

**VILLAGE OF MATAMORAS  
WASHINGTON COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2008 - 2007**





# Mary Taylor, CPA

Auditor of State

Village Council  
Village of Matamoras  
P.O. Box 536  
Matamoras, Ohio 45767

We have reviewed the *Independent Accountants' Report* of the Village of Matamoras, Washington County, prepared by Knox & Knox, for the audit period January 1, 2007 through December 31, 2008. 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 Accountants' 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 Accountants' 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 Matamoras is responsible for compliance with these laws and regulations.

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

Mary Taylor, CPA  
Auditor of State

September 24, 2009

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VILLAGE OF MATAMORAS  
WASHINGTON COUNTY

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# KNOX & KNOX

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## Accountants and Consultants

### Independent Accountants' Report

Village of Matamoras  
Washington County  
800 Grandview Avenue  
Matamoras, Ohio 45767

To the Village Council:

We have audited the accompanying financial statements of the Village of Matamoras, Washington County, Ohio, (the Village) as of and for the years ended December 31, 2008 and 2007. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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, if any, 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 its 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.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2008 and 2007. In addition to the accompanying financial statements present for 2008 and 2007, the revisions require presenting entity wide statements. 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 governments 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, 2008 and 2007 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2008 and 2007, or its changes in financial position and cash flows for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Matamoras, Washington County, as of December 31, 2008 and 2007, and its combined cash receipts and disbursements and reserves for encumbrances for the years then ended on the basis of accounting described in Note 1.

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 17, 2009, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we do not opine on the internal control over financial reporting or on compliance, that reports 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 *Governmental Auditing Standards*. You should read it in conjunction with this report in considering the results of our audit.

***Knox & Knox***

Orrville, Ohio  
August 17, 2009



VILLAGE OF MATAMORAS  
WASHINGTON COUNTY

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

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
<b>CASH RECEIPTS:</b>			
Local Taxes	\$22,483		\$22,483
Intergovernmental	46,412	41,545	87,957
Special Assessments	22,412	888	23,300
Licenses, Fees, and Permits	13,211	2,404	15,615
Earnings on Investments	1,651	584	2,235
Miscellaneous	<u>5,291</u>	<u>2,226</u>	<u>7,517</u>
Total Cash Receipts	<u>111,460</u>	<u>47,647</u>	<u>159,107</u>
<b>CASH DISBURSEMENTS</b>			
Current:			
Security of Persons and Property	32,181	4,562	36,743
Public Health	1,648	278	1,926
Leisure Time Activities	23,430		23,430
Basic Utility	1,724		1,724
Transportation		35,054	35,054
General Government	47,925	1,234	49,159
Capital Outlay	<u>4,162</u>		<u>4,162</u>
Total Cash Disbursements	<u>111,070</u>	<u>41,128</u>	<u>152,198</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>390</u>	<u>6,519</u>	<u>6,909</u>
<b>OTHER FINANCING RECEIPTS/(DISBURSEMENTS)</b>			
Other Sources	100		100
Other Uses		<u>(85)</u>	<u>(85)</u>
Total Other Financing Receipts/(Disbursements)	<u>100</u>	<u>(85)</u>	<u>15</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	490	6,434	6,924
Cash Fund Balances, January 1	<u>64,604</u>	<u>47,222</u>	<u>111,826</u>
CASH FUND BALANCES, DECEMBER 31	<u>\$65,094</u>	<u>\$53,656</u>	<u>\$118,750</u>
Reserves for Encumbrances, December 31	<u>\$597</u>	<u>\$115</u>	<u>\$712</u>

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

VILLAGE OF MATAMORAS  
WASHINGTON COUNTY

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

	<u>Proprietary Fund Type Enterprise</u>	<u>Fiduciary Fund Type Agency</u>	<u>Totals (Memorandum Only)</u>
<b>OPERATING CASH RECEIPTS</b>			
Charges for Services	<u>\$296,384</u>	<u>                    </u>	<u>\$296,384</u>
Total Operating Cash Receipts	<u>296,384</u>	<u>                    </u>	<u>296,384</u>
<b>OPERATING CASH DISBURSEMENTS</b>			
Personal Services	96,581		96,581
Fringe Benefits	14,755		14,755
Contractual Services	43,511		43,511
Supplies and Materials	<u>91,661</u>	<u>                    </u>	<u>91,661</u>
Total Operating Cash Disbursements	<u>246,508</u>	<u>                    </u>	<u>246,508</u>
Operating Income/(Loss)	<u>49,876</u>	<u>                    </u>	<u>49,876</u>
<b>NON-OPERATING CASH RECEIPTS</b>			
Intergovernmental	1,355		1,355
Other Non-Operating Receipts	499		10,685
Special Assessments	<u>6,021</u>	<u>\$10,186</u>	<u>6,021</u>
Total Non-Operating Cash Receipts	<u>7,875</u>	<u>10,186</u>	<u>18,061</u>
<b>NON-OPERATING CASH DISBURSEMENTS</b>			
Debt Service:			
Principal	13,846		13,846
Interest	5,797		5,797
Other Non-Operating Disbursements	<u>758</u>	<u>10,186</u>	<u>10,944</u>
Total Non-Operating Cash Disbursements	<u>20,401</u>	<u>10,186</u>	<u>30,587</u>
Net Receipts Over Disbursement	37,350		37,350
Fund Cash Balance, January 1	<u>292,488</u>	<u>1,293</u>	<u>293,781</u>
<b>FUND CASH BALANCE, DECEMBER 31</b>	<u><b>\$329,838</b></u>	<u><b>\$1,293</b></u>	<u><b>\$331,131</b></u>
Reserves for Encumbrances, December 31	<u>\$1,033</u>	<u>                    </u>	<u>\$1,033</u>

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

VILLAGE OF MATAMORAS  
WASHINGTON COUNTY

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

	Governmental Fund Types		Totals (Memorandum Only)
	General	Special Revenue	
<b>CASH RECEIPTS:</b>			
Local Taxes	\$20,058		\$20,058
Intergovernmental	61,491	\$31,149	92,640
Special Assessments		1,732	1,732
Licenses, Fees, and Permits	14,922	4,450	19,372
Earnings on Investments	1,532	497	2,029
Miscellaneous	5,094	46	5,140
Total Cash Receipts	103,097	37,874	140,971
<b>CASH DISBURSEMENTS</b>			
Current:			
Security of Persons and Property	34,348	716	35,064
Public Health		657	657
Transportation		29,420	29,420
General Government	48,581	3,768	52,349
Capital Outlay	15,028		15,028
Total Cash Disbursements	97,957	34,561	132,518
Total Cash Receipts Over/(Under) Cash Disbursements	5,140	3,313	8,453
<b>OTHER FINANCING RECEIPTS/(DISBURSEMENTS)</b>			
Other Sources	843	435	1,278
Total Other Financing Receipts/(Disbursements)	843	435	1,278
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	5,983	3,748	9,731
Cash Fund Balances, January 1	58,621	43,474	102,095
<b>CASH FUND BALANCES, DECEMBER 31</b>	<b>\$64,604</b>	<b>\$47,222</b>	<b>\$111,826</b>
Reserves for Encumbrances, December 31	\$423		\$423

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

VILLAGE OF MATAMORAS  
WASHINGTON COUNTY

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

	Proprietary Fund Type Enterprise	Fiduciary Fund Type Agency	Totals (Memorandum Only)
<b>OPERATING CASH RECEIPTS</b>			
Charges for Services	\$268,717		\$268,717
Total Operating Cash Receipts	268,717		268,717
<b>OPERATING CASH DISBURSEMENTS</b>			
Personal Services	87,715		87,715
Fringe Benefits	13,647		13,647
Contractual Services	69,387		69,387
Supplies and Materials	96,331		96,331
Other	805		805
Total Operating Cash Disbursements	267,885		267,885
Operating Income/(Loss)	832		832
<b>NON-OPERATING CASH RECEIPTS</b>			
Intergovernmental	11,369		11,369
Other Non-Operating Receipts	1,410	\$6,076	7,486
Special Assessments	5,679		5,679
Sale of Notes	286,614		286,614
Total Non-Operating Cash Receipts	305,072	6,076	311,148
<b>NON-OPERATING CASH DISBURSEMENTS</b>			
Debt Service:			
Principal	13,414		13,414
Interest	6,229		6,229
Capital Outlay	303,204		303,204
Other Non-Operating Disbursements		6,076	6,076
Total Non-Operating Cash Disbursements	322,847	6,076	328,923
Net Receipts Over Disbursement	(16,943)		(16,943)
Fund Cash Balance, January 1	309,431	1,293	310,724
<b>FUND CASH BALANCE, DECEMBER 31</b>	<b>\$292,488</b>	<b>\$1,293</b>	<b>\$293,781</b>
Reserves for Encumbrances, December 31	\$66		\$66

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

VILLAGE OF MATAMORAS  
WASHINGTON COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2008 and 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

B. Description of the Entity

The Village of Matamoras, Washington County, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general governmental services, including water and sewer utilities, maintenance of Village streets and bridges, and police and fire protection.

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

C. Basis of Accounting

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

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

C. Cash and Investments

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest earned is recognized and recorded when received.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

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

VILLAGE OF MATAMORAS  
WASHINGTON COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2008 and 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Fund Accounting (continued)

2. Special Revenue Funds (continued)

*Fire Fund* - This fund receives money from a contract with Grandview Township to provide fire protection to the residents of that township.

3. Proprietary Funds

*Enterprise Fund* - These funds account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges. The Village had the following significant Enterprise Fund:

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

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

4. Fiduciary Fund

*Agency Fund* - Financial accountability for the Mayor's Court is that of an agent, acting in a fiduciary capacity for others. The court has no equity or ownership over the monies it controls. By virtue of Ohio law, the monies collected are distributed within a specified period of time to specific recipients. The records are kept on a cash basis.

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 department, division or office level of control and within each the amount appropriated for personal services. The Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

2. Estimated Resources

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

VILLAGE OF MATAMORAS  
WASHINGTON COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2008 and 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Budgetary Process

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. However, the Village had no material encumbrances outstanding at December 31, 2008 and December 31, 2007.

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

F. Property, Plant and Equipment

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

G. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation leave and sick leave are not reflected as liabilities under the cash basis of accounting used by the Village.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2008	2007
Demand deposits	<u>\$449,881</u>	<u>\$405,607</u>

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

3. BUDGETARY ACTIVITY

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

Fund Type	2008 Budgeted vs. Actual Receipts		
	Budgeted Receipts	Actual Receipts	Variance
General	\$136,377	\$111,560	(\$24,817)
Special Revenue	51,742	47,647	(4,095)
Enterprise	304,259	304,259	
Total	\$492,378	\$463,466	(\$28,912)

VILLAGE OF MATAMORAS  
WASHINGTON COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2008 and 2007

3. BUDGETARY ACTIVITY (continued)

<u>2008 Budgeted vs Actual Budgetary Basis Expenditures</u>			
<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$199,747	\$111,667	\$88,080
Special Revenue	84,554	41,328	43,226
Enterprise	596,210	267,492	328,718
Total	<u>\$880,511</u>	<u>\$420,487</u>	<u>\$460,024</u>

<u>2007 Budgeted vs. Actual Receipts</u>			
<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$108,975	\$103,940	(\$5,035)
Special Revenue	24,376	38,309	13,933
Enterprise	283,600	573,789	290,189
Total	<u>\$416,951</u>	<u>\$716,038</u>	<u>\$299,087</u>

<u>2007 Budgeted vs Actual Budgetary Basis Expenditures</u>			
<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$116,259	\$98,930	\$17,329
Special Revenue	44,046	34,611	9,435
Enterprise	337,427	590,798	(253,371)
Total	<u>\$497,732</u>	<u>\$724,339</u>	<u>(\$226,607)</u>

Contrary to the Ohio Revised Code, expenditures exceeded appropriations in the Special Revenue Fund Type during 2007.

4. PROPERTY TAX

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

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

Tangible personal property tax is assessed by the property owner, 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.



VILLAGE OF MATAMORAS  
WASHINGTON COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2008 and 2007

5. DEBT

Debt outstanding at December 31, 2008 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Commission (A)	\$4,879	0.00%
Ohio Public Works Commission (B)	18,034	2.00%
Ohio Public Works Commission (C)	262,267	2.00%
Total	\$285,180	

The Village borrowed \$6,095 from the Ohio Public Works Commission (A) for the installation of an ultraviolet light disinfection system. The term of the loan is 20 years, to be amortized in 40 semi-annual payments of \$152, beginning on July 1, 2004.

The Village borrowed \$24,900 from the Ohio Public Works Commission (B) for the replacement of Collins Run and Riverfront lift stations. The term of the loan is 20 years, to be amortized in 40 semi-annual payments of \$758, beginning July 1, 2003.

The Village borrowed \$286,614 from the Ohio Public Works Commission (C) for the waste water treatment rehabilitation project. The term of the loan is 20 years to be amortized in 40 semiannual payments of \$8,911, beginning January 2007.

Amortization of the above debt is scheduled as follows:

Year ending <u>December 31:</u>	<u>Ohio Public Works Commission (A)</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$304		\$304
2010	304		304
2011	304		304
2012	304		304
2013	304		304
2014-2018	1,520		1,520
2019-2023	1,520		1,520
2024	319		319
	\$4,879		\$4,879

Year ending <u>December 31:</u>	<u>Ohio Public Works Commission (B)</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$1,144	\$373	\$1,517
2010	1,161	356	1,517
2011	1,178	339	1,517
2012	1,185	332	1,517
2013	1,192	325	1,517
2014-2018	6,532	1,053	7,585
2019-2023	5,642	847	6,489
	\$18,034	\$3,625	\$21,659

VILLAGE OF MATAMORAS  
WASHINGTON COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2008 and 2007

5. DEBT

Year ending December 31:	Ohio Public Works Commission (A)		
	Principal	Interest	Total
2009	\$12,150	\$5,672	\$17,822
2010	12,395	5,427	17,822
2011	12,643	5,179	17,822
2012	12,898	4,924	17,822
2013	13,157	4,665	17,822
2014-2018	75,200	13,910	89,110
2019-2023	80,376	8,734	89,110
2024-2026	43,448	424	43,872
	<u>\$262,267</u>	<u>\$48,935</u>	<u>\$311,202</u>

6. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Police & Firemen's Disability & Pension Funds. (PFDPF) Other full-time employees belong to the Ohio Public Employees Retirement System (OPERS). PFDPF and OPERS are cost-sharing, multiple-employer plan. The plans provides retirement benefits, including post-retirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2008 and 2007, members of PFDPF contributed 10% of their wages to PFDPF. The Village contributed an amount equal to 19.5% of their wages. OPERS members contributed 10% and 9.5% of their gross salaries, respectively. The Village contributed an amount equal to 14% (2008) and 13.75% (2007) of participants' gross salaries. The Village has paid all contributions required through December 31, 2008.

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 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 member's deductibles.

A. 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.

VILLAGE OF MATAMORAS  
WASHINGTON COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2008 and 2007

7. RISK MANAGEMENT

A. Casualty Coverage

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 after January 1, 2006) as noted above.

B. Property Coverage

Beginning in 2005, APEEP established a risk-sharing program. Under the program, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. This amount was increased to \$300,000 in 2007. For 2007, APEEP reinsures members for specific losses exceeding \$100,000 up to \$300,000 per occurrence, subject to an annual aggregate loss payment. For 2006, APEEP reinsures members for specific losses exceeding \$00,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop-loss is reached by payment of losses between \$100,000 and \$250,000 in 2006 or \$100,000 and \$300,000 in 2007, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 was \$2,014,548.

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

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

C. Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2007 and 2006.

	2007	2006
Assets	\$37,560,071	\$36,123,194
Liabilities	(17,340,825)	(16,738,904)
Net Assets	\$20,219,246	\$19,384,290

VILLAGE OF MATAMORAS  
WASHINGTON COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2008 and 2007

7. RISK MANAGEMENT

C. Financial Position (continued)

At December 31, 2007 and 2006, respectively, casualty coverage liabilities noted above include approximately \$15.9 million and \$15.0 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$15.0 million and \$14.4 million of unpaid claims to be billed to approximately 443 member governments in the future, as of December 31, 2007 and 2006, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. This payable includes the subsequent year's contribution due if the Government terminates participation, as described in the last paragraph below.

Based on the 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.

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

Amount grantor agencies pay to the Village are subject to audit and adjustment by the grantor, principally the federal government. Grantors 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.

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# KNOX & KNOX

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Accountants and Consultants

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

Village of Matamoras  
Washington County  
800 Grandview Avenue  
Matamoras, Ohio 45767

To the Village Council:

We have audited the accompanying financial statements of the Village of Matamoras, Washington County, Ohio (the Village) as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated August 17, 2009, 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's internal control over financial reporting as basis for designing our audit procedures in order to express our opinions on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above. However, we noted other matters that we reported to the Village's management in a separate letter dated August 17, 2009.

COMPLIANCE AND OTHER MATTERS

As part of reasonably assuring whether the Village's basic 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 one instance of noncompliance that we must report under *Government Auditing Standards* which is shown in the accompanying schedule as Finding 2008-01.

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

*KNOX & KNOX*

Orrville, Ohio  
August 17, 2009

VILLAGE OF MATAMORAS  
WASHINGTON COUNTY

SCHEDULE OF FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2008 and 2007

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

FINDING NUMBER 2008-01

Noncompliance

Ohio Revised Code Section 5705.41 (B) requires that total expenditures shall not exceed appropriations.

The expenditures exceeded appropriations in the following fund type:

	<u>Budgetary Expenditures</u>	<u>Appropriations</u>	<u>Difference</u>
Enterprise Fund (2007)	\$590,798	\$337,427	(\$253,371)

We recommend that the Village's management monitor appropriations and expenditures to avoid overspending.

Client Response: None





**Mary Taylor, CPA**  
Auditor of State

**VILLAGE OF MATAMORAS**

**WASHINGTON 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 6, 2009**