



**Mary Taylor, CPA**  
Auditor of State



VILLAGE OF BENTON RIDGE  
HANCOCK COUNTY

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**Mary Taylor, CPA**  
Auditor of State

Village of Benton Ridge  
Hancock County  
100 Main Street, 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.

*Mary Taylor*

**Mary Taylor, CPA**  
Auditor of State

September 19, 2007

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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 Village of Benton Ridge, Hancock County, (the Village) as of and for the year ended December 31, 2006. 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 year ended December 31, 2006, 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, 2006, or its changes in financial position for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Village of Benton Ridge, Hancock County, as of December 31, 2006, and its combined cash receipts and disbursements for the year 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 September 19, 2007, 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.

We conducted our audit to opine on the financial statements that collectively comprise the Village's financial statements. The federal awards expenditure schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. We subjected the federal awards expenditure schedule to the auditing procedures applied in the audit of the financial statements. In our opinion, this information is fairly stated in all material respects in relation to the financial statements taken as a whole.



**Mary Taylor, CPA**  
Auditor of State

September 19, 2007



**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, 2006**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Property and Local Taxes	\$5,839	\$23		\$5,862
Intergovernmental	79,700	13,969	\$560,020	653,689
Special Assessments		9,900		9,900
Charges for Services		4,193	80,001	84,194
Fines, Licenses and Permits			300	300
Earnings on Investments	1,324			1,324
Miscellaneous	2,672	219		2,891
	<u>89,535</u>	<u>28,304</u>	<u>640,321</u>	<u>758,160</u>
<b>Total Cash Receipts</b>				
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	3,066	8,949		12,015
Public Health Services	1,231			1,231
Leisure Time Activities	4,904	3,327		8,231
Basic Utility Service	610			610
Transportation		2,794		2,794
General Government	44,654			44,654
Debt Service:				
Redemption of Principal	3,301	2,783	4,299	10,383
Interest and Fiscal Charges	257	217	9,722	10,196
Capital Outlay	31,983		973,474	1,005,457
	<u>90,006</u>	<u>18,070</u>	<u>987,495</u>	<u>1,095,571</u>
<b>Total Cash Disbursements</b>				
Total Receipts Over/(Under) Disbursements	<u>(471)</u>	<u>10,234</u>	<u>(347,174)</u>	<u>(337,411)</u>
<b>Other Financing Receipts:</b>				
Other Debt Proceeds			403,090	403,090
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	(471)	10,234	55,916	65,679
Fund Cash Balances, January 1	1,259	41,436	107,494	150,189
<b>Fund Cash Balances, December 31</b>	<u><b>\$788</b></u>	<u><b>\$51,670</b></u>	<u><b>\$163,410</b></u>	<u><b>\$215,868</b></u>
Reserve for Encumbrances, December 31	<u><u>\$5,243</u></u>		<u><u>\$113,938</u></u>	<u><u>\$119,181</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, 2006**

**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, (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'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. Cash 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 certificates of deposit 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:

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

**VILLAGE OF BENTON RIDGE  
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

Park Fund – This fund receives tax levy money for the operation of the Village 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 receives intergovernmental grants, loan proceeds, and user fees to be used for 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 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 use the encumbrance method of accounting. Management has included audit adjustments in the accompanying budgetary presentations for material items that should have been encumbered.

A summary of 2006 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.

**VILLAGE OF BENTON RIDGE  
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006  
(Continued)**

**2. EQUITY IN POOLED CASH**

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

	2006
Demand deposits	\$210,868
Certificates of deposit	5,000
Total deposits	\$215,868

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 year ending December 31, 2006 follows:

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$53,088	\$89,535	\$36,447
Special Revenue	19,117	28,304	9,187
Capital Projects	40,154	1,043,411	1,003,257
Total	\$112,359	\$1,161,250	\$1,048,891

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$55,562	\$95,249	(\$39,687)
Special Revenue	60,553	18,070	42,483
Capital Projects	443,240	1,101,433	(658,193)
Total	\$559,355	\$1,214,752	(\$655,397)

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the general fund and capital projects, sewer construction fund by \$39,687 and \$658,193, respectively, for the year ended December 31, 2006.

**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.

**VILLAGE OF BENTON RIDGE  
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006  
(Continued)**

**4. PROPERTY TAX – (CONTINUED)**

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, 2006, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan #4283	\$705,039	3.27%
Ohio Water Development Authority Loan #4290	541	3.99%
Village of Rawson for OPWC Loan	70,934	
Village of Rawson for Mortgage Revenue Bond	159,500	4.50%
Lease Purchase Agreement	15,497	12.95%
Total	<u>\$951,511</u>	

The Ohio Water Development Authority (OWDA) loan #4283 relates to the installation of a sanitary sewer system project the Ohio Environmental Protection Agency mandated. The OWDA approved up to \$695,678 in loans to the Village for this project at an interest rate of 3.27%. The Village will repay the loans with money from the USDA. As of December 31, 2006, amounts drawn down plus capitalized interest amounts to \$705,039. Sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements. An amortization schedule for this loan will not be available until the project is complete.

The Ohio Water Development Authority (OWDA) loan #4290 relates to the installation of a sanitary sewer system within the Village. The OWDA approved up to \$145,024 in loans to the Village for this project at an interest rate of 3.99%. As of December 31, 2006, the Village has drawn \$541 on this loan. Sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements. An amortization schedule for this loan will not be available until the project is complete.

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, 2006  
(Continued)**

**5. DEBT – (CONTINUED)**

The Village has entered into an intergovernmental agreement with the Villages of Rawson and Mt. Cory to pay back Mortgage Revenue Bonds for \$159,000 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%. 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 entered into a lease agreement in the amount of \$21,581 at an interest rate of 12.95% for playground equipment in 2006. The Village has applied for a park grant for the repayment of this lease. The payments on the playground equipment are being made from the general and park funds.

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

Year ending December 31:	OPWC Loan through the Village of Rawson	Lease Purchase Agreement	Mortgage Revenue Bonds through the Village of Rawson
2007	\$2,150	\$6,558	\$9,722
2008	4,299	6,558	9,722
2009	4,299	6,558	9,722
2010	4,299		9,722
2011	4,299		9,722
2012 – 2016	21,495		48,610
2017 – 2021	21,495		48,610
2022 – 2026	8,598		48,610
2027 – 2031			48,610
2032 – 2036			48,610
2037 – 2041			48,610
2042 – 2044			29,166
Total	\$70,934	\$19,674	\$369,436

**6. RETIREMENT SYSTEM**

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

**VILLAGE OF BENTON RIDGE  
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006  
(Continued)**

**6. RETIREMENT SYSTEM – (CONTINUED)**

The Ohio Revised Code also prescribes contribution rates. For 2006, OPERS members contributed 9% of their gross salaries and the Village contributed an amount equaling 13.7% of participants' gross salaries. The Village has paid all contributions required through December 31, 2006.

**7. RISK MANAGEMENT**

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

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

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 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.

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, including loss adjustment expenses. 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 (for claims prior to January 1, 2006) or \$3,000,000 (for claims on or after January 1, 2006) as noted above.

Property Coverage

Through 2004, PEP retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. 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, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2006 was \$1,901,127.

**VILLAGE OF BENTON RIDGE  
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006  
(Continued)**

**7. RISK MANAGEMENT – (CONTINUED)**

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, 2006 and 2005:

<u>Casualty Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$30,997,868	\$29,719,675
Liabilities	<u>(15,875,741)</u>	<u>(15,994,168)</u>
Retained earnings	<u>\$15,122,127</u>	<u>\$13,725,507</u>
<u>Property Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$5,125,326	\$4,443,332
Liabilities	<u>(863,163)</u>	<u>(1,068,245)</u>
Retained earnings	<u>\$4,262,163</u>	<u>\$3,375,087</u>

At December 31, 2006 and 2005, respectively, casualty coverage liabilities noted above include approximately \$14.4 million and \$14.3 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$14.4 million and \$14.3 million of unpaid claims to be billed to approximately 447 member governments in the future, as of December 31, 2006 and 2005, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Government's share of these unpaid claims collectible in future years is approximately \$9,000. This payable includes the subsequent year's contribution due if the Government 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.



VILLAGE OF BENTON RIDGE  
HANCOCK COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006  
(Continued)

7. RISK MANAGEMENT – (CONTINUED)

Contributions to PEP

2004	\$2,569
2005	\$4,029
2006	\$4,351

After completing one year of membership, members may withdraw on each anniversary of the date they joined PEP provided they give 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.

8. Contingent Liabilities

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor, principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

9. Subsequent Events

On April 2, 2007, the Village accepted a bid for restrooms at the park and a community center project in the amount of \$100,000. These projects will be funded with federal grants.

On July 27, 2007, the Village issued Wastewater Collection System First Mortgage Revenue Bonds in the amount of \$683,000 at an interest rate of 4.25%. These bonds were issued to pay off the OWDA loan #4283.

**VILLAGE OF BENTON RIDGE  
HANCOCK COUNTY**

**FEDERAL AWARDS EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED DECEMBER 31, 2006**

<b>FEDERAL GRANTOR</b>	Federal CFDA Number	Disbursements
Program Title		
<b>U.S. DEPARTMENT OF AGRICULTURE</b>		
Direct Assistance		
Water and Waste Disposal Systems for Rural Communities		
Grant	10.760	\$291,863
Loan	10.760	403,090
<b>Total Federal Awards Expenditures</b>		<b><u>\$694,953</u></b>

*The accompanying notes are an integral part of this schedule.*

**VILLAGE OF BENTON RIDGE  
HANCOCK COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE  
FISCAL YEAR ENDED DECEMBER 31, 2006**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Federal Awards Expenditures Schedule (the Schedule) summarizes activity of the Village's federal award programs. The schedule has been prepared on the cash basis of accounting.

**NOTE B - MATCHING REQUIREMENTS**

Certain Federal programs require that the Village contribute non-Federal funds (matching funds) to support the Federally-funded programs. The Village has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.

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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 Benton Ridge  
Hancock County  
100 Main Street, 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, (the Village) as of and for the year ended December 31, 2006, and have issued our report thereon dated September 19, 2007, 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 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.

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

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.

We consider items 2006-002 through 2006-006 described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting.

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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 the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, we believe the significant deficiencies described above are also material weaknesses.

We also noted a certain matter that we reported to the Village's management in a separate letter dated September 19, 2007.

### **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 is described in the accompanying schedule of findings as items 2006-001 through 2006-003.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated September 19, 2007.

We intend this report solely for the information and use of the records and finance committee, management, Village Council, and federal awarding agencies and pass-through entities. We intend it for no one other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

September 19, 2007



# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

To the Village Council:

### Compliance

We have audited the compliance of Village of Benton Ridge (the Village) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to its major federal program for the year ended December 31, 2006. The summary of auditor's results section of the accompanying schedule of findings identifies the Village's major federal program. The Village's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the Village's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the Village's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Village's compliance with those requirements.

In our opinion, the Village of Benton Ridge complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended December 31, 2006.

### Internal Control over Compliance

The Village's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Village's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that the entity's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings as finding 2006-007 to be a significant deficiency.

A material weakness is significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that the Village's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements. We consider finding 2006-007 described in the accompanying schedule of findings to be a material weakness.

We intend this report solely for the information and use of the records and finance committee, management, Village Council, and federal awarding agencies. It is not intended for anyone other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

September 19, 2007



**VILLAGE OF BENTON RIDGE  
HANCOCK COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
DECEMBER 31, 2006**

**1. SUMMARY OF AUDITOR'S RESULTS**

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	GAAP - Adverse Regulatory - Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(ii)</i>	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	Yes
<i>(d)(1)(iv)</i>	Were there any other significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	Yes
<i>(d)(1)(vii)</i>	Major Programs (list):	Water and Waste Disposal Systems for Rural Communities – CFDA# 10.760
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

**FINDING NUMBER 2006-001**

**Finding For Recovery**

The Ohio Supreme Court has considered the extent of non-charter municipality’s authority to provide by ordinance for the compensation of its employee where such an ordinance is at variance with a statute concerning the same subject. *Northern Ohio Patrolmen’s Benevolent Assoc. v. City of Parma*, 61 Ohio St. 2d 375 (1980). In short, the Court states that Ohio Constitution art. XVIII, § 3 is a direct grant of power to all municipalities to exercise local self government, and a non-charter municipality may enact an ordinance governing the salary paid to its employees.

However, in Advisory Opinion 93-006, the Ohio Ethics Commission held, in part, that Ohio Revised Code Section 102.03(D) prohibits members of village council from enacting an ordinance granting in in-term increase in compensation for current members of council.

In 2003 the Village Council enacted Village Ordinance 0-5-03 establishing that Council members be paid \$75.00 per regular meeting and \$35.00 per special meeting. In 2004 the Village Council enacted Village Ordinance 0-5-04 establishing that Council members be paid \$100.00 per month (including Regular Meetings) and \$75.00 per Special Meeting. Both ordinances included language that the ordinance “shall take effect as soon as permitted by law.”

As stated in the previous paragraphs Council members are not entitled to in-term increases. The following table represents the amount for 2006 that each Council member should have been paid and the in-term increase amount each Council member was paid:

<u>Council Member</u>	<u>Year</u>	<u>Regular Meetings Attended</u>	<u>Special Meetings Attended</u>	<u>Amount Due</u>	<u>Amount Paid</u>	<u>Amount Overpaid</u>
Tom Fields	2006	12	4	\$1,040	\$1,425	\$385
Jeanette Walker	2006	12	2	\$970	\$1,350	\$380

In accordance with the foregoing facts and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Council Members Tom Fields in the amount of \$385.00; and Jeanette Walker in the amount of \$380.00, for a total amount of \$765.00 and in favor of the General Fund of the Village of Benton Ridge.

Jeanette Walker repaid the Village \$380 on September 19, 2007.

**Officials Response:**

No response was received.

**FINDING NUMBER 2006-002**

**Noncompliance Citation/Material Weakness**

Ohio Revised Code § 5705.41(B) prohibits a subdivision from making an expenditure unless it has been properly appropriated. At December 31, 2006 the following instances we noted for which expenditures exceeded appropriations in the following funds:

Fund	Appropriations	Expenditures	Excess
General Fund	\$55,562	\$95,249	(\$39,687)
Capital Projects, Sewer Construction Fund	443,240	1,101,433	(658,193)

Management was advised that the failure to have adequate appropriations in place at the time expenditures are being made could cause expenditures to exceed available resources, resulting in deficit spending practices.

The Clerk/Treasurer should not issue checks for expenditures that would exceed appropriations. The Clerk/Treasurer should inform 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.

**Officials Response:**

No response was received.

**FINDING NUMBER 2006-003**

**Noncompliance Citation/Material Weakness**

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.

**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.

**FINDING NUMBER 2006-003  
(Continued)**

**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.

**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.

None of the transactions tested were certified by the Clerk/Treasurer at the time the commitment was incurred, and there was no evidence that 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 had \$119,181 in outstanding purchase commitments as of December 31, 2006, that were not certified at year end. The accompanying budgetary presentations have been adjusted to reflect these amounts as an outstanding encumbrance at year end in the General Fund and Capital Projects Fund.

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/Treasurer and the Council periodically review the expenditures made to ensure they are within the appropriations adopted by the Council, certified by the Clerk/Treasurer and recorded against appropriations.

**Officials Response:**

No response was received.

**FINDING NUMBER 2006-004**

**Expenditures/Material Weakness**

The following weaknesses were noted with expenditures:

- Invoices and voucher packets were not approved by Council
- Invoices were not included for all expenditures and expenditures were paid from statements.
- Not all travel vouchers included the date traveled, where traveled to and miles traveled.
- Some transactions were not paid out of the proper line item account.
- The date on the actual checks did not agree with the date on the cash journal.
- Sales tax was paid on one invoice.

These weaknesses resulted in reclassifications to the financial statements and could result in illegal expenditures, errors or irregularities occurring and not being detected during the normal course of operations. To strengthen the controls and increase accountability we recommend:

- All invoices and voucher packets should be approved by Council.
- Invoices should be attached to all vouchers and Council should not approve any expenditure that does not include an itemized invoice.

**FINDING NUMBER 2006-004  
(Continued)**

- Travel records requesting reimbursement should indicate the date traveled, where traveled to and miles traveled.
- Expenditures should be paid out of the fund/line item that is related to the expenditure. An example of this would be lighting at the park.
- The date on the check should agree with the date in the cash journal.
- The Village should not pay sales tax.

**Officials Response:**

No response was received.

**FINDING NUMBER 2006-005**

**Financial Monitoring/Material Weakness**

The Village financial records are maintained manually. Testing of the financial annual report and records disclosed the following deficiencies:

- The receipts and appropriations ledgers did not reconcile to the cash journal.
- The annual financial reports submitted to the State were incomplete and not in balance with the Village records.
- Bank reconciliations were not reviewed to ensure the books were in balance with the bank and all reconciling items were accounted for.
- The receipts and appropriations ledgers did not include the budgeted amounts.
- Funds received by the Village were being deposited only once per month.
- No reporting to Council of activities for the Park Fund.

This indicates a lack of or insufficient financial 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 diverted and going undetected, we recommend that:

- The receipts and appropriations ledgers be reconciled to the cash journal monthly and all activity of the Village be recorded when it occurs.
- The annual financial report, prior to submission to the Auditor of State, be reviewed by the finance committee to ensure the accuracy of the information within the annual financial report to the activity and balances within the Village accounting ledgers.
- The finance committee review the monthly bank reconciliation to ensure accounting records are reconciled to the bank and any reconciling items are verified.
- The receipts and appropriations ledgers include the budgeted amounts,
- Funds received be deposited on a regular basis.
- A report of the park activity including number of shelter house rentals, player fees, amount from school and lights for ball fields be reported to Council for them to match to financial statement activity.

**Officials Response:**

No response was received.

## FINDING NUMBER 2006-006

### **Sewer Utility Billings and Collections/Material Weakness**

Testing of the sewer utility billings and collections disclosed the following deficiencies:

- Utility billing stubs and utility register are maintained manually. The ledger pages show names and addresses of utility customers but no other identifying account designation.
- Utility billing stubs are sent to each customer with a pre-printed amount due for the billing. There is no other account indication on the stub. The customer then completes part of the stub and writes the customer name and amount due and returns with payment. The Clerk indicates payment received was by check or cash if the resident has not already done so.
- There is no current delinquency list being maintained.
- Delinquent accounts are not turned over to the Solicitor at three months as Council approved in the minutes. Delinquent accounts were not turned over to the Solicitor until they were eight months past due.
- No reconciliation is performed between the Utility Register collections and the General Receipts ledger.
- No policy exists for write-offs and the manner they are to be collected and credited.
- Accounts are not charged interest on a consistent basis. Interest is charged at the Clerk-Treasurers discretion. Interest has not been charged to accounts of several Council members or to customers that are infrequent late payers.
- Utility collections consisting of cash and checks are received at the Village hall by dropping the payment through the front door mail slot. These payments lay on the floor until picked up by the Clerk-Treasurer. The payments are then placed in a locked change box at the Village hall. Deposits are made only once a month.
- Balances outstanding in the Utility Register at December 31, 2006 were not carried forward to 2007 for some accounts.
- The utility records were not up-to-date.

The result of these deficiencies is that the Village is not collecting all revenues due which could result in the Village not being able to meet the operational costs or debt liabilities due the Village for the utility sewer system. The estimated amount of delinquents for 2006 is \$12,458. To strengthen controls and accountability over utility collections and ensure that utility receipts are being properly calculated and accounted for, we recommend the following:

- Council should consider purchasing utility software to replace the manual system. If Council wishes to maintain the current manual system, an account identification number should be included on the Utility Register. Further, Council should consider contracting with an outside collection agency due to the problems noted above.
- The Utility Billing stubs should include a pre-printed customer identification number.
- A monthly delinquency list should be maintained and followed up on. The list should indicate what action has taken place.
- Delinquent accounts should be turned over to the Solicitor when they are three months delinquent as approved by Council.
- A monthly reconciliation should be performed between the Utility Register collections and the General Receipts ledger. The Sewer Committee should review this reconciliation for accuracy and completeness.
- A policy should be implemented for write-offs and the manner they are to be collected and credited.
- Interest should be charged to all delinquent accounts uniformly. If circumstances exist for waiving this practice for any account should be brought to Council for approval.

**FINDING NUMBER 2006-006  
(Continued)**

- A secured drop box should be provided by the Village for customers to place their payments. Also, all collections should be deposited timely.
- A review of the Utility Register should be performed and carry forward the 2006 balances to 2007.
- Utility records should be updated monthly.

**Officials Response:**

No response was received.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

**Expenditures/Material Weakness**

<b>Finding Number</b>	2006-007
<b>CFDA Title and Number</b>	Waste and Waste Disposal Systems for Rural Communities CFDA 10.760
<b>Federal Award Year</b>	2005
<b>Federal Agency</b>	United States Department of Agriculture

See Finding 2006-004 above.

**VILLAGE OF BENTON RIDGE  
HANCOCK COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2006**

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>
2005-001	Finding for Recovery for Clerk/Treasurer not paying her sewer bill.	Yes	
2005-002	Findings for Recovery for Council Members who were over paid.	No	<p>The following finding for recoveries remain unpaid:</p> <p style="padding-left: 40px;">Tonia Anderson \$352 Scott Sterling \$1,040 Robert Schoonover, JR \$670</p> <p>Additional, findings for recovery were issued in this report for two Council Members who were over paid as finding 2006-001.</p>
2005-003	ORC§5705.41(D)(1) requires expenditures to be prior certified.	No	Repeated in this report as finding 2006-003.
2005-004	ORC§5705.41(B) requires expenditures not to exceed appropriations.	No	Repeated in this report as finding 2006-002.
2005-005	Deficiencies noted with sewer utility billings and collections.	No	Repeated in this report as finding 2006-006.





**Mary Taylor, CPA**  
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  
OCTOBER 11, 2007**