

VILLAGE OF BOTKINS
SHELBY COUNTY, OHIO

AUDITED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2006 AND 2005



Mary Taylor, CPA

Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Village of Botkins, Shelby County, prepared by E. S. Evans and Company, for the audit period January 1, 2005 through December 31, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditor's Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditor's Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Botkins is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

October 3, 2007

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VILLAGE OF BOTKINS
SHELBY COUNTY, OHIO

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E.S. Evans and Company

Certified Public Accountants and Consultants

205 West Elm Street • Lima, Ohio 45801 • Phone: (419) 223-3075

P.O. Box 298 • Lima, Ohio 45802 • Fax: (419) 222-8507 • E-mail: askus@esevans.com

Robert E. Wendel, CPA • Dan F. Clifford, CPA • E.S. Evans, CPA, PFS (1930-1999)

August 1, 2007

INDEPENDENT AUDITOR'S REPORT

Village of Botkins
Shelby County, Ohio

We have audited the accompanying financial statements of the Village of Botkins, Shelby County, (the Village) as of and for the years ended December 31, 2006 and 2005. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

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

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2006 and 2005 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 and 2005, or its changes in financial position or cash flows of its proprietary funds for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village as of December 31, 2006 and 2005, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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

In accordance with Government Auditing Standards, we have also issued our report dated August 1, 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.

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VILLAGE OF BOTKINS
SHELBY COUNTY, OHIO

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL
FUND TYPES AND SIMILAR FIDUCIARY FUNDS

For the Year Ended December 31, 2006

	Governmental Fund Types		
	General	Special Revenue	Debt Service
<u>Cash Receipts:</u>			
Property Tax and Other Local Taxes	\$ 58,909	\$ -	\$ -
Municipal Income Tax	287,553	-	-
Intergovernmental Receipts	73,850	86,491	-
Charges for Services	34,375	-	-
Fines, Licenses, and Permits	2,576	275	-
Interest Receipts	45,240	2,778	-
Miscellaneous	30,276	447	-
Total Cash Receipts	<u>532,779</u>	<u>89,991</u>	<u>-</u>
<u>Cash Disbursements:</u>			
Current -			
Security of Persons and Property	191,001	410	-
Public Health Services	4,701	-	-
Leisure Time Activities	36,493	-	-
Community Environment	633	-	-
Basic Utility Services	1,907	-	-
Transportation	-	68,358	-
General Government	297,506	-	-
Capital Outlay	12,670	26,008	-
Debt Service:			
Redemption of Principal	-	-	-
Interest and Other Fiscal Charges	-	-	9,000
Total Cash Disbursements	<u>544,911</u>	<u>94,776</u>	<u>9,000</u>
Total Cash Receipts Over/(Under)			
Cash Disbursements	<u>(12,132)</u>	<u>(4,785)</u>	<u>(9,000)</u>
<u>Other Financing Sources/(Uses):</u>			
Proceeds from Loan	-	-	-
Sale of Fixed Assets	9,752	-	-
Other Financing Uses	-	-	-
Transfers-In	-	-	9,100
Transfers-Out	<u>(9,100)</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources/(Uses)	<u>652</u>	<u>-</u>	<u>9,100</u>
Excess of Cash Receipts and Other Financing Sources Over/(Under)			
Cash Disbursements	(11,480)	(4,785)	100
<u>Fund Cash Balance - January 1, 2006</u>	<u>97,936</u>	<u>48,986</u>	<u>-</u>
<u>Fund Cash Balance - December 31, 2006</u>	<u>\$ 86,456</u>	<u>\$ 44,201</u>	<u>\$ 100</u>

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

<u>Governmental Fund Type Capital Projects</u>	<u>Fiduciary Fund Type Expendable Trust</u>	<u>Totals (Memorandum Only)</u>
\$ -	\$ -	\$ 58,909
194,215	-	481,768
-	-	160,341
-	-	34,375
-	-	2,851
-	780	48,798
3,950	-	34,673
<u>198,165</u>	<u>780</u>	<u>821,715</u>
-	-	191,411
-	-	4,701
-	-	36,493
-	46	679
-	-	1,907
-	-	68,358
-	-	297,506
151,443	-	190,121
-	-	-
6,871	-	15,871
<u>158,314</u>	<u>46</u>	<u>807,047</u>
<u>39,851</u>	<u>734</u>	<u>14,668</u>
6,871	-	6,871
-	-	9,752
(7,796)	-	(7,796)
-	-	9,100
-	-	(9,100)
<u>(925)</u>	<u>-</u>	<u>8,827</u>
38,926	734	23,495
476,110	17,538	640,570
<u>\$ 515,036</u>	<u>\$ 18,272</u>	<u>\$ 664,065</u>

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VILLAGE OF BOTKINS
SHELBY COUNTY, OHIO

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

For the Year Ended December 31, 2006

<u>Operating Cash Receipts:</u>	
Charges for Services	\$ 377,693
Miscellaneous	894
Total Operating Cash Receipts	<u>378,587</u>
<u>Operating Cash Disbursements:</u>	
Personal Services	74,036
Contractual Services	31,064
Material and Supplies	89,428
Capital Outlay	21,609
Total Operating Cash Disbursements	<u>216,137</u>
Excess of Operating Cash Receipts Over/ (Under) Operating Cash Disbursements	162,450
<u>Fund Cash Balance</u> - January 1, 2006	<u>428,562</u>
<u>Fund Cash Balance</u> - December 31, 2006	<u>\$ 591,012</u>

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

VILLAGE OF BOTKINS
SHELBY COUNTY, OHIO

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL
FUND TYPES AND SIMILAR FIDUCIARY FUNDS

For the Year Ended December 31, 2005

	Governmental Fund Types		
	General	Special Revenue	Debt Service
<u>Cash Receipts:</u>			
Property Tax and Other Local Taxes	\$ 57,977	\$ -	\$ -
Municipal Income Tax	272,097	-	-
Intergovernmental Receipts	72,717	102,082	-
Charges for Services	33,374	-	-
Fines, Licenses, and Permits	2,094	160	-
Interest Receipts	16,745	6,576	-
Miscellaneous	21,781	201	-
Total Cash Receipts	<u>476,785</u>	<u>109,019</u>	<u>-</u>
<u>Cash Disbursements:</u>			
Current -			
Security of Persons and Property	192,560	78	-
Public Health Services	4,371	-	-
Leisure Time Activities	37,384	-	-
Community Environment	-	-	-
Basic Utility Services	298	-	-
Transportation	-	57,650	-
General Government	306,075	-	-
Capital Outlay	32,927	43,537	-
Debt Service:			
Redemption of Principal	-	-	-
Interest and Other Fiscal Charges	-	-	-
Total Cash Disbursements	<u>573,615</u>	<u>101,265</u>	<u>-</u>
Total Cash Receipts Over/(Under)			
Cash Disbursements	<u>(96,830)</u>	<u>7,754</u>	<u>-</u>
Other Financing Sources/(Uses):			
Proceeds from Loan	-	-	-
Sale of Fixed Assets	-	-	-
Other Financing Uses	-	-	-
Transfers-In	20,679	-	-
Transfers-Out	-	(20,679)	-
Total Other Financing Sources/(Uses)	<u>20,679</u>	<u>(20,679)</u>	<u>-</u>
Excess of Cash Receipts and Other Financing Sources Over/(Under)			
Cash Disbursements	(76,151)	(12,925)	-
Fund Cash Balance - January 1, 2005	174,087	61,911	-
Fund Cash Balance - December 31, 2005	<u>\$ 97,936</u>	<u>\$ 48,986</u>	<u>\$ -</u>

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

Governmental Fund Type <u>Capital Projects</u>	Fiduciary Fund Type <u>Expendable Trust</u>	<u>Totals (Memorandum Only)</u>
\$ -	\$ -	\$ 57,977
222,625		494,722
-	-	174,799
-	-	33,374
-	-	2,254
-	414	23,735
-	-	21,982
222,625	414	808,843
-	-	192,638
-	-	4,371
-	-	37,384
-	296	296
-	-	298
-	-	57,650
-	-	306,075
115,546	-	192,010
-	-	-
7	-	7
115,553	296	790,729
107,072	118	18,114
200,007	-	200,007
2,429	-	2,429
(14,263)	-	(14,263)
-	-	20,679
-	-	(20,679)
188,173	-	188,173
295,245	118	206,287
180,865	17,420	434,283
\$ 476,110	\$ 17,538	\$ 640,570

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VILLAGE OF BOTKINS
SHELBY COUNTY, OHIO

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

For the Year Ended December 31, 2005

<u>Operating Cash Receipts:</u>	
Charges for Services	\$ 324,571
Miscellaneous	2,296
Total Operating Cash Disbursements	<u>326,867</u>
<u>Operating Cash Disbursements:</u>	
Personal Services	63,778
Contractual Services	31,090
Material and Supplies	109,797
Capital Outlay	69,199
Total Operating Cash Disbursements	<u>273,864</u>
Excess of Operating Cash Receipts Over/ (Under) Operating Cash Disbursements	53,003
<u>Fund Cash Balance</u> - January 1, 2005	<u>375,559</u>
<u>Fund Cash Balance</u> - December 31, 2005	<u>\$ 428,562</u>

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

VILLAGE OF BOTKINS
SHELBY COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS
December 31, 2006 and 2005

Note 1 - Summary of Significant Accounting Policies

Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Botkins, Shelby County, (the Village), as a political and corporate body. A publicly-elected six-member Council governs the Village. The Village provides general governmental services including public safety, street maintenance, park operations, and water and sewer facilities.

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

Basis of Accounting

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

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

Cash and Investments

The Village maintains three checking accounts and certificates of deposit, all at which are valued at cost.

Fund Accounting

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

General Fund

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

VILLAGE OF BOTKINS
SHELBY COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS
December 31, 2006 and 2005

Note 1 - Summary of Significant Accounting Policies - (continued)

Fund Accounting - (continued)

Special Revenue Funds

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

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

State Highway Improvement Fund – This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village streets.

FEMA Grant Fund – This fund accounts for the proceeds and expenditure of FEMA grant monies.

Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project funds:

Capital Improvement Fund - This fund receives a share of income tax funding and special assessments to pay for various needed improvements and new equipment.

Capital Improvement – Fire Fund - This fund receives a share of income tax funding to pay for various needed improvements of the fire department.

VILLAGE OF BOTKINS
SHELBY COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS
December 31, 2006 and 2005

Note 1 - Summary of Significant Accounting Policies - (continued)

Fund Accounting - (continued)

Debt Service Funds

The debt service fund is used to accumulate resources for the payment of bonds and note indebtedness. The Village had the following significant debt service funds:

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

Enterprise Funds

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

Water Fund – This fund receives charges for services from residents to cover the cost of providing this utility.

Sanitary Sewer Fund – This fund receives charges for services from residents to cover the cost of providing this utility.

Fiduciary Funds (Trust Funds)

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. Other trust funds are classified as expendable. Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant fiduciary funds:

Library Fund – This expendable trust fund receives donations to be used for the Village of Botkins Library.

Louis Sheets Fund – This expendable trust fund received a donation to be used for the Village of Botkins Library.

VILLAGE OF BOTKINS
SHELBY COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS
December 31, 2006 and 2005

Note 1 - Summary of Significant Accounting Policies - (continued)

Budgetary Process

The Ohio Revised Code requires that each fund be budgeted.

Estimated Resources

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

Appropriations

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

Encumbrances

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

A summary of 2006 and 2005 budgetary activity appears in Note 3.

Property, Plant and Equipment

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

Accumulated Leave

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

VILLAGE OF BOTKINS
SHELBY COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS
December 31, 2006 and 2005

Note 2 – Equity in Pooled Cash

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

		<u>2006</u>		<u>2005</u>	
Demand Deposits	\$	335,077	\$	149,132	
Certificates of Deposit		920,000		920,000	
Total Deposits	\$	<u>1,255,077</u>	\$	<u>1,069,132</u>	

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

Note 3 – Budgetary Activity

Budgetary activity for the years ending December 31, 2006 and 2005 follows:

2006 Budgeted vs. Actual Receipts				
Fund Type	Budgeted	Actual	Variance	
	Receipts	Receipts		
General	\$ 593,282	\$ 542,531	\$	(50,751)
Special Revenue	115,694	89,991		(25,703)
Debt Service	9,010	9,100		90
Capital Projects	666,511	205,036		(461,475)
Expendable Trust	17,889	780		(17,109)
Enterprise	748,963	378,587		(370,376)
	<u>\$ 2,151,349</u>	<u>\$ 1,226,025</u>	\$	<u>(925,324)</u>

VILLAGE OF BOTKINS
SHELBY COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS
December 31, 2006 and 2005

Note 3 – Budgetary Activity – (continued)

2006 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 593,282	\$ 554,011	\$ 39,271
Special Revenue	115,694	94,778	20,916
Debt Service	9,010	9,000	10
Capital Projects	666,511	166,110	500,401
Expendable Trust	17,889	46	17,843
Enterprise	748,963	216,137	532,826
	<u>\$ 2,151,349</u>	<u>\$ 1,040,082</u>	<u>\$ 1,111,267</u>

2005 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 574,789	\$ 497,464	\$ (77,325)
Special Revenue	136,749	109,019	(27,730)
Debt Service	-	-	-
Capital Projects	562,027	425,061	(136,966)
Expendable Trust	17,596	414	(17,182)
Enterprise	645,560	326,867	(318,693)
	<u>\$ 1,936,721</u>	<u>\$ 1,358,825</u>	<u>\$ (577,896)</u>

2005 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 574,789	\$ 573,615	\$ 1,174
Special Revenue	136,749	121,944	14,805
Debt Service	25,838	-	25,838
Capital Projects	562,027	129,816	432,211
Expendable Trust	17,596	296	17,300
Enterprise	645,560	273,864	371,696
	<u>\$ 1,962,559</u>	<u>\$ 1,099,535</u>	<u>\$ 863,024</u>

VILLAGE OF BOTKINS
SHELBY COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS
December 31, 2006 and 2005

Note 4 - Property Tax

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

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

Property owners assess tangible personal property tax. They must file a list of tangible property to the County by each April 30. The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on the Village's behalf.

Note 5 – Local Income Tax

The Village levies a municipal income tax of one and a half percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually. The Village has a contract with the City of St. Mary's to collect income tax on behalf of the Village.

VILLAGE OF BOTKINS
SHELBY COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS
December 31, 2006 and 2005

Note 6 - Debt Obligations

Debt outstanding at December 31, 2006 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Note - Water Tower	\$ 200,007	3.00%
Ohio Water Development Authority Note - Water Treatment Plant	6,871	2.84%
Total	\$ 206,878	

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

The Ohio Water Development Authority Note – Water Treatment Plant is a 15 year note requiring semi-annual payments of principal and interest beginning 1/1/2008. Payment amount to be determined after loan draws are complete. Total loan available is \$498,685 with the only draw as of December 31, 2006 consisting of a fee and capitalized interest. Subsequent draws were taken in 2007. The proceeds of this loan was used for water treatment plant improvements.

The annual requirements to amortize all debt outstanding as of December 31, 2006, including interest payments of \$54,402 are scheduled as follows:

Year Ending December 31,	OWDA Loan - WT	OWDA Loan - WTP	TOTAL
2007	\$ 6,000	\$ -	\$ 6,000
2008	6,000	7,289	13,289
2009	6,000	-	6,000
2010	14,649	-	14,649
2011	23,299	-	23,299
2012-2016	116,496	-	116,496
2017-2021	81,547	-	81,547
	\$ 253,991	\$ 7,289	\$ 261,280

VILLAGE OF BOTKINS
SHELBY COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS
December 31, 2006 and 2005

Note 7 – Retirement Systems

Ohio Public Employees Retirement System (OPERS)

The Village's employees, excluding the Village's law enforcement officers, belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple employer plan. The Ohio Revised Code prescribes the plan's retirement benefits, including postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2005, OPERS members contributed 8.5 percent of their gross salary. The Village contributed an amount equal to 13.55 percent of participants' gross salaries. For 2006, OPERS members contributed 9.0 percent of their gross salary. The Village contributed an amount equaling 13.70 percent of participants' gross salaries. The Village has paid all required contributions through December 31, 2006.

Police and Firemen's Disability and Pension Fund

The Village of Botkins uniformed police employees participate in the police and firemen's disability and pension fund. This is a multi-employer cost sharing public employees' retirement system created by the State of Ohio. The fund provides pension disability and health care to qualified police personnel and survivors and death benefits to qualified spouses, children and dependent parents.

Employees contribute 10.0 percent of gross salaries and the employer contributes 19.5 percent of gross salaries. The Village has paid all required contributions through December 31, 2006.

Note 8 - Risk Management

Risk Pool Membership

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

VILLAGE OF BOTKINS
SHELBY COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS
December 31, 2006 and 2005

Note 8 - Risk Management – (continued)

Casualty Coverage

PEP retains casualty risks up to \$250,000 per claim, including loss 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 \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000 from the General Reinsurance Corporation. If losses exhaust PEP's retained earnings, APEEP covers PEP losses up to \$5,000,000 per year subject to a per-claim limit of \$2,000,000.

Property Coverage

On January 1, 2005, APEEP began administering a risk-sharing property program. Under the new program, St. Paul Travelers will reinsure specific losses in excess of \$250,000 up to \$600,000,000 per occurrence. APEEP will reinsure members for specific losses in excess of \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. St. Paul Travelers provides aggregate stop-loss coverage based upon the combined Members' Total Insurable Value (TIV). If the stop-loss is reached by payment of losses between \$100,000 and \$250,000, St. Paul Travelers will then reinsure specific losses in excess of \$100,000 up to their \$600,000,000 per occurrence limit.

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 member.

Financial Position

PEP's financial statements (audited by other accountants) conform to generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2005 and 2004:

<u>Casualty Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$ 29,719,675	\$ 27,437,169
Liabilities	(15,994,168)	(13,880,038)
Member's Equity	\$ 13,725,507	\$ 13,557,131

<u>Property Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$ 4,443,332	\$ 3,648,272
Liabilities	(1,068,245)	(540,073)
Member's Equity	\$ 3,375,087	\$ 3,108,199

VILLAGE OF BOTKINS
SHELBY COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS
December 31, 2006 and 2005

Note 9 – Contingencies

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

On May 16, 2006, a party filed a complaint for personal injuries against numerous defendants, including the Village and the Chief of Police. The Village has insurance coverage through the Public Entities Pool of Ohio which has assumed the defense of the Village and Chief in this case.

The Village entered into a contract with Shinn Brothers, Inc. on August 8, 2006 for approximately \$840,000 in water treatment plant improvements. The Village has been awarded a \$285,500 grant through the Ohio Public Works Commission and has obtained a \$498,685 loan at the rate of 2.84% from the Ohio Water Development Authority to pay for this project. The balance will be paid from current funds obtained from user fees.



E.S. Evans and Company

Certified Public Accountants and Consultants

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

Robert E. Wendel, CPA • Dan F. Clifford, CPA • E.S. Evans, CPA, PFS (1930-1999)

August 1, 2007

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

Village of Botkins
Shelby County, Ohio

We have audited the financial statements of the Village of Botkins, Shelby County, Ohio, (the Village) as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated August 1, 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 Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of Botkins' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village of Botkins' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village of Botkins' internal control over financial reporting.

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

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

We consider the following deficiency described in the accompanying Schedule of Findings to be a significant deficiency in internal control over financial reporting: 2006-001.

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

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

We also noted certain internal control matters that we reported to the Village of Botkins' management in separate letter dated August 1, 2007.

Compliance and Other Matters

As part of reasonably assuring whether the Village of Botkins' financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or another matter that is required to be reported under Government Auditing Standards and is described in the accompanying schedule of findings as item 2006-001.

In a separate letter to the Village of Botkins' management dated August 1, 2007, we reported other matters related to noncompliance.

We intend this report solely for the information and use of management of the Village of Botkins and the Auditor of State of Ohio. It is not intended for anyone other than these specified parties.

A handwritten signature in red ink, appearing to read "E. L. Green and Company".

VILLAGE OF BOTKINS
SHELBY COUNTY, OHIO

SCHEDULE OF FINDINGS
December 31, 2006 and 2005

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number 2006-001 – Noncompliance Citation and Significant Deficiency

Ohio Revised Code § 5705.41 (D)(1) states that no orders or contracts involving the expenditure of money are to be made unless there is attached thereto a certificate of the Clerk certifying that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such a certificate shall be void and no warrant shall be issued in payment of any amount due thereon.

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

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

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

Amounts of less than \$3,000 may be paid by the Clerk without a resolution or ordinance upon completion of the “then and now” certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.

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

VILLAGE OF BOTKINS
SHELBY COUNTY, OHIO

SCHEDULE OF FINDINGS
December 31, 2006 and 2005

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number 2006-001 – Noncompliance Citation and Significant Deficiency – (continued)

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

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

To improve controls over disbursements, we recommend all Village disbursements receive prior certification of the Village Clerk.

VILLAGE RESPONSE – The Village will take this under advisement.

VILLAGE OF BOTKINS
SHELBY COUNTY, OHIO

SCHEDULE OF PRIOR AUDIT FINDINGS
December 31, 2006 and 2005

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2004-001	ORC 5705.41 (D)	NO	Reissued as Finding 2006-001
2004-002	ORC 5705.41 (B)	YES	No Comment in the Current Audit



Mary Taylor, CPA
Auditor of State

VILLAGE OF BOTKINS

SHELBY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
OCTOBER 16, 2007**