



Mary Taylor, CPA  
Auditor of State



VILLAGE OF FLUSHING  
BELMONT COUNTY

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Mary Taylor, CPA  
Auditor of State

Village of Flushing  
Belmont County  
212 High Street  
PO Box 66  
Flushing, Ohio 43977

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.

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

October 12, 2009

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Village of Flushing  
Belmont County  
212 High Street  
PO Box 66  
Flushing, Ohio 43977

To the Village Council:

We have audited the accompanying financial statements of the Village of Flushing, Belmont County, Ohio (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 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. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. 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.

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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, 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 of the Village of Flushing, Belmont County, Ohio, 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 Auditor of State has billed the Village for audit services provided in prior years. The Village is in arrears a total of \$33,135 for services from July 2005 through September 2009. The Village is making monthly payments on this liability.

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 October 12, 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.



**Mary Taylor, CPA**  
Auditor of State

October 12, 2009



**VILLAGE OF FLUSHING  
BELMONT COUNTY**

**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>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property and Local Taxes	\$15,580	\$62,157	\$77,737
Intergovernmental	144,096	76,119	220,215
Earnings on Investments	18,423	1,266	19,689
Miscellaneous	2,493		2,493
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	180,592	139,542	320,134
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	10,351	30,078	40,429
Public Health Services	5,937		5,937
Leisure Time Activities	216	9,992	10,208
Basic Utility Service	4,738		4,738
Transportation		52,804	52,804
General Government	57,220	63,821	121,041
Debt Service:			
Redemption of Principal	102,026	7,239	109,265
Interest and Fiscal Charges	3,682	1,400	5,082
Capital Outlay		25,172	25,172
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	184,170	190,506	374,676
Total Cash Receipts (Under) Cash Disbursements	<hr/>	<hr/>	<hr/>
	(3,578)	(50,964)	(54,542)
<b>Other Financing Receipts / (Disbursements):</b>			
Proceeds from Sale of Public Debt:			
Other Debt Proceeds	47,000	15,172	62,172
Sale of Fixed Assets		1,500	1,500
Other Financing Sources	4,725		4,725
	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts / (Disbursements)	51,725	16,672	68,397
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	48,147	(34,292)	13,855
Fund Cash Balances, January 1	<hr/>	<hr/>	<hr/>
	6,159	178,050	184,209
<b>Fund Cash Balances, December 31</b>	<hr/> <b>\$54,306</b> <hr/>	<hr/> <b>\$143,758</b> <hr/>	<hr/> <b>\$198,064</b> <hr/>

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

**VILLAGE OF FLUSHING  
BELMONT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL PROPRIETARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<b>Proprietary Fund Types</b>
	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$447,370
Miscellaneous	13
	447,383
<b>Operating Cash Disbursements:</b>	
Personal Services	72,607
Employee Fringe Benefits	28,688
Contractual Services	22,248
Supplies and Materials	131,692
	255,235
Operating Income	192,148
<b>Non-Operating Cash Disbursements:</b>	
Redemption of Principal	110,020
Interest and Other Fiscal Charges	22,115
	132,135
Excess of Cash Receipts Over Cash Disbursements Before Interfund Advances	60,013
Advances-In	7,000
Advances-Out	(7,000)
	60,013
Net Cash Receipts Over Cash Disbursements	60,013
Fund Cash Balances, January 1	410,452
<b>Fund Cash Balances, December 31</b>	<b>\$470,465</b>

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

**VILLAGE OF FLUSHING  
BELMONT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property and Local Taxes	\$16,426	\$65,373	\$81,799
Intergovernmental	56,355	71,182	127,537
Fines, Licenses and Permits	150		150
Earnings on Investments	14,031	1,147	15,178
Miscellaneous	1,018		1,018
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	87,980	137,702	225,682
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	3,748	56,229	59,977
Public Health Services	2,607		2,607
Leisure Time Activities		5,739	5,739
Basic Utility Service	404		404
Transportation		40,893	40,893
General Government	53,561	500	54,061
Debt Service:			
Redemption of Principal		4,926	4,926
Interest and Fiscal Charges	7,423	1,124	8,547
Capital Outlay		24,597	24,597
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	67,743	134,008	201,751
Total Cash Receipts Over Cash Disbursements	<hr/>	<hr/>	<hr/>
	20,237	3,694	23,931
<b>Other Financing Receipts / (Disbursements):</b>			
Proceeds from Sale of Public Debt:			
Other Debt Proceeds		24,597	24,597
Sale of Fixed Assets		10,900	10,900
Advances-In	9,060		9,060
Advances-Out	(18,400)	(6,060)	(24,460)
	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts / (Disbursements)	(9,340)	29,437	20,097
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	10,897	33,131	44,028
Fund Cash Balances, January 1, Restated	<hr/>	<hr/>	<hr/>
	(4,738)	144,919	140,181
<b>Fund Cash Balances, December 31</b>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	<b>\$6,159</b>	<b>\$178,050</b>	<b>\$184,209</b>

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

**VILLAGE OF FLUSHING  
BELMONT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
ALL PROPRIETARY FUND TYPES  
CHANGES IN FUND CASH BALANCES  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<b>Proprietary Fund Types</b>
	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$431,742
Miscellaneous	926
	432,668
Total Operating Cash Receipts	432,668
<b>Operating Cash Disbursements:</b>	
Personal Services	61,770
Employee Fringe Benefits	23,148
Contractual Services	24,162
Supplies and Materials	141,848
Other	8,065
	258,993
Total Operating Cash Disbursements	258,993
Operating Income	173,675
<b>Non-Operating Cash Disbursements:</b>	
Capital Outlay	
Redemption of Principal	71,758
Interest and Other Fiscal Charges	16,698
	88,456
Total Non-Operating Cash Disbursements	88,456
Excess of Cash Receipts Over Cash Disbursements Before Interfund Advances	85,219
Advances-In	66,606
Advances-Out	(51,206)
	100,619
Net Cash Receipts Over Cash Disbursements	100,619
Fund Cash Balances, January 1, Restated	309,833
<b>Fund Cash Balances, December 31</b>	<b>\$410,452</b>

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

**VILLAGE OF FLUSHING  
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007**

**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 Flushing, Belmont County, Ohio (the Village), as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides general government services, including park operations, police services and water and sewer utilities. The Village contracts with the Flushing Volunteer Fire Department to receive fire protection services.

The Village participates in the Bel-O-Mar Regional Council, a jointly governed organization and the Public Entities Pool of Ohio public entity risk pool. Notes 8 and 9 to the financial statements provides additional information for these entities. These organizations are:

**Jointly Governed Organizations:**

The Bel-O-Mar Regional Council is operated as a non-profit organization formed to provide planning and administrative services to all local governments in a four-county region comprised of Belmont County, Ohio and three counties in West Virginia.

**Public Entity Risk Pool:**

The Public Entities Pool of Ohio is a risk-sharing pool available to Ohio local governments providing property and casualty coverage for its members.

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**

The Village values certificates of deposit at cost.

**D. Fund Accounting**

The Village uses fund accounting to segregate cash 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.

**VILLAGE OF FLUSHING  
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**D. Fund Accounting (Continued)**

**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:

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

Fire Apparatus Levy Fund - This fund receives property tax money to be used for fire apparatus for the Flushing Volunteer Fire Department.

Cruiser Fund - This fund receives monies set aside by the County Auditor to be used for equipment or police cruiser purchases.

**3. Enterprise Funds**

These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Funds:

Water Operating Fund - This fund receives charges for services from residents to cover water service costs.

Sewer Operating 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. Appropriations lapse at year end. The Village does not budget for advances.

**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. The Village does not budget for advances.

**VILLAGE OF FLUSHING  
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**E. Budgetary Process (Continued)**

**3. Encumbrances**

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

A summary of 2008 and 2007 budgetary activity appears in Note 3.

**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.

**G. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

**2. Equity in Pooled Deposits**

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

	2008	2007
Demand deposits	\$494,335	\$377,901
Certificates of deposit	174,194	216,760
Total deposits	\$668,529	\$594,661

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

**3. Restated Fund Balances**

During 2008 and 2007, the Village posted correcting entries for Findings for Adjustment issued in the previous audit. These correcting entries are reflected as changes at January 1, 2007 and are summarized by fund type as follows:

	12/31/06 Audit Report		1/1/07 Restated	
Fund Type	Balance	Posted Adjustments	Balance	
General	\$ 8,104	\$ (12,842)	\$	(4,738)
Special Revenue	138,553	6,366		144,919
Enterprise	303,358	6,475		309,833

**VILLAGE OF FLUSHING  
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

**4. Budgetary Activity**

Budgetary activity for the years ending December 31, 2008 and 2007 follows:

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$158,703	\$232,317	\$73,614
Special Revenue	131,218	156,214	24,996
Enterprise	444,000	447,383	3,383
Total	\$733,921	\$835,914	\$101,993

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$174,655	\$184,170	(\$9,515)
Special Revenue	302,516	190,506	112,010
Enterprise	836,900	387,370	449,530
Total	\$1,314,071	\$762,046	\$552,025

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$85,081	\$87,980	\$2,899
Special Revenue	129,970	173,199	43,229
Enterprise	495,285	432,668	(62,617)
Total	\$710,336	\$693,847	(\$16,489)

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$86,050	\$67,743	\$18,307
Special Revenue	253,252	134,008	119,244
Enterprise	746,990	347,449	399,541
Total	\$1,086,292	\$549,200	\$537,092



**VILLAGE OF FLUSHING  
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

**5. 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.

**6. Debt**

Debt outstanding at December 31, 2008 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loans	\$633,893	2 - 2.2%
Ohio Public Works Commission Loan	\$3,623	0%
Promissory Note - Dump Truck	\$14,989	5%
Promissory Note - CIC payoff	\$42,718	4%
Promissory Note - Pick-up truck	12,639	4.5%
Total	<u><u>\$707,862</u></u>	

The Ohio Water Development Authority (OWDA) loans relate to upgrades to the Village's water and sewer plant necessary to comply with the Ohio Environmental Protection Agency regulations. The Village will repay the loans in semiannual installments, including interest, over 16 years. The loans are collateralized by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Public Works Commission (OPWC) loan relates to the Mill Street Sewer Replacement Project. The Village will repay the loan in semiannual installments of \$518, over 10 years. Sewer receipts collateralize the loan. The Village agreed to set utility rates sufficient to cover OPWC debt service requirements.

The Promissory Note – Dump Truck relates to the Village's purchase of a new dump truck in 2007. The Village will repay the loan in 55 monthly installments of \$502. The loan is collateralized by the dump truck.

The Promissory Note – CIC payoff relates to the Village's payoff of a line of credit in 2008. The line of credit had been taken out by the Village of Flushing Community Improvement Corporation (CIC) on behalf of the Village. The Village will repay the loan in 60 monthly installments of \$867. The loan is collateralized by the full faith and credit of the Village.

**VILLAGE OF FLUSHING  
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

**6. Debt (Continued)**

The Promissory Note – Pick-up truck relates to the Village’s purchase of a new pick-up truck in 2008. The Village will repay the loan in 60 monthly installments of \$283. The loan is collateralized by the pick-up truck.

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

Year ending December 31:	OWDA Loans	OPWC Loan	Promissory Note - Dump Truck	Promissory Note - CIC payoff	Promissory Note - Pick-up Truck
2009	\$87,380	\$1,035	\$6,025	\$10,402	\$3,116
2010	87,380	1,035	6,025	10,402	3,399
2011	87,380	1,035	4,017	10,402	3,399
2012	87,380	518		10,402	3,399
2013	63,875			5,201	567
2014-2018	201,848				
2019-2021	89,384				
Total	<u>\$704,627</u>	<u>\$3,623</u>	<u>\$16,067</u>	<u>\$46,809</u>	<u>\$13,880</u>

**7. Retirement Systems**

The Village’s employees and some elected officials 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 2008 and 2007, OPERS members contributed 10% and 9.5%, respectively, of their gross salaries and the Village contributed an amount equaling 14% and 13.85%, respectively, of participants’ gross salaries. The Village has paid all contributions required through December 31, 2008.

Some Village officials chose not to belong to OPERS and instead contribute to Social Security. For 2008 and 2007, these officials contributed 6.2 percent of their wages. The Village contributed an amount equal to 6.2 percent of participants’ gross salaries. The Village has paid all contributions required through December 31, 2008.

**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 FLUSHING  
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

**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 was 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 \$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.

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)

**VILLAGE OF FLUSHING  
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

**8. Risk Management (Continued)**

	<u>2007</u>	<u>2006</u>
Assets	\$37,560,071	\$36,123,194
Liabilities	<u>(17,340,825)</u>	<u>(16,738,904)</u>
Net Assets	<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 \$8,848. This payable includes the subsequent year's contribution due if the Village terminates participation, as described in the last paragraph below.

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.

<b><u>Contributions to PEP</u></b>	
2006	\$5,872
2007	\$4,912
2008	\$7,694

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 other 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.

**9. Jointly Governed Organization**

Bel-O-Mar Regional Council is operated as a non-profit organization formed to provide planning and administrative services to all local governments in a four county region comprised of Belmont County, Ohio and three counties in West Virginia. The governing board is comprised of 58 officials from the four-county service area of which three members and one alternate member are appointed by each local government within Belmont County. The Mayor of the Village of Flushing serves as the Village's representative on the Board and a Councilman serves as the Village's alternate.

**VILLAGE OF FLUSHING  
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

**9. Jointly Governed Organization (Continued)**

The Council is not dependent upon the Village of Flushing for its continued existence, no debt exists, and the Village does not maintain an equity interest. Bel-O-Mar Regional Council received \$297 in 2008 and \$297 in 2007 for annual fees from the Village.

**10. Subsequent Events**

On May 28, 2009 the Village Council approved the purchase of a new police cruiser through the State Cooperative Purchasing Program. The Village Council voted to make a down payment of \$10,000 and finance the remainder of the purchase price. On May 28, 2009 the Village signed a promissory note for \$17,470. The note agreement requires monthly payments of \$393 on the twenty-eighth of each month from June 28, 2009 through May 28, 2013. The note will be paid from the Police Levy Fund, Special Revenue Fund type.

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# Mary Taylor, CPA

## 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 Flushing  
Belmont County  
212 High Street  
PO Box 66  
Flushing, Ohio 43977

To the Village Council:

We have audited the financial statements of the Village of Flushing, Belmont County, Ohio (the Village) as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated October 12, 2009, wherein we noted the Village prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We also noted the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. 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 expressing our opinion on the financial statements, but not to opine 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.

A control deficiency exists when the design or operation of a control does not allow management or employees, in 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's 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 the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

We noted a certain matter that we reported to the Village's management in a separate letter dated October 12, 2009.

#### **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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain noncompliance or other matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated October 12, 2009.

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



**Mary Taylor, CPA**  
Auditor of State

October 12, 2009



**VILLAGE OF FLUSHING  
BELMONT COUNTY**

**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; <b>Explain</b>
Finding 2006-001	Ohio Rev. Code Section 5705.10 for improperly posting tax money	Yes	Finding no longer valid
Finding 2006-002	Ohio Rev. Code Section 5705.41(C) for charging disbursements to improper funds	Yes	Finding no longer valid
Finding 2006-003	Ohio Rev. Code Section 5705.10 and Audit Bulletin 97-003 for illegal advances	Yes	Finding no longer valid
Finding 2006-004	Ohio Adm. Code Section 117-2-02(A) for not posting transactions to proper classifications	Yes	Finding no longer valid
Finding 2006-005	Ohio Rev. Code Section 5705.10 for improperly posting money to an improper fund	Yes	Finding no longer valid
Finding 2006-006	Ohio Revised Code Section 5705.40 for posting unapproved changes to budgeted amounts in the Village's ledgers	Yes	Finding no longer valid
Finding 2006-007	Ohio Rev. Code Section 5705.36 for not properly obtaining increased amended certificates	Yes	Finding no longer valid
Finding 2006-008	Ohio Rev. Code Section 5705.39 for appropriations exceeding estimated resources	Yes	Finding no longer valid
Finding 2006-009	Ohio Rev. Code Section 5705.41(B) for expenditures exceeding appropriations	No	Partially Corrected; Reissued as a management letter comment
Finding 2006-010	Ohio Rev. Code Section 5705.41(D)(1) for not properly encumbering	Yes	Finding no longer valid

**VILLAGE OF FLUSHING  
BELMONT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2006-011	Significant deficiency regarding reconciling utility clearing accounts	No	Partially Corrected; Reissued as a management letter comment.
2006-012	Significant deficiency regarding lack of support for funds payroll was charged to	Yes	Finding no longer valid
2006-013	Significant deficiency regarding Council not receiving financial reports	Yes	Finding no longer valid



Mary Taylor, CPA  
Auditor of State

**VILLAGE OF FLUSHING**

**BELMONT 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  
NOVEMBER 19, 2009**