



**Auditor of State
Betty Montgomery**

VILLAGE OF BENTLEYVILLE
CUYAHOGA COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Village of Bentleyville
Cuyahoga County
6253 Chagrin River Road
Bentleyville, Ohio 44022

To the Village Council:

We have audited the accompanying financial statements of the Village of Bentleyville, Cuyahoga County, Ohio, (the Village) as of and for the years ended December 31, 2002 and December 31, 2001. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Bentleyville, Cuyahoga County, Ohio, as of December 31, 2002 and December 31, 2001, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2003 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

March 27, 2003

**VILLAGE OF BENTLEYVILLE
CUYAHOGA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Property Taxes	\$386,353	\$68,028	\$52,688	\$0	\$507,069
Local Taxes	756,355	0	0	0	756,355
Intergovernmental Receipts	228,162	79,793	0	0	307,955
Charges for Services	1,851	6,000	0	0	7,851
Fines, Licenses, and Permits	35,214	0	0	0	35,214
Earnings on Investments	22,192	6,067	0	0	28,259
Miscellaneous	20,134	520,000	0	0	540,134
	<u>1,450,261</u>	<u>679,888</u>	<u>52,688</u>	<u>0</u>	<u>2,182,837</u>
Total Cash Receipts					
Cash Disbursements:					
Current:					
Security of Persons and Property	552,542	1,186	0	22,982	576,710
Leisure Time Activities	0	0	0	6,811	6,811
Community Environment	50,073	103,373	0	0	153,446
Basic Utility Services	78,270	0	0	0	78,270
Transportation	125,521	765,432	0	0	890,953
General Government	227,889	0	0	12,425	240,314
Debt Service:					
Principal Payments	0	500,000	62,516	0	562,516
Interest Payments	0	21,630	41,708	0	63,338
Capital Outlay	43,625	0	0	0	43,625
	<u>1,077,920</u>	<u>1,391,621</u>	<u>104,224</u>	<u>42,218</u>	<u>2,615,983</u>
Total Cash Disbursements					
Total Receipts Over/(Under) Disbursements	<u>372,341</u>	<u>(711,733)</u>	<u>(51,536)</u>	<u>(42,218)</u>	<u>(433,146)</u>
Other Financing Receipts and (Disbursements):					
Sale of Bonds or Notes	0	925,000	0	0	925,000
OPWC Loan Proceeds	0	127,644	0	0	127,644
Transfers-In	0	100,000	77,152	36,166	213,318
Transfers-Out	(213,318)	0	0	0	(213,318)
	<u>(213,318)</u>	<u>1,152,644</u>	<u>77,152</u>	<u>36,166</u>	<u>1,052,644</u>
Total Other Financing Receipts/(Disbursements)					
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	159,023	440,911	25,616	(6,052)	619,498
Fund Cash Balances, January 1, 2002	<u>716,455</u>	<u>575,666</u>	<u>9,820</u>	<u>23,786</u>	<u>1,325,727</u>
Fund Cash Balances, December 31, 2002	<u>\$875,478</u>	<u>\$1,016,577</u>	<u>\$35,436</u>	<u>\$17,734</u>	<u>\$1,945,225</u>
Reserves for Encumbrances, December 31, 2002	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$17,110</u>	<u>\$17,110</u>

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

**VILLAGE OF BENTLEYVILLE
CUYAHOGA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2002**

	Fiduciary Fund Type
	Agency
Non-Operating Cash Receipts:	
Fines and Forfeitures	\$11,051
Other Non-Operating Receipts	33,182
Total Non-Operating Cash Receipts	44,233
Non-Operating Cash Disbursements:	
Distributions to Village	8,444
Distributions to Treasurer, State of Ohio	2,566
Other Non-Operating Cash Disbursements	26,124
Total Non-Operating Cash Disbursements	37,134
Net Receipts Over/(Under) Disbursements	7,099
Fund Cash Balances, January 1, 2002	47,716
Fund Cash Balances, December 31, 2002	\$54,815
Reserve for Encumbrances, December 31, 2002	\$0

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

**VILLAGE OF BENTLEYVILLE
CUYAHOGA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>				<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Property Tax	\$378,176	\$41,374	\$52,388	\$0	\$471,938
Local Taxes	840,831	0	0	0	\$840,831
Intergovernmental Receipts	38,561	225,139	0	0	263,700
Charges for Services	4,291	2,000	0	0	6,291
Fines, Licenses, and Permits	24,798	0	0	0	24,798
Earnings on Investments	42,341	7,378	0	0	49,719
Miscellaneous	7,487	54	0	0	7,541
Total Cash Receipts	1,336,485	275,945	52,388	0	1,664,818
Cash Disbursements:					
Current:					
Security of Persons and Property	499,477	613	0	22,999	523,089
Leisure Time Activities	0	0	0	15,429	15,429
Community Environment	55,744	0	0	0	55,744
Basic Utility Services	81,083	0	0	0	81,083
Transportation	154,860	399,366	0	97,868	652,094
General Government	194,781	15,951	0	0	210,732
Debt Service:					
Principal Payments	0	0	67,632	0	67,632
Interest Payments	0	0	63,048	0	63,048
Financing and Other Debt-Service Related	0	5,375	0	0	5,375
Total Cash Disbursements	985,945	421,305	130,680	136,296	1,674,226
Total Receipts Over/(Under) Disbursements	350,540	(145,360)	(78,292)	(136,296)	(9,408)
Other Financing Receipts and (Disbursements):					
Sale of Bonds or Notes	0	500,000	0	0	500,000
Transfers-In	129,619	125,000	78,311	159,021	491,951
Transfers-Out	(362,332)	(129,619)	0	0	(491,951)
Total Other Financing Receipts/(Disbursements)	(232,713)	495,381	78,311	159,021	500,000
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	117,827	350,021	19	22,725	490,592
Fund Cash Balances, January 1, 2001	598,628	225,645	9,801	1,061	835,135
Fund Cash Balances, December 31, 2001	\$716,455	\$575,666	\$9,820	\$23,786	\$1,325,727
Reserves for Encumbrances, December 31, 2001	\$0	\$30,914	\$0	\$0	\$30,914

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

**VILLAGE OF BENTLEYVILLE
CUYAHOGA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2001**

	Fiduciary Fund Types
	Agency
Non-Operating Cash Receipts:	
Fines and Forfeitures	\$10,901
Other Non-Operating Receipts	10,094
Total Non-Operating Cash Receipts	20,995
Non-Operating Cash Disbursements:	
Distributions to Village	8,165
Distributions to Treasurer, State of Ohio	2,682
Other Non-Operating Cash Disbursements	7,101
Total Non-Operating Cash Disbursements	17,948
Net Receipts Over/(Under) Disbursements	3,047
Fund Cash Balances, January 1, 2001	44,669
Fund Cash Balances, December 31, 2001	\$47,716
Reserve for Encumbrances, December 31, 2001	\$0

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

**VILLAGE OF BENTLEYVILLE
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Bentleyville, Cuyahoga County, Ohio, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general government services, including maintenance of roads, rubbish collections, sanitary sewer/storm sewer facilities, building, zoning, safety services, and police protection. The Village contracts with the Village of Chagrin Falls to provide fire protection and police dispatch services.

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

B. Basis of Accounting

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

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

C. Cash and Investments

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

STAROhio and Victory Federal Money Market Funds are recorded at share values reported by the fund.

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 Fund – This fund is used to account for the gasoline tax and motor vehicle tax used for constructing, maintaining and repairing Village Streets.

**VILLAGE OF BENTLEYVILLE
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Special Revenue Funds (Continued)

Chagrin River Road Slope Stabilization Fund – This fund receives money from the Ohio Public Works Commission and transfers from the general fund used to fund the Chagrin River Slope Stabilization Project.

Chagrin Valley Trails Construction Fund – This fund receives proceeds from the sales of notes in anticipation of bonds and transfers in from the Chagrin Valley Trails Legal fund and is used to pay the cost of improving streets in Chagrin Valley Trails.

Chagrin Valley Trails Legal Fund – This fund receives proceeds from the sale of notes in anticipation of bonds, funds received from the legal cases won by the Village concerning the Chagrin Valley Trails and is used to fund legal and construction costs of the Chagrin Valley Trails.

3. Debt Service Funds

These funds are used to accumulate resources for the payment of bonds and note indebtedness.

4. Capital Project Fund

This fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects.

5. Fiduciary Funds (Agency Funds)

Agency funds are used to account for custodial funds held by the Village acting as the agency for another government, organization, individual, or fund. The Village had the following significant agency funds:

Contractors' Bond Fund – This fund is used to account for the deposits received from contractors to ensure performance. Once the Village has determined that satisfactory completion of the project has been achieved the deposits are returned to the contractor.

Fines and Costs Fund – This fund is used to account for the fines and fees collected from waivable offenses.

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Village 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.

**VILLAGE OF BENTLEYVILLE
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

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 commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. During Fiscal Years 2002 and 2001, the Village did not encumber all commitments required by Ohio law.

A summary of 2001 and 2002 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. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

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:

	2002	2001
Demand deposits	\$667,358	\$935
STAROhio	1,140,960	1,120,695
Victory Federal Money Market Fund	191,722	251,813
Total investments	1,332,682	1,372,508
Total deposits and investments	\$2,000,040	\$1,373,443

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

Investments: Investments in STAR Ohio and the Victory Federal Money Market funds are not evidenced by securities that exist in physical or book-entry form.

**VILLAGE OF BENTLEYVILLE
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2002
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2002 and 2001 follows:

2001 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,437,717	\$1,466,104	\$28,387
Special Revenue	784,664	900,945	116,281
Debt Service	128,936	130,699	1,763
Capital Projects	162,100	159,021	(3,079)
Total	<u>\$2,513,417</u>	<u>\$2,656,769</u>	<u>\$143,352</u>

2001 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,380,370	\$1,348,277	\$32,093
Special Revenue	439,960	581,838	(141,878)
Debt Service	131,170	130,680	490
Capital Projects	161,500	136,296	25,204
Total	<u>\$2,113,000</u>	<u>\$2,197,091</u>	<u>(\$84,091)</u>

2002 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,823,959	\$1,450,261	(\$373,698)
Special Revenue	795,918	1,832,532	1,036,614
Debt Service	131,576	129,840	(1,736)
Capital Projects	162,100	36,166	(125,934)
Total	<u>\$2,913,553</u>	<u>\$3,448,799</u>	<u>\$535,246</u>

2002 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,080,023	\$1,291,238	(\$211,215)
Special Revenue	198,749	1,391,621	(1,192,872)
Debt Service	138,107	104,224	33,883
Capital Projects	55,000	59,328	(4,328)
Total	<u>\$1,471,879</u>	<u>\$2,846,411</u>	<u>(\$1,374,532)</u>

**VILLAGE OF BENTLEYVILLE
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2002
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

Contrary to Ohio Revised Code Section 5705.41(B) and (D), budgetary expenditures and encumbrances exceeded the appropriation authority at the legal level of control (object level) at the fiscal years ended 2002 and 2001 in the General, Special Revenue, and Capital Project funds. The violations ranged from \$162 to \$494,628. The Village also had violations at the legal level of control (object level) July 31, 2002, and August 31, 2001, ranging from \$39 to \$200,000.

Contrary to Ohio Revised Code Section 5705.36 and 5705.39, appropriations exceeded estimated revenues at December 31, 2002, and July 31, 2002, in the Debt Service fund by \$7,424. The Special Revenue funds, Debt Service funds, and Capital Project fund were also in violation at August 31, 2001, ranging from \$58,465 to \$425,000.

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, the first half is due December 31. The second half payment is due the following June 20.

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

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

5. LOCAL INCOME TAX

The Village levies a municipal income tax of one 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 of 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.

**VILLAGE OF BENTLEYVILLE
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2002
(Continued)**

6. DEBT

Debt outstanding at December 31, 2002 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan	\$605,865	5.77%
Ohio Public Works Commission Loan	127,645	0.00%
General Obligation Bonds	380,000	5.35%
Bond Anticipation Notes	925,000	2.39% / 2.25%
Total	\$2,038,510	

The Ohio Water Development Authority loan relates to a water and sewer plant expansion project that was mandated by the Ohio Environmental Protection Agency. The loans will be repaid in semiannual installments of \$27,073, including interest, over 25 years. The Ohio Public Works Commission interest free Loan relates to the Chagrin River Slope Stabilization project. This loan will be repaid in semiannual installments of \$6,382. The General Obligation Bonds relates to the construction of the Village Hall complex in 1994. The bonds were issued in the amount of \$775,000 and will be repaid in semi-annual varying principal and interest payments over 15 years. The Bond Anticipation Notes relates to the Chagrin River Trail project. The Bond Anticipation Notes are amortized over one year coming due in February and July 2003 with interest due in the amounts of \$7,170 and \$14,063 respectively.

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

	OWDA Loan	OPWC Loan	General Obligation Bonds
Year ending December 31:			
2003	\$54,146	\$6,382	\$76,335
2004	54,146	6,382	78,393
2005	54,146	6,382	75,123
2006	54,146	6,382	76,793
2007	54,146	6,382	78,120
2008 - 2012	270,731	31,911	74,095
2013 - 2017	270,731	31,912	0
2018 - 2022	297,804	31,912	0
Total	\$1,109,996	\$127,645	\$458,859

7. RETIREMENT SYSTEMS

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

Contribution rates are also prescribed by the Ohio Revised Code. For 2002 and 2001, PFDPF participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of their wages. OPERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2001 and 2002. The Village has paid all contributions required through December 31, 2002.

**VILLAGE OF BENTLEYVILLE
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2002
(Continued)**

8. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

The Village also provides health insurance and dental coverage to full-time employees through a private carrier.

9. CONTINGENT LIABILITIES

The Village is defendant in a lawsuit. Although the outcome of this suit is not presently determinable, management believes that the resolution of this matter will not materially adversely affect the Village's financial condition.

10. SUBSEQUENT EVENTS

In fiscal year 2003, the Village was contacted by the Public Employees Retirement System of Ohio on behalf of former and current employees' appropriate contributions during the fiscal years 1982 to 1992. At this time the Village does not know the exact amount due until such time as claims are received, reviewed and determined.

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**Auditor of State
Betty Montgomery**

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

Village of Bentleyville
Cuyahoga County
6253 Chagrin River Road
Bentleyville, Ohio 44022

To the Village Council:

We have audited the financial statements of the Village of Bentleyville, Cuyahoga County, Ohio, (the Village) as of and for the years ended December 31, 2002, and December 31, 2001, and have issued our report thereon dated March 27, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2002-30818-001 through 2002-30818-004.

We also noted other immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated March 27, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2002-30818-005 and 2002-30818-006.

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A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above are material weaknesses. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated March 27, 2003.

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

March 27, 2003

VILLAGE OF BENTLEYVILLE
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001

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

Finding Number	2002-30818-001
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ENCUMBERING OF FUNDS

Ohio Rev. Code Section 5705.41(D) states that no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Further, contracts and orders for expenditure lacking prior certification should be void.

This section also provides two exceptions to the above requirements:

- If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was appropriated and free of any previous encumbrances, the Village Council may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate (a then and now certificate), if such expenditure is otherwise valid.
- If the amount involved is less than one thousand dollars, the fiscal officer may authorize it to be paid without the affirmation of the Village Council.

During our testing of 2001 and 2002 non-payroll expenditures we noted 41 of the 60 transactions tested where a purchase order was improperly issued at the time of commitment or expenditure. Out of these 41 instances the following was noted:

- 19 instances where a purchase order was not issued or issued after the invoice was received;
- 20 instances where a purchase order was issued but not certified by the Clerk-Treasurer. These purchase orders contained only the month they were encumbered and not a specific date of issuance;
- 1 instance where a purchase order did not cover the whole amount of the commitment; and
- 1 instance where a purchase order was issued, but certified by the Administrative Assistant instead of the Clerk-Treasurer.

Additionally, during our testing of non-payroll expenditures we noted numerous purchase orders that were incomplete. These purchase orders did not contain the exact date, account code, amount of the purchase order, or other pertinent data. Not correctly completing purchase orders can cause numerous problems in the Village's disbursement cycle, including but not limited to over/under appropriating of funds and misposting expenditures.

This weakness could allow expenditures to exceed the total of the available fund balance and the current year revenues. This could result in a negative fund balance(s). We recommend the Clerk-Treasurer certify that funds are available for expenditures by signing the fiscal certificate affixed to the purchase orders prior to entering into a commitment for goods or services.

**VILLAGE OF BENTLEYVILLE
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001
(Continued)**

Finding Number	2002-30818-002
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EXPENDITURES AND ENCUMBRANCES IN EXCESS OF APPROPRIATIONS

Ohio Rev. Code Section 5705.41(B) and (D), states, in part, that no subdivision or taxing unit is to expend money unless it has been appropriated. During our mid-year and year end testing for the fiscal years ended December 31, 2001 and December 31, 2002 we noted expenditures plus encumbrances exceeded appropriations at the legal level of control (object level) as follows:

<u>Fund Description</u>	<u>Appropriations Plus Prior Year Encumbrances</u>	<u>Expenditures Plus Encumbrances</u>	<u>Difference</u>
<u>August 31, 2001</u>			
Special Revenue Funds			
<i>Chagrin River Trails - Legal</i>			
Transfers	\$72,319	\$80,421	(\$8,102)
<i>State Improvement Grant</i>			
Village Hall Improvements	0	5,760	(5,760)
<u>December 31, 2001</u>			
Special Revenue Fund			
<i>Chagrin River Slope Stabilization</i>			
Capital Outlay	0	142,808	(142,808)
<u>July 31, 2002</u>			
General Fund			
Equipment	2,330	8,229	(5,899)
Transfers - Chagrin River Road	0	100,000	(100,000)
Special Revenue Funds			
<i>Chagrin River Trails - Legal</i>			
Loan Repayment	0	200,000	(200,000)
Interest Expense	0	7,200	(7,200)
Legal Costs - Attorney	0	17,238	(17,238)
<i>Chagrin River Trails - Construction</i>			
Contractual Service - Const./Engineer	0	27,065	(27,065)
Interest Expense	0	14,430	(14,430)
<i>Chagrin River Slope Stabilization</i>			
Contractual Service - Const./Engineer	0	13,158	(13,158)
Chagrin River Rd Embankment	0	39,922	(39,922)
Capital Outlay	0	60,903	(60,903)

**VILLAGE OF BENTLEYVILLE
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001
(Continued)**

Finding Number	2002-30818-002
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EXPENDITURES AND ENCUMBRANCES IN EXCESS OF APPROPRIATIONS (Continued)

<u>Fund Description</u>	<u>Appropriations Plus Prior Year Encumbrances</u>	<u>Expenditures Plus Encumbrances</u>	<u>Difference</u>
<u>December 31, 2002</u>			
General Fund			
Contractual - Legal	\$25,000	\$44,537	(\$19,537)
Equipment	2,330	8,888	(6,558)
Fees & Misc. Services	5,500	12,630	(7,130)
1 Ton Dump Truck	0	43,625	(43,625)
Transfer - Chagrin River Road Fund	0	100,000	(100,000)
Special Revenue Funds			
<i>Chagrin River Trails - Legal</i>			
Loan Repayment	0	200,000	(200,000)
Interest Expense	0	7,200	(7,200)
Legal Costs - Attorney	0	17,238	(17,238)
<i>Chagrin River Trails - Construction</i>			
Construction Costs	0	494,628	(494,628)
Contractual Service - Const./Engineer	0	68,520	(68,520)
Interest Expense	0	14,430	(14,430)
Legal Costs - Borrowing	0	6,620	(6,620)
Redemption of Principal	0	300,000	(300,000)
<i>Chagrin River Slope Stabilization</i>			
Contractual Service - Const./Engineer	0	26,775	(26,775)
Chagrin River Rd Embankment	0	76,598	(76,598)
Transportation	0	138,227	(138,227)
Capital Projects			
Capital Outlay - Police	0	22,167	(22,167)

We also noted other line items in the General and Special Revenue funds at August 31, 2001, July 31, 2002, and December 31, 2002, had expenditures plus encumbrances exceeded appropriations at the legal level of control (object level) ranging from \$39 to \$4,636.

We recommend the Village amend appropriations monthly or as deemed appropriate in accordance with the above revised code section.

**VILLAGE OF BENTLEYVILLE
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001
(Continued)**

Finding Number	2002-30818-003
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APPROPRIATIONS EXCEEDING ESTIMATED REVENUES

Ohio Revised Code Section 5705.36 and 5705.39 both indicate that, the total appropriations made during a fiscal year from any fund must not exceed the certificate of estimated resources or the amended certificate of estimated resources which was certified prior to making the appropriation or supplemental appropriation. During our fiscal year 2001 mid-year, and year end testing for the fiscal year ended December 31, 2001 and December 31, 2002 noted appropriations in excess of estimated resources as follows:

<u>Fund Description</u>	<u>Appropriations</u>	<u>Estimated Revenues</u>	<u>Difference</u>
<u>August 31, 2001</u>			
Special Revenue Funds			
Chagrin Valley Trails - Legal	\$200,000	\$0	(\$200,000)
Chagrin Valley Trails - Construction	425,000	0	(425,000)
Debt Service Funds			
Water Line	164,000	63,946	(100,054)
Village Hall	135,000	76,535	(58,465)
Capital Projects Fund	466,400	351,561	(114,839)
<u>July 31, 2002 and December 31, 2002</u>			
Debt Service Fund			
Village Hall	83,960	76,536	(7,424)

We recommend that the Village monitor and make amendments as necessary to the appropriations and ensure they do not exceed the certificate of estimated resources. Also, we recommend that the Village monitor the amount of actual revenues received and modify the certificate of estimated resources as needed.

**VILLAGE OF BENTLEYVILLE
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2002
(Continued)**

Finding Number	2002-30818-004
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REQUIRED ANNUAL CONTINUING EDUCATION PROGRAMS

Ohio Revised Code Section 135.22 states that the Treasurer is to complete annual continuing education provided by the Treasurer of State. Without such training, the Treasurer is limited to investments in interim deposits and Star Ohio.

During 2001 and 2002, the Clerk-Treasurer did not attend and/or complete any annual continuing education programs provided by the Treasurer of State. During 2001, the Village invested funds in a repurchase agreement and in a mutual fund in 2001 and 2002.

Village Council should monitor the Treasurer to ensure they complete the annual continuing education programs as required and to ensure that funds are invested properly.

Finding Number	2002-30818-005
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ACCOUNTING PROCESS

The Village's overall computer software program does not provide the Village with the capabilities to perform adequate accounting procedures needed in government accounting. Failure to have an adequate accounting software system can cause the Village to be incapable of performing tasks needed by a government and can limit the Village in its financial reporting ability.

Currently, the Village's Assistant Clerk-Treasurer is hired to work 10 hours a week. Due to the increased volume of transactions and limitations posed by the current accounting system, the Village should consider increasing the amount of hours needed to perform the necessary job duties. In April 2003, the Village has increased the number of hours worked by the Assistant Clerk-Treasurer to 24 hours.

Additionally, we recommend that the Village assess their current accounting software program capabilities of performing the everyday tasks needed by a small government and time needed by the Assistant Clerk-Treasurer to perform their duties.

Finding Number	2002-30818-006
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TIMELY POSTING OF RECEIPTS

Receipts are to be posted in a timely manner, once physically received or receipt of notification of the direct deposit. During the fiscal years 2002 and 2001 we noted the Village posted 18 of their 26 Property Tax receipts one week to one month after the County had deposited the money into the Village's bank account.

We recommend that the Village record all of their receipts in a timely manner to ensure that their records properly reflect their revenues and cash balance.

**VILLAGE OF BENTLEYVILLE
CUYAHOGA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2002 AND DECEMBER 31, 2001**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2000-30818-001	Ohio Admin. Code 117-5-11(C) provides each expenditure or encumbrance charged against an appropriation account shall be posted and subtracted from the appropriation balance	No	Not corrected See finding 2002-30818-001
2000-30818-002	Ohio Rev. Code Section 5705.41(D) provides that no order of contract involving the expenditures of money are to be made unless there is a certificate of the fiscal officer.	No	Not corrected See finding 2002-30818-001



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VILLAGE OF BENTLEYVILLE

CUYAHOGA 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
JUNE 5, 2003**