



**VILLAGE OF OTWAY  
SCIOTO COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2000 - 1999**



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



VILLAGE OF OTWAY  
SCIOTO COUNTY

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**REPORT OF INDEPENDENT ACCOUNTANTS**

Village of Otway  
Scioto County  
6769 State Route 73  
Otway, Ohio 45657

To the Village Council:

We have audited the accompanying financial statements of the Village of Otway, Scioto County, Ohio (the Village), as of and for the years ended December 31, 2000 and 1999. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards 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 discussed 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 of the Village of Otway, Scioto County, as of December 31, 2000 and 1999, 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 June 11, 2001, 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 audit.

This report is intended solely for the information and use of management, the 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.

**Jim Petro**  
Auditor of State

June 11, 2001

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**VILLAGE OF OTWAY  
SCIOTO COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Local Taxes	\$4,619	\$1,806	\$6,425
Intergovernmental	2,283	13,585	15,868
Charges for Services		13,646	13,646
Fines, Licenses, and Permits	240		240
Miscellaneous	330	2,056	2,386
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	7,472	31,093	38,565
<b>Cash Disbursements:</b>			
Security of Persons and Property	2,895	17,102	19,997
Public Health Services	366		366
Community Environment		3,763	3,763
Basic Utility Services	619	9,627	10,246
Transportation		2,813	2,813
General Government	7,382	3,819	11,201
Capital Outlay		30,000	30,000
Debt Service		3,449	3,449
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	11,262	70,573	81,835
Excess of Cash Receipts Over/ (Under) Cash Disbursements	<hr/>	<hr/>	<hr/>
	(3,790)	(39,480)	(43,270)
<b>Other Financing Receipts/(Disbursements):</b>			
Proceeds from Sale of Public Debt:			
Sale of Notes		30,000	30,000
	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts/(Disbursements)	0	30,000	30,000
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<hr/>	<hr/>	<hr/>
	(3,790)	(9,480)	(13,270)
Fund Cash Balances, January 1	<hr/>	<hr/>	<hr/>
	5,395	29,825	35,220
<b>Fund Cash Balances, December 31</b>	<hr/> <b>\$1,605</b>	<hr/> <b>\$20,345</b>	<hr/> <b>\$21,950</b>

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

**VILLAGE OF OTWAY  
SCIOTO COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 1999**

	<b>Governmental Fund Types</b>		<b>Totals (Memorandum Only)</b>
	<b>General</b>	<b>Special Revenue</b>	
<b>Cash Receipts:</b>			
Local Taxes	\$4,565	\$2,283	\$6,848
Intergovernmental	1,854	32,387	34,241
Charges for Services		18,095	18,095
Fines, Licenses, and Permits	200		200
Miscellaneous	628	2,027	2,655
	7,247	54,792	62,039
<b>Cash Disbursements:</b>			
Security of Persons and Property	2,338	21,707	24,045
Public Health Services	397		397
Community Environment		3,643	3,643
Basic Utility Services	833	8,668	9,501
Transportation		19,550	19,550
General Government	4,675	2,987	7,662
	8,243	56,555	64,798
Excess of Cash Receipts Over/ (Under) Cash Disbursements	(996)	(1,763)	(2,759)
<b>Other Financing Receipts/(Disbursements):</b>			
Transfers-In		27,615	27,615
Transfers-Out		(27,615)	(27,615)
	0	0	0
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(996)	(1,763)	(2,759)
Fund Cash Balances, January 1	6,391	31,588	37,979
<b>Fund Cash Balances, December 31</b>	<b>\$5,395</b>	<b>\$29,825</b>	<b>\$35,220</b>

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



**VILLAGE OF OTWAY  
SCIOTO COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2000 AND 1999**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Village of Otway, Scioto 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 and a publicly-elected Township Clerk and Mayor. The Village provides general governmental services, including road and bridge maintenance, and fire protection.

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.

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

**C. Cash and Investments**

All Village cash is held in demand deposits.

**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 and Maintenance Repair Fund* - This fund received tax money for street construction, maintenance and repair in the village.

*Volunteer Fire Department Fund* - This fund received tax money for fire protection in the Village.

VILLAGE OF OTWAY  
SCIOTO COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2000 AND 1999  
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. The Village did not encumber all commitments required by Ohio Law.

A summary of 2000 and 1999 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.

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>2000</u>	<u>1999</u>
Demand deposits	\$21,950	\$35,220

**Deposits:** Deposits are insured by the Federal Deposit Insurance Corporation.

**VILLAGE OF OTWAY  
SCIOTO COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2000 AND 1999  
(Continued)**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2000 and 1999, follows:

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 9,185	\$ 7,472	\$ (1,713)
Special Revenue	70,901	61,093	(9,808)
Total	\$ 80,086	\$ 68,565	\$ (11,521)

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 12,150	\$ 11,262	\$ 888
Special Revenue	41,820	70,573	(28,753)
Total	\$ 53,970	\$ 81,835	\$ (27,865)

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 7,846	\$ 7,247	\$ (599)
Special Revenue	46,855	82,407	35,552
Total	\$ 54,701	\$ 89,654	\$ 34,953

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 9,500	\$ 8,243	\$ 1,257
Special Revenue	54,000	84,170	(30,170)
Total	\$ 63,500	\$ 92,413	\$ (28,913)

Budgetary expenditures exceeded appropriations in the Community Building Fund and Fire Fund for the year ended December 31, 2000, and in the Street Construction, Maintenance and Repair Fund, Community Building Fund, and Fire Fund for the year ended December 31, 1999.

The State Highway Improvement Fund had appropriations in excess of estimated resources for the year ended December 31, 1999.

**VILLAGE OF OTWAY  
SCIOTO COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2000 AND 1999  
(Continued)**

**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 payment, 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 in the Village.

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

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

**5. DEBT**

Debt outstanding at December 31, 2000 was as follows:

	Principal	Interest Rate
Fire Station Bond Anticipation Note	\$27,364	5.63%
Total	\$27,364	

The Fire Station Bond Anticipation Note was issued to finance the purchase of a building for the fire department to be used for Village fire protection. The note is collateralized solely by the building.

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

Year ending December 31:	Bond Anticipation Note
2001	\$6,898
2002	6,898
2003	6,898
2004	6,898
2005	3,449
Total	\$31,041

**VILLAGE OF OTWAY  
SCIOTO COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2000 AND 1999  
(Continued)**

**6. RETIREMENT SYSTEM**

Village employees, including the Village Clerk and Village Council members, belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan 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 2000, PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries through June 30, 2000. Effective July 1, 2000, the employers' contribution rate decreased to 8.13% of the participants' gross salaries. The Village has paid all contributions required through December 31, 2000.

**7. RISK MANAGEMENT**

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles

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

Village of Otway  
Scioto County  
6769 State Route 73  
Otway, Ohio 45657

To the Village Council:

We have audited the accompanying financial statements of the Village of Otway, Scioto County, Ohio (the Village), as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated June 11, 2001. We conducted our audit in accordance with generally accepted auditing standards 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 audit 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 2000-30733-001, 2000-30733-002, and 2000-30733-003. We also noted certain immaterial instances of noncompliance we have reported to management of the Village in a separate letter dated June 11, 2001.

**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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we 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 June 11, 2001.

Village of Otway  
Scioto County  
Report of Independent Accountants on Compliance and on  
Internal Control Required by *Government Auditing Standards*  
Page 2

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

**Jim Petro**  
Auditor of State

June 11, 2001



VILLAGE OF OTWAY  
SCIOTO COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2000 AND 1999

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

**FINDING NUMBER 2000-30773-001**

Ohio Rev. Code Section 5705.41(D) states that: No order or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer 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 appropriation fund from any previous encumbrances.

The following exception to this requirement is provided by statute:

Then and Now Certificate: If the fiscal officer can certify that both at the time the contract order was made and at the time that he is contemplating his certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrances, the taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution of ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

Amounts of less than \$1,000 may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures of the taxing authority.

Funds were not certified and the exceptions above were not utilized.

We recommend the Village Clerk certify funds prior to the Village incurring obligations.

**FINDING NUMBER 2000-30773-002**

Ohio Rev. Code Section 5705.41(B) states that no subdivision is to expend money unless it has been appropriated.

Budgetary expenditures exceeded appropriations in the following funds by the respective amounts listed at December 31, 2000: Community Building Fund, \$2,340 (29%) and the Fire Fund, \$30,193 (109%). In 1999 budgetary expenditures exceeded appropriations in the following funds by the respective amounts: Street Construction, Maintenance and Repair Fund, \$6,678 (53%), Community Building Fund, \$3,510 (65%), and in the Fire Fund, \$10,139 (68%).

We recommend that the Village's expenditures not exceed the total appropriations as approved by the Village Council. We further recommend the Village Clerk prepare monthly budgetary reports and present them to the Village Council for their review and approval at the monthly meetings.

**VILLAGE OF OTWAY  
SCIOTO COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2000 AND 1999  
(Continued)**

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

**FINDING NUMBER 2000-30773-003**

Ohio Rev. Code Section 5705.39 states that total appropriations from each fund should not exceed the total estimated resources.

Appropriations exceeded estimated resources in the State Highway Improvement Fund by \$12,483 (2,993%) for the year ended December 31, 1999.

We recommend the Village Clerk and Village Council monitor the budgetary amounts through monthly reports showing budgetary amounts and actual amounts to prevent such violations from occurring. We further recommend that appropriations not exceed estimated revenue.



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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**VILLAGE OF OTWAY**

**SCIOTO 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  
JULY 10, 2001**