



**VILLAGE OF OTTOVILLE
PUTNAM COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2009



Mary Taylor, CPA
Auditor of State

VILLAGE OF OTTOVILLE
PUTNAM COUNTY

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Mary Taylor, CPA
Auditor of State

Village of Ottoville
Putnam County
P.O. Box 488
Ottoville, Ohio 45876-0488

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS 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. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

Mary Taylor

Mary Taylor, CPA
Auditor of State

March 9, 2010

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Ottoville
Putnam County
P.O. Box 488
Ottoville, Ohio 45876-0488

To the Village Council:

We have audited the accompanying financial statements of the Village of Ottoville, Putnam County, (the Village) as of and for the years ended December 31, 2009 and 2008. 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. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. 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.

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

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2009 and 2008 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, 2009 and 2008, or its changes in financial position or cash flows where applicable, for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Ottoville, Putnam County, as of December 31, 2009 and 2008, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 9, 2010, 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.



Mary Taylor, CPA
Auditor of State

March 9, 2010

**VILLAGE OF OTTOVILLE
PUTNAM COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash Receipts:				
Property and Local Taxes	\$65,929	\$35,654		\$101,583
Municipal Income Tax	290,908			290,908
Intergovernmental	58,955	353,603		412,558
Special Assessments	1,551			1,551
Charges for Services	54,480			54,480
Fines, Licenses and Permits	153	2,406		2,559
Earnings on Investments	13,413	474		13,887
Miscellaneous	10,530	900		11,430
	495,919	393,037		888,956
Cash Disbursements:				
Current:				
Security of Persons and Property	189,115	343,615		532,730
Transportation	54,569	147,291		201,860
General Government	104,917			104,917
Capital Outlay	137,698	4,490		142,188
	486,299	495,396		981,695
Total Cash Receipts Over/(Under) Cash Disbursements	9,620	(102,359)		(92,739)
Other Financing Receipts / (Disbursements):				
Transfers-In		100,000		100,000
Transfers-Out	(110,000)			(110,000)
	(110,000)	100,000		(10,000)
Excess of Cash Disbursements and Other Financing Disbursements Over Cash Receipts and Other Financing Receipts	(100,380)	(2,359)		(102,739)
Fund Cash Balances, January 1	575,276	96,336	\$2,830	674,442
Fund Cash Balances, December 31	\$474,896	\$93,977	\$2,830	\$571,703
Reserve for Encumbrances, December 31	\$365	\$458		\$823

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

**VILLAGE OF OTTOVILLE
PUTNAM COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$321,807
Miscellaneous	211
	322,018
Operating Cash Disbursements:	
Personal Services	53,444
Employee Fringe Benefits	16,136
Contractual Services	120,229
Supplies and Materials	39,293
Other	825
	229,927
Operating Income	92,091
Non-Operating Cash Receipts:	
Earnings on Investments	3,089
Non-Operating Cash Disbursements:	
Capital Outlay	10,206
Redemption of Principal	85,974
Interest and Other Fiscal Charges	10,687
	106,867
Excess of Disbursements Over Receipts Before Interfund Transfers	(11,687)
Transfers-In	10,000
Net Disbursements Over Receipts	(1,687)
Fund Cash Balances, January 1	404,494
Fund Cash Balances, December 31	\$402,807
Reserve for Encumbrances, December 31	\$441

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

**VILLAGE OF OTTOVILLE
PUTNAM COUNTY**

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

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash Receipts:				
Property and Local Taxes	\$64,626	\$34,496		\$99,122
Municipal Income Tax	344,818			344,818
Intergovernmental	172,872	84,018		256,890
Charges for Services	110,288			110,288
Fines, Licenses and Permits	91			91
Earnings on Investments	21,183	1,087		22,270
Miscellaneous	5,792	791		6,583
	719,670	120,392		840,062
Total Cash Receipts				
Cash Disbursements:				
Current:				
Security of Persons and Property	308,657	17,941		326,598
Transportation	16,405	179,253		195,658
General Government	137,715			137,715
Capital Outlay	7,863	28,923	\$47,273	84,059
	470,640	226,117	47,273	744,030
Total Cash Disbursements				
Total Cash Receipts Over/(Under) Cash Disbursements	249,030	(105,725)	(47,273)	96,032
Other Financing Receipts / (Disbursements):				
Transfers-In		54,294	35,000	89,294
Transfers-Out	(99,294)			(99,294)
	(99,294)	54,294	35,000	(10,000)
Total Other Financing Receipts / (Disbursements)				
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	149,736	(51,431)	(12,273)	86,032
Fund Cash Balances, January 1	425,540	147,767	15,103	588,410
Fund Cash Balances, December 31	\$575,276	\$96,336	\$2,830	\$674,442
Reserve for Encumbrances, December 31	\$1,056	\$436		\$1,492

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

**VILLAGE OF OTTOVILLE
PUTNAM COUNTY**

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

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$308,523
Miscellaneous	5,119
	313,642
Operating Cash Disbursements:	
Personal Services	51,259
Employee Fringe Benefits	16,052
Contractual Services	90,340
Supplies and Materials	37,174
Claims	600
	195,425
Operating Income	118,217
Non-Operating Cash Receipts:	
Earnings on Investments	4,499
Non-Operating Cash Disbursements:	
Capital Outlay	8,564
Redemption of Principal	85,859
Interest and Other Fiscal Charges	11,944
	106,367
Excess of Receipts Over Disbursements Before Interfund Transfers	16,349
Transfers-In	10,000
Net Receipts Over Disbursements	26,349
Fund Cash Balances, January 1	378,145
Fund Cash Balances, December 31	\$404,494
Reserve for Encumbrances, December 31	\$353

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

**VILLAGE OF OTTOVILLE
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Ottoville, Putnam County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, and police services. The Village appropriates general fund money to support a volunteer fire department.

The Village participates in the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. Note 8 to the financial statements provides additional information for the entity.

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements 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 the Auditor of State prescribes or permits.

C. Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Village values certificates of deposit at cost.

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

**VILLAGE OF OTTOVILLE
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

2. Special Revenue Funds

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

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

Police Levy Fund – This fund receives tax revenue for maintaining police protection services.

Federal Grants Fund - This fund receives federal grant money for fire department radios.

3. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant Capital Project Fund:

Village Improvement Fund - This fund is used for major projects in the Village such as the purchase of a new Village hall. The projects are financed with a transfer from the General Fund.

4. Enterprise Funds

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

Water Fund - This fund receives charges for services from residents to cover water service costs.

Sewer Fund - This fund receives charges for services from residents to cover sewer service costs.

E. Budgetary Process

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

**VILLAGE OF OTTOVILLE
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

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. Unencumbered appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2009 and 2008 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

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

G. Accumulated Leave

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

2. Equity in Pooled Deposits

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

	<u>2009</u>	<u>2008</u>
Demand deposits	\$ 523,015	\$ 631,267
Certificates of deposit	451,495	447,669
Total deposits	<u>\$ 974,510</u>	<u>\$ 1,078,936</u>

Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the Village.

**VILLAGE OF OTTOVILLE
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2009 and 2008 follows:

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$624,704	\$495,919	(\$128,785)
Special Revenue	493,505	493,037	(468)
Capital Projects	60,000		(60,000)
Enterprise	327,681	335,107	7,426
Total	\$1,505,890	\$1,324,063	(\$181,827)

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$821,056	\$596,664	\$224,392
Special Revenue	578,396	495,854	82,542
Capital Projects	60,000		60,000
Enterprise	612,730	337,235	275,495
Total	\$2,072,182	\$1,429,753	\$642,429

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$557,838	\$719,670	\$161,832
Special Revenue	462,146	174,686	(287,460)
Capital Projects	60,000	35,000	(25,000)
Enterprise	324,659	328,141	3,482
Total	\$1,404,643	\$1,257,497	(\$147,146)

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$942,984	\$570,990	\$371,994
Special Revenue	611,664	226,553	385,111
Capital Projects	110,000	47,273	62,727
Enterprise	614,429	302,145	312,284
Total	\$2,279,077	\$1,146,961	\$1,132,116

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Police Fund by \$22,455 for the year ended December 31, 2008. Also contrary to Ohio law, at December 31, 2008, the Street Construction Maintenance and Repair Fund and the Capital Projects Fund had appropriations exceeding estimated resources by \$34,143 and \$34,897, respectively.

**VILLAGE OF OTTOVILLE
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

4. Property Tax

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, 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. Income tax receipts are credited to the General Fund

6. Debt

Debt outstanding at December 31, 2009 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Commission Loan #1	\$ 17,764	0%
Ohio Public Works Commission Loan #2	175,611	1.00%
Ohio Water Development Authority #1	444,326	0%
Ohio Water Development Authority #2	303,687	0%
Note Payable	172,366	4.50%
Total	<u>\$ 1,113,754</u>	

Ohio Public Works Commission (OPWC) loan #1 was entered into in 1994, for the purpose of providing revenues for a waterline and valve replacement project. The 20 year interest free loan had an original principal of \$71,057. The Village makes semiannual installments of \$1,776, with final maturity in 2015.

**VILLAGE OF OTTOVILLE
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

6. Debt (Continued)

Ohio Public Works Commission (OPWC) loan #2 was entered into in 2002, for the purpose of providing revenues for a wastewater treatment plant sludge handling improvement. The 20 year loan is for \$243,683. The Village began making semiannual installments of \$6,737 in 2004, with final maturity in 2024.

Ohio Water Development Authority (OWDA) loan #1 was entered into in 2005, for the purpose of providing revenues for phase II of a wastewater treatment plant sludge handling improvement. The 20 year loan is for \$522,737. The Village began making annual installments of \$26,137 in 2007, with final maturity in 2027.

Ohio Water Development Authority (OWDA) loan #2 was entered into in 2006, for the purpose of providing revenues for phase III of a wastewater treatment plant sludge handling improvement. The 20 year loan is for \$353,762. Also, OWDA made loan adjustments to the loan that do not appear on the financial statement totaling \$10,015 which affected the beginning balance due at December 31, 2007. The Village does not yet have an amortization schedule for this loan.

The Note at Ottoville Bank was entered into in 2006 to retire the Sewerage System First Mortgage Revenue Bond which was entered into for the purpose of paying the cost of constructing a municipal sewage collection and treatment system in 1977. The note has a 4.50 percent interest rate and is scheduled to be paid in full in 2017.

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

Year ending December 31:	OWDA Loan #1	OPWC Loans		General Obligation Notes Principal	General Obligation Notes Interest
		Principal	Interest		
2010	\$26,137	\$15,300	\$1,727	\$24,624	\$7,757
2011	26,137	15,417	1,609	24,624	6,648
2012	26,137	15,536	1,490	24,624	5,556
2013	26,137	15,656	1,370	24,624	4,432
2014	26,137	15,778	1,249	24,624	3,324
2015-2019	130,684	62,987	4,380	49,247	3,327
2020-2024	130,684	52,701	1,193		
2025-2027	52,273				
Total	\$444,326	\$193,375	\$13,018	\$172,367	\$31,044

7. Retirement Systems

The Village's certified Fire Fighters and full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2009 and 2008, OP&F participants contributed 10% of their wages. For 2009 and 2008, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2009 and 2008, OPERS members

**VILLAGE OF OTTOVILLE
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

7. Retirement Systems (Continued)

contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2009.

8. Risk Management

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

The Village insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2008, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

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

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

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2008 and 2007 (the latest information available):

	<u>2008</u>	<u>2007</u>
Assets	\$35,769,535	\$37,560,071
Liabilities	<u>(15,310,206)</u>	<u>(17,340,825)</u>
Net Assets	<u>\$20,459,329</u>	<u>\$20,219,246</u>

**VILLAGE OF OTTOVILLE
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

8. Risk Management (Continued)

At December 31, 2008 and 2007, respectively, the liabilities above include approximately \$13.8 million and \$15.9 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$12.9 million and \$15.0 million of unpaid claims to be billed to approximately 445 member governments in the future, as of December 31, 2008, and 2007, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Village's share of these unpaid claims collectible in future years is approximately \$8,000.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership. Need to add the 2009 amount.

<u>Contributions to PEP</u>	
2007	\$12,694
2008	\$11,994
2009	\$8,674

After completing one year of membership, members may withdraw on each anniversary of the date they joined PEP provided they provide written notice to PEP 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.



Mary Taylor, CPA
Auditor of State

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

Village of Ottoville
Putnam County
P.O. Box 488
Ottoville, Ohio 45876-0488

To the Village Council:

We have audited the financial statements of the Village of Ottoville, Putnam County, (the Village) as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated March 9, 2010 wherein we noted the Village prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We also noted the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. 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 the purpose of expressing our opinion on the financial statements, but not for the purpose of opining 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

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A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2009-001 described in the accompanying schedule of findings to be a material weakness.

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 we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2009-002 and 2009-003.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated March 9, 2010.

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



Mary Taylor, CPA
Auditor of State

March 9, 2010

**VILLAGE OF OTTOVILLE
PUTNAM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2009-001

Material Weakness

Financial Reporting

Inaccurate posting of transactions impedes the ability of the Council to accurately assess the financial status of the Village. For example, we noted that an Enterprise Fund was misclassified as a Debt Service Fund in 2009 and 2008.

This fund had revenues of \$23, expenditures of \$3,553, and fund balance of \$1,346 in 2009 and revenues of \$41, expenditures of \$3,553, and fund balance of \$4,876 in 2008.

As a result, the Village's financial statements did not correctly reflect the financial activity of the Village. Five adjusting entries were posted to the financial statements to correct these and other errors. We recommend the Fiscal Officer post all transactions in accordance with the guidance established by the Village Officer's Handbook. Further, the Village should adopt policies and procedures including a fiscal review of the financial statements by the Fiscal Officer and the Council to ensure that errors and omissions are detected and corrected.

FINDING NUMBER 2009-002

Noncompliance Citation

Ohio Revised Code §5705.41(B) states no subdivision or taxing unit is to expend money unless it has been appropriated.

Expenditures exceeded appropriations by \$22,455 in the Police Fund in 2008. Expenditures were \$45,955. Appropriations were \$23,500.

We recommend the Council monitor appropriations and expenditures to ensure expenditures are not made in excess of appropriations.

FINDING NUMBER 2009-003

Noncompliance Citation

Ohio Revised Code §5705.39 provides in part that total appropriations from each fund shall not exceed the total estimated resources.

At December 31, 2008 the following funds had appropriations exceeding estimated resources:

Fund	Appropriations	Estimated Resources	Variance
Street Construction Fund	\$226,627	\$192,484	\$34,143
Capital Projects Fund	\$110,000	\$75,103	\$34,897

We recommend Council monitor appropriations and estimated resources to ensure compliance is met.

Officials' Response:

We received no response from Officials to the findings reported above.

VILLAGE OF OTTOVILLE
PUTNAM COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2009

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2007-001	Financial Reporting- inaccurate posting of transactions	No	Not corrected and repeated as Finding Number 2009-001 in this report.



Mary Taylor, CPA
Auditor of State

VILLAGE OF OTTOVILLE

PUTNAM 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
MARCH 25, 2010