the Council, if such expenditure is otherwise valid.

None of the transactions tested receive prior certification nor were they certified using a then-and-now certification. Certification is not only required by Ohio law but is also a key control in the disbursement process to assure that 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 Council.

To improve controls over disbursements we recommend all Village disbursements, receive prior certification of the Clerk/Treasurer and that the Council periodically review the expenditures made to ensure they are within appropriations adopted by the Council certified by the Clerk/Treasurer and recorded against appropriations.

FINDING NUMBER 2001-30232-003

Material Weakness - Sewer Construction Revenue

Village residence are billed \$20 per month to finance the construction of a sewage treatment facility for the Village. The customer records did not include amount billed, amounts paid, receipt date, late penalties assessed or outstanding balances. In addition, at December 31, 2001 there were a total of \$15,161.34 in delinquent account balance, which represents approximate 50% of the funds annual anticipated revenues, with no evidence the Council is actively pursuing collection of these past due accounts.

This limits control over these revenues and increases the possibility of errors or irregularities occurring and not being detected during the normal course of operations. In addition, failure to pursue past due accounts limits the Village's cash resources and increases the possibility of additional residents discontinuing payment on their accounts.

We recommend uniform records be maintained for each resident account listing beginning balance, amount billed, penalties assessed, date and amount paid and ending balance. Council should consult with the Village's legal counsel concerning procedures for the collection of past due accounts, which can include having the past due balance assessed to the property owners property taxes.

FINDING NUMBER 2001-30232-003

Reportable Condition - Financial Monitoring

1) Amounts posted to the receipts and appropriation ledger did not reconcile to the amounts posted to the cash journal, 2) STAR Ohio investments were not included in the fund balance in the cash journal, 3) Funds received by the Village were only being deposited once or twice per month, 4) Utility records were incomplete, 5) There was no indication that Council reviewed or approved the monthly financial reports prepared by the Clerk/Treasurer, 6) There was no evidence of council approval of employee pay rates, and 7) Estimated receipts, appropriations and encumbrances were not posted to the ledgers and as a result Council was not provided with budget vs. actual comparisons for receipts or disbursements.

All of these deficiencies indicate a lack of or insufficient monitoring of financial activity by the Village Council. Monitoring of finances by Council is a key control to ensure Village funds are not wasted, misused or stolen. To ensure the records are up to date, accurate and in balance Council should: 1) review the records to ensure all amounts are posted in a timely manner, posted to the proper fund and account, in the proper period and that the receipts and appropriations ledgers agree with the cash journal, 2) ensure the books are reconciled with the bank monthly, and include all funds on deposit, including STAR Ohio, 3) ensure that all revenues are deposited as received, in accordance with Auditor of State Audit Bulletin 99-020, 4) ensure complete records of utility activity are maintained, 5) review and approve all financial reports prepared by the Clerk/Treasurer, 6) approve all pay rates, and 7) ensure that estimated receipts, appropriations and encumbrances are posted to the appropriate ledgers. To assist the Council with their review the Clerk/Treasurer should provide them with monthly financial statements that include comparisons of budget and actual receipts and disbursements, all bills to be paid along with supporting documentation and the monthly reconciliation of the books to the bank along with documentation to support all reconciling items. The Village could gain efficiencies in both financial accounting and reporting if Council would consider investing in additional training for the Clerk/Treasurer.

**VILLAGE OF BENTON RIDGE
HANCOCK COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2001**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2000-30232-001	ORC § 5705.41 (D) certification of expenditures	No	This finding has been repeated in this report as finding 2001-30232-002.
2000-30232-002	Financial Monitoring	No	This finding has been repeated in this report as finding 2001-30232-004.



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OFFICE OF THE AUDITOR

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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
MAY 9, 2002**