

**VILLAGE OF OTWAY
SCIOTO COUNTY
Regular Audit
For The Years Ended December 31, 2006 and 2005**



Mary Taylor, CPA

Auditor of State

Village Council
Village of Otway
6864 Main Street
Otway, Ohio 45657

We have reviewed the *Independent Accountants' Report* of the Village of Otway, Scioto County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2005 through December 31, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent 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 Otway 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

August 16, 2007

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**VILLAGE OF OTWAY
SCIOTO COUNTY**

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INDEPENDENT ACCOUNTANTS' REPORT

June 28, 2007

Village of Otway
Scioto County
6864 Main Street
Otway, OH 45657

To the Village Council:

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

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

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

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2006 and 2005. Instead of the combined funds the accompanying financial statements present for 2006 and 2005, the revisions require presenting entity wide statements and also to present it's larger (i.e. major) funds separately for 2006 and 2005. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since the Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2006 and 2005 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2006 and 2005 or their changes in financial position for the year then ended.

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

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the years ended December 31, 2006 and 2005. The Government 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 June 28, 2007 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Respectfully Submitted,

Perry and Associates
Certified Public Accountants, A.C.

**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, 2006**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$ 3,173	\$ 4,212	\$ 7,385
Intergovernmental	2,066	6,289	8,355
Charges for Services	-	31,800	31,800
Earnings on Investments	766	-	766
Miscellaneous	-	941	941
	<u>6,005</u>	<u>43,242</u>	<u>49,247</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
Security of Persons and Property	-	3,418	3,418
Community Environment	-	2,268	2,268
Basic Utility Services	2,331	9,309	11,640
Transportation	-	6,753	6,753
General Government	5,994	4,369	10,363
Debt Service:			
Redemption of Principal	-	7,488	7,488
Interest and Fiscal Charges	-	1,280	1,280
	<u>8,325</u>	<u>34,885</u>	<u>43,210</u>
Total Cash Disbursements			
Total Cash Receipts Over/(Under) Disbursements	(2,320)	8,357	6,037
Other Financing Receipts and (Disbursements):			
Other Uses	-	(2,335)	(2,335)
	<u>-</u>	<u>(2,335)</u>	<u>(2,335)</u>
Total Other Financing Receipts/(Disbursements)			
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>(2,320)</u>	<u>6,022</u>	<u>3,702</u>
Fund Cash Balances, January 1	<u>7,867</u>	<u>23,795</u>	<u>31,662</u>
Fund Cash Balances, December 31	<u>\$ 5,547</u>	<u>\$ 29,817</u>	<u>\$ 35,364</u>

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, 2005**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$ 4,086	\$ 2,510	\$ 6,596
Intergovernmental	3,243	6,907	10,150
Special Assessments	-	-	-
Charges for Services	-	33,791	33,791
Fines, Licenses, and Permits	-	-	-
Earnings on Investments	270	96	366
Miscellaneous	2,096	564	2,660
	<u>9,695</u>	<u>43,868</u>	<u>53,563</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
Security of Persons and Property	-	6,713	6,713
Community Environment	-	1,567	1,567
Basic Utility Services	2,499	11,030	13,529
Transportation	-	6,510	6,510
General Government	6,140	4,332	10,472
Debt Service:			
Redemption of Principal	-	11,169	11,169
Interest and Fiscal Charges	-	1,622	1,622
	<u>8,639</u>	<u>42,943</u>	<u>51,582</u>
Total Cash Disbursements			
Total Cash Receipts Over/(Under) Disbursements	<u>1,056</u>	<u>925</u>	<u>1,981</u>
Other Financing Receipts and (Disbursements):			
Other Uses	<u>-</u>	<u>(1,172)</u>	<u>(1,172)</u>
Total Other Financing Receipts/(Disbursements)	<u>-</u>	<u>(1,172)</u>	<u>(1,172)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>1,056</u>	<u>(247)</u>	<u>809</u>
Fund Cash Balances, January 1	<u>6,811</u>	<u>24,042</u>	<u>30,853</u>
Fund Cash Balances, December 31	<u><u>\$ 7,867</u></u>	<u><u>\$ 23,795</u></u>	<u><u>\$ 31,662</u></u>

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

**VILLAGE OF OTWAY
SCIOTO COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

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 Village Clerk and Mayor. The Village provides street and state highway 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. 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

The Village invests all available funds of the Village in an interest bearing checking account and a savings account.

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 that are restricted to expenditure for specific purposes. The Village has the following significant Special Revenue Funds:

**VILLAGE OF OTWAY
SCIOTO COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

Street Construction, Repair and Maintenance Fund – This Fund receives gasoline tax and motor vehicle license tax money for street construction, maintenance and repair in the Village.

Community Building Fund – This Fund receives money for rental of the gymnasium and storage units at the Community Building for maintaining and repairing Village property.

Volunteer Fire Department Fund – This fund receives property tax money for fire protection in the Village.

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus 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 in the subsequent year.

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

**VILLAGE OF OTWAY
SCIOTO COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. The carrying amount of cash at December 31 was as follows:

	2006	2005
Demand Deposits	\$ 35,364	\$ 31,662

Deposits are insured by the Federal Deposit Insurance Corporation.

3. BUDGETARY ACTIVITY

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

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 10,480	\$ 6,005	\$ (4,475)
Special Revenue	53,452	43,242	(10,210)
Total	\$ 63,932	\$ 49,247	\$ (14,685)

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 14,709	\$ 8,325	\$ 6,384
Special Revenue	80,885	37,220	43,665
Total	\$ 95,594	\$ 45,545	\$ 50,049

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 10,335	\$ 9,695	\$ (640)
Special Revenue	36,308	43,868	7,560
Total	\$ 46,643	\$ 53,563	\$ 6,920

**VILLAGE OF OTWAY
SCIOTO COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 17,422	\$ 8,639	\$ 8,783
Special Revenue	60,599	44,115	16,484
Total	\$ 78,021	\$ 52,754	\$ 25,267

Contrary to Ohio Rev. Code Section 5705.41 (D), the certification of availability of unencumbered appropriations for expenditure was not obtained for 100% of expenditures tested during 2006 and 86% of expenditures testing during 2005.

Contrary to Ohio Rev. Code Section 5705.10, the clerk posted real estate tax to improper funds.

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 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.

**VILLAGE OF OTWAY
SCIOTO COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

5. DEBT

Debt Outstanding at December 31, 2006 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Note/Fire Truck	\$24,327	3.86%

The Fire truck Note was issued to finance the purchase of a Fire Truck for the fire department to be used for Village fire protection. The full faith and credit of the Village have been pledged to repay this debt.

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

Year ending December 31:	<u>Promissory Note</u>
2007	\$ 8743
2008	8743
2009	<u>8743</u>
Total	\$ <u>26,229</u>

The Village paid off the Fire Station Bond Anticipation Note during 2005.

6. RETIREMENT SYSTEMS

The Village's elected officials and employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multi-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 2006 and 2005, members of PERS contributed 9.00% and 8.5% of their gross salaries, respectively. The Village contributed an amount equal to 13.70 and 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 2006.

7. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles

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

June 28, 2007

Village of Otway
Scioto County
6864 Main Street
Otway, OH 45657

To the Village Council:

We have audited the financial statements of the **Village of Otway, Scioto County, Ohio (the Village)** as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated June 28, 2007, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

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

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

Internal Control Over Financial Reporting (Continued)

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2006-001 and 2006-002.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe significant deficiencies 2006-001 and 2006-002 described above are material weaknesses.

We also noted certain internal control matters that we reported to the Village's management in a separate letter dated June 28, 2007.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standard*, which is disclosed in the accompanying Schedule of Findings as item 2006-003 and 2006-004.

In a separate letter to the Village's management dated June 28, 2007, we reported other matters related to noncompliance we deemed immaterial.

This report is intended solely 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.

Respectfully Submitted,

Perry and Associates
Certified Public Accountants, A.C.

**VILLAGE OF OTWAY
SCIOTO COUNTY**

**SCHEDULE OF AUDIT FINDINGS
DECEMBER 31, 2006 AND 2005**

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

FINDING NUMBER 2006-001

Significant Deficiency/Material Weaknesses

Posting Estimated Revenues

The Village did not have a control procedure in place to ensure that estimated receipts, as authorized by the Village Council and approved by the County Budget Commission, were reconciled to the estimated receipts posted to the accounting system.

This resulted in incorrect amounts posted to the accounting system. Adjustments were made to the budgetary activity reported in Note 3 to the financial statements in order to accurately present estimated receipts as Certified by the County Budget Commission.

As a result, information available to Village officials to monitor year-to-date total comparison of budgeted amounts versus actual amounts was not accurate.

Management's Response – We did not receive a response from officials to this finding.

FINDING NUMBER 2006-002

Significant Deficiency/Material Weaknesses

Posting Receipts and Expenditures

During 2006 and 2005, several instances were noted where receipts and expenditures were not posted into accurate classifications. For instance, expenditures for note payments were recorded as capital outlay instead of redemption of principal and interest.

We recommend the Clerk refer to the Ohio Village Handbook for guidance to determine the proper establishment of receipt and expenditure accounts and posting of receipts and expenditures.

Management's Response – We did not receive a response from officials to this finding.

FINDING NUMBER 2006-003

Non-Compliance Citation

Ohio Rev. Code Section 5705.10 states that all revenue derived from a special levy shall be credited to a special fund for the purpose for which the levy was established.

**VILLAGE OF OTWAY
SCIOTO COUNTY**

**SCHEDULE OF AUDIT FINDINGS
DECEMBER 31, 2006 AND 2005
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2006-003 (Continued)

Non-Compliance

Ohio Rev. Code Section 5705.10 (Continued)

In 2005, the Clerk recorded revenue from certain tax settlements to the Street Construction fund in the amount of \$3,374 that should have been recorded in the General fund. Also in 2005, the clerk recorded tax settlements in the amount of \$264 to the Community Building fund that should have been recorded to the General fund.

As of the date of this report, Village management was in agreement with the aforementioned adjustment and the adjustment has been posted to the Village's records and is reflected in the accompanying financial statements.

Management's Response – We will make all necessary adjustments.

FINDING NUMBER 2006-004

Noncompliance Citation

Ohio Revised Code § 5705.41(D) requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. The certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

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

1. "Then and Now" certificate - If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority

**VILLAGE OF OTWAY
SCIOTO COUNTY**

**SCHEDULE OF AUDIT FINDINGS
DECEMBER 31, 2006 AND 2005
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2006-004 (Continued)

Ohio Revised Code § 5705.41(D) (Continued)

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

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

The Village did not properly certify the availability of funds prior to purchase commitment for 100% and 86% of the expenditures tested during 2006 and 2005, respectively. In addition there was no evidence that the Village followed the aforementioned exceptions. Without these certifications, the management of the Village lost budgetary control over expenditures.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village’s funds exceeding budgetary spending limitations, we recommend that the Clerk certify that the funds are or will be available prior to an obligation being incurred by the Village. When prior certification is not possible, “then and now” certification should be used.

Management’s Response – We did not receive a response from officials to this finding.

**VILLAGE OF OTWAY
SCIOTO COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2006 AND 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2004-001	ORC § 715.18 – Contract Compliance	Yes	Corrected
2004-002	ORC § 5705.36 – Failure to obtain Amended Certificates.	Yes	Corrected
2004-003	ORC § 5705.41 (B) – Expenditures exceeded Appropriations.	Yes	Corrected



Mary Taylor, CPA
Auditor of State

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
AUGUST 28, 2007