



Dave Yost • Auditor of State

VILLAGE OF OTTOVILLE
PUTNAM COUNTY

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Dave Yost • 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.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

August 31, 2011

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Dave Yost • 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, Ohio (the Village), as of and for the year ended December 31, 2010. 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(A) mandates 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.

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 year ended December 31, 2010 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, 2010, or its changes in financial position or cash flows, where applicable 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 and reserves for encumbrances of the Village of Ottoville, Putnam County, as of December 31, 2010, and its combined cash receipts, disbursements for the year 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 August 31, 2011, 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.

We conducted our audit to opine on the Village's financial statements taken as a whole. The federal awards expenditures schedule provides additional information required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. The federal awards expenditure schedule is management's responsibility, and was derived from and relates to the underlying accounting and other records used to prepare the financial statements. This schedule was subjected to the auditing procedures we applied in the financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the financial statements taken as a whole.



Dave Yost
Auditor of State

August 31, 2011

**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, 2010**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property and Local Taxes	\$70,946	\$37,520		\$108,466
Municipal Income Tax	322,809			322,809
Intergovernmental	101,869	736,982	\$181,975	1,020,826
Special Assessments	8,551			8,551
Charges for Services	44,781			44,781
Fines, Licenses and Permits	149	29,148		29,297
Earnings on Investments	7,488	404		7,892
Miscellaneous	6,026	1,620		7,646
Total Cash Receipts	<u>562,619</u>	<u>805,674</u>	<u>181,975</u>	<u>1,550,268</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	156,472	704,039		860,511
Transportation	62,856	193,858		256,714
General Government	103,979			103,979
Capital Outlay	21,500	69,049	380,736	471,285
Debt Service:				
Redemption of Principal		18,427		18,427
Interest and Other Fiscal Charges		1,499		1,499
Total Cash Disbursements	<u>344,807</u>	<u>986,872</u>	<u>380,736</u>	<u>1,712,415</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>217,812</u>	<u>(181,198)</u>	<u>(198,761)</u>	<u>(162,147)</u>
Other Financing Receipts / (Disbursements):				
Loan Proceeds		68,525		68,525
Transfers-In		109,497	196,284	305,781
Transfers-Out	(333,781)			(333,781)
Other Financing Uses	(230)			(230)
Total Other Financing Receipts / (Disbursements)	<u>(334,011)</u>	<u>178,022</u>	<u>196,284</u>	<u>40,295</u>
Excess of Cash Disbursements and Other Financing Disbursements Over Cash Receipts and Other Financing Receipts	<u>(116,199)</u>	<u>(3,176)</u>	<u>(2,477)</u>	<u>(121,852)</u>
Fund Cash Balances, January 1	<u>474,896</u>	<u>93,977</u>	<u>\$2,830</u>	<u>571,703</u>
Fund Cash Balances, December 31	<u><u>\$358,697</u></u>	<u><u>\$90,801</u></u>	<u><u>\$353</u></u>	<u><u>\$449,851</u></u>
Reserve for Encumbrances, December 31	<u><u>\$385</u></u>	<u><u>\$455</u></u>		<u><u>\$840</u></u>

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, 2010**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$333,231
Miscellaneous	139
	<u>333,370</u>
Total Operating Cash Receipts	<u>333,370</u>
Operating Cash Disbursements:	
Personal Services	54,163
Employee Fringe Benefits	18,157
Contractual Services	109,902
Supplies and Materials	29,888
Other	900
	<u>213,010</u>
Total Operating Cash Disbursements	<u>213,010</u>
Operating Income	<u>120,360</u>
Non-Operating Cash Receipts:	
Earnings on Investments	1,588
	<u>1,588</u>
Non-Operating Cash Disbursements:	
Capital Outlay	175,837
Redemption of Principal	86,091
Interest and Other Fiscal Charges	9,474
	<u>271,402</u>
Total Non-Operating Cash Disbursements	<u>271,402</u>
Excess of Disbursements Over Receipts Before Interfund Transfers	(149,454)
Transfers-In	<u>28,000</u>
Net Disbursements Over Receipts	(121,454)
Fund Cash Balances, January 1	<u>402,807</u>
Fund Cash Balances, December 31	<u><u>\$281,353</u></u>
Reserve for Encumbrances, December 31	<u><u>\$444</u></u>

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, 2010**

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, Ohio (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.

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:

**VILLAGE OF OTTOVILLE
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

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

Fire Grant Fund - This fund receives grant monies for the purchase of fire department communication equipment.

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 engineering and repair of the Church Street reconstruction. The project is financed with transfers 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.

1. Appropriations

Budgetary expenditures (that is, disbursements) 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.

**VILLAGE OF OTTOVILLE
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

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 2010 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:

	2010
Demand deposits	\$377,028
Certificates of deposit	354,176
Total deposits	\$731,204

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

3. Budgetary Activity

Budgetary activity for the year ending December 31, 2010 follows:

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$593,936	\$562,619	(\$31,317)
Special Revenue	1,122,989	983,696	(139,293)
Capital Projects	447,019	378,259	(68,760)
Enterprise	400,826	362,958	(37,868)
Total	\$2,564,770	\$2,287,532	(\$277,238)

**VILLAGE OF OTTOVILLE
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010
(Continued)**

3. Budgetary Activity (Continued)

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$762,497	\$679,203	\$83,294
Special Revenue	1,132,230	987,327	144,903
Capital Projects	449,849	380,736	69,113
Enterprise	682,618	484,856	197,762
Total	\$3,027,194	\$2,532,122	\$495,072

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 1 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.

**VILLAGE OF OTTOVILLE
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010
(Continued)**

6. Debt

Debt outstanding at December 31, 2010 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Commission Loan #CM718	\$14,211	0%
Ohio Public Works Commission Loan #CT51F	163,864	1.00%
Ohio Water Development Authority #4324	418,189	0%
Ohio Water Development Authority #4592	283,657	0%
Sewer Plant Note Payable	147,742	4.50%
Dump Truck Note Payable	50,098	3.00%
Total	<u>\$1,077,761</u>	

Ohio Public Works Commission (OPWC) loan #CM718 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.

Ohio Public Works Commission (OPWC) loan #CT51F 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 #4324 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 #4592 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.

The Note at Ottoville Bank was entered into in 2010 for the purpose of paying the cost of a used dump truck and accessories for truck. The note has a 3.00 percent interest rate and is scheduled to be paid in full in 2013.

**VILLAGE OF OTTOVILLE
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010
(Continued)**

6. Debt (Continued)

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

Year ending December 31:	OWDA Loan	OPWC Loans	OPWC Loan	General	General
	#4324	Principal	Interest	Obligation Notes	Obligation Notes
				Principal	Interest
2011	\$13,068	\$7,693	\$819	\$47,343	\$7,840
2012	26,137	15,476	1,550	48,033	6,059
2013	26,137	15,596	1,430	28,594	4,447
2014	26,137	15,717	1,309	24,624	3,324
2015	26,137	14,062	1,187	24,624	2,216
2016-2020	130,684	63,302	4,065	24,622	1,111
2021-2025	130,684	46,229	929		
2026-2027	39,205				
Total	\$418,189	\$178,075	\$11,289	\$197,840	\$24,997

7. Retirement Systems

The Village's 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 2010, OP&F participants contributed 19.5% of their wages. For 2010, the Village contributed to OP&F an amount equal to 10% of full-time police members' wages. For 2010, OPERS members 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, 2010.

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 Villages. 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 Villages 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, 2009, PEP retained \$350,000 for casualty claims and \$150,000 for property claims.

**VILLAGE OF OTTOVILLE
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010
(Continued)**

8. Risk Management (Continued)

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 Village.

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, 2009 and 2008 (the latest information available):

	<u>2009</u>	<u>2008</u>
Assets	\$36,374,898	\$35,769,535
Liabilities	<u>(15,256,862)</u>	<u>(15,310,206)</u>
Net Assets	<u>\$21,118,036</u>	<u>\$20,459,329</u>

At December 31, 2009 and 2008, respectively, the liabilities above include approximately \$14.1 million and \$13.7 million of estimated incurred claims payable. The assets above also include approximately \$13.7 million and \$12.9 million of unpaid claims to be billed to approximately 447 member Villages in the future, as of December 31, 2009 and 2008, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2009, the Village's share of these unpaid claims collectible in future years is approximately \$6,000.

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.

<u>Contributions to PEP</u>	
<u>2010</u>	<u>2009</u>
\$6,618	\$8,674

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to 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.

**VILLAGE OF OTTOVILLE
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010
(Continued)**

9. Related Party Transactions

W.D. Miller, FEMA Grant Project Officer, is employed by Radio Hospital. Mr. Miller is not an employee or official of the Village but does act on behalf of the Village as grant administrator. The Village purchased fire department communication equipment from Radio Hospital with Federal Emergency Management Agency grant proceeds in the total amount of \$285,836.

Contrary to Ohio law, no public official shall knowingly have an interest in the profits or benefits of a public contract. Also contrary to Ohio law, this and other contracts associated with the project were not competitively bid.

10. Subsequent Events

On February 28, 2011, the Village awarded a filter addition contract to Artesian of Pioneer for \$90,385 and a note from the bank was obtained in the same amount.

On March 28, 2011 the Village refinanced a \$149,555 Sewer Plant Note Payable at a lower interest rate of 4%.

On May 23, 2011, the Village awarded Hohenbrink Excavating, LLC the Fifth Street reconstruction project for a base bid of \$127,794, and an alternate for \$11,293.

Also, on June 27, 2011, the Village approved the purchase of E-ONE Water Master Tanker Fire Truck and hose from Fire Service, Inc. at a cost of \$236,844 with \$225,000 coming from an Assistance to Firefighters Grant.

VILLAGE OF OTTOVILLE
PUTNAM COUNTY

FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2010

FEDERAL GRANTOR Program Title	Project Number	Federal CFDA Number	Disbursements
U.S. DEPARTMENT OF HOMELAND SECURITY Direct Assistance Assistance to Firefighters Grant	EMW-2008-FR-00328	97.044	<u>\$616,683</u>

The accompanying notes are an integral part of this schedule.

**VILLAGE OF OTTOVILLE
PUTNAM COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2010**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Expenditures Schedule (the Schedule) summarizes activity of the Village's federal award program. The schedule has been prepared on the cash basis of accounting.

NOTE B – MATCHING REQUIREMENTS

Certain Federal programs require that the Village contribute non-Federal funds (matching funds) to support the Federally-funded programs. The Village has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.



Dave Yost • 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, Ohio (the Village), as of and for the year ended December 31, 2010, and have issued our report thereon dated August 31, 2011, 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 also noted 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(A) 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.

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 2010-001 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 we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2010-002 and 2010-003.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated August 31, 2011.

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

August 31, 2011



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

To the Village Council:

Compliance

We have audited the compliance of the Village of Ottoville, Putnam County, Ohio (the Village), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Village's major federal program for the year ended December 31, 2010. The summary of auditor's results section of the accompanying schedule of findings identifies the Village's major federal program. The Village's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the Village's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the Village's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Village's compliance with those requirements.

As described in finding 2010-004 in the accompanying schedule of findings, the Village did not comply with requirements regarding procurement applicable to its Assistance to Firefighters Grant major federal program. Compliance with this requirement is necessary, in our opinion, for the Village to comply with requirements applicable to this program.

In our opinion, except for the noncompliance described in the preceding paragraph, the Village complied, in all material respects, with the requirements referred to above that could directly and materially affect its major federal program for the year ended December 31, 2010.

Internal Control Over Compliance

The Village's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Village's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of opining on compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Village's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, we cannot assure we have identified all deficiencies, significant deficiencies, or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings as item 2010-004 to be a material weakness.

We also noted a matter involving federal compliance not requiring inclusion in this report, that we reported to the Village's management in a separate letter dated August 31, 2011.

We intend this report solely for the information and use of the audit committee, management, Village Council, others within the Village, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Dave Yost
Auditor of State

August 31, 2011

**VILLAGE OF OTTOVILLE
PUTNAM COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2010**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	GAAP – Adverse Regulatory – Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	Yes
(d)(1)(iv)	Were there any other significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Qualified
(d)(1)(vi)	Are there any reportable findings under § .510?	Yes
(d)(1)(vii)	Major Programs (list):	Assistance to Firefighters Grant - CFDA #97.044
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

FINDING NUMBER 2010-001

Material Weakness – Monitoring of Financial Statements

Accurate financial reporting is the responsibility of the Clerk-Treasurer and is essential to ensure the information provided to the readers of the financial statements accurately reflects the Village's activity.

The financial statements contained the following errors:

- An Enterprise Fund was misclassified as a Debt Service Fund. This fund had revenues of \$8, expenditures of \$1,351, and fund balance of \$3 at year end.

**FINDING NUMBER 2010-001
(Continued)**

- Intergovernmental Revenue from the United State Coast Guard of \$39,567 was incorrectly recorded as Extra Ordinary Revenue in the General Fund.
- \$68,525 of new Loan Proceeds for the purchase of a truck were incorrectly reported as Other Financing Sources in the Street Construction and Maintenance Fund.

The accompanying financial statements have been adjusted to reflect these corrections.

To ensure the Village's financial statements, schedules and notes to the statements are complete and accurate, the Council should adopt policies and procedures, including a final review of the financial statements, schedules, and notes to the financial statements to identify and correct errors and omissions.

FINDING NUMBER 2010-002

Noncompliance Citation

Ohio Revised Code, § 731.14, All contracts made by the legislative authority of a village shall be executed in the name of the village and signed on its behalf by the mayor and clerk. Except where the contract is for equipment, services, materials, or supplies to be purchased under division (D) of section 713.23 or section 125.04 or 5513.01 of the Revised Code, available from a qualified nonprofit agency pursuant to sections 4115.31 to 4115.35 of the Revised Code, or required to be purchased from a qualified nonprofit agency under sections 125.60 to 125.6012 of the Revised Code, when any expenditure, other than the compensation of persons employed in the village, exceeds twenty-five thousand dollars, such contracts shall be in writing and made with the lowest and best bidder after advertising once a week for not less than two consecutive weeks in a newspaper of general circulation within the village.

The Village did not advertise for bids for fire equipment contracts totaling \$685,203.

As stated above, the Village is required to engage in competitive bidding where the expenditure exceeds \$25,000. We recommend the Village follow the Ohio Revised Code.

FINDING NUMBER 2010-003

Noncompliance Citation

Provisions of the Ohio Revised Code address circumstances in which a public official or employee is prohibited from using the authority or influence of his office or employment to secure anything of value that substantially and improperly influences the official or employee in the exercise of his duties, and from having an interest in a public contract.

Ohio Revised Code, § 102.03 (D), provides that no public official or employee shall use or authorize the use of the authority or influence of his office or employment to secure anything of value or the promise or offer of anything of value that is of such a character as to manifest a substantial and improper influence upon the public official or employee with respect to that person's duties.

Ohio Revised Code, § 2921.42 (A)(1), states that no public official shall knowingly authorize or employ the authority or influence of his office to secure authorization of any public contract in which he, a member of his family, or any of his business associates has an interest.

**FINDING NUMBER 2010-003
 (Continued)**

Ohio Revised Code, § 2921.42 (A)(3), prohibits a public official, during his term of office or within one year after such term, to hold any position of profit in a public contract that was authorized by him or by a legislative body, commission, or board of which he was a member, even where he did not vote. This prohibition does not apply where the contract has been competitively bid. Public employment constitutes a public contract for these purposes.

Ohio Revised Code, § 2921.42 (A)(4), states that no public official shall knowingly have an interest in the profits or benefits of a public contract entered into by or for the use of the political subdivision or governmental agency or instrumentality with which he is connected.

Ohio Revised Code, § 2921.42(A)(5), states that no public official shall have an interest in the profits or benefits of a public contract that is not let by competitive bidding if required by law and that involves more than one hundred fifty dollars.

We noted a possible violation of the aforementioned Revised Code section involving W.D. Miller, FEMA Grant Project Officer. It was also learned during the course of the audit that Mr. Miller is an employee of Radio Hospital as a sales engineer. Pursuant to Ohio Rev. Code 2924.42 a public official includes any person elected to, appointed to, or employed by a public agency. Furthermore, Ohio Ethics Commission Advisory Opinion 2009-006 states that these restrictions apply whether the official is serving in a position that is compensated or uncompensated, full time or part time, or temporary or permanent. Mr. Miller is a public official of the Village as he acts on behalf of the Village as its grant administrator. The Village purchased fire department communication equipment from Radio Hospital with FEMA grant proceeds in the total amount of \$285,836. This purchase was also not competitively bid as required by statute as it was over \$25,000.

This matter will be referred to the Ohio Ethics Commission for its consideration.

Officials' Response:

We did not receive a response from Officials to the findings reported above.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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Finding Number	2010-004
CDFA Title and Number	Assistance to Firefighters Grant – CFDA #97.044
Federal Award Number/Year	EMW-2008-FR-00328/ 2010
Federal Agency	U.S. Department of Homeland Security

Noncompliance Citation / Material Weakness

44 CFR § 13.36 (a) states when procuring property and services under a grant, a State will follow the same policies and procedures it uses for procurements from its non-Federal funds. The State will ensure that every purchase order or other contract includes any clauses required by Federal statutes and executive orders and their implementing regulations. In addition, **44 CFR § 13.36 (b)** requires (1) Grantees and subgrantees to use their own procurement procedures which reflect applicable State and local laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this section.

**FINDING NUMBER 2010-004
(Continued)**

Further, **44 CFR § 13.36 (b)(3)** requires grantees and subgrantees to maintain a written code of standards of conduct governing the performance of their employees engaged in the award and administration of contracts. No employee, officer or agent of the grantee or subgrantee shall participate in selection, or in the award or administration of a contract supported by Federal funds if a conflict of interest, real or apparent, would be involved. Such a conflict would arise when the employee, officer or agent...has a financial or other interest in the firm selected for award,

44 CFR § 13.36 (b)(3)(iv) additionally provides an organization which employs, or is about to employ, any of the above, has a financial or other interest in the firm selected for award. The grantee's or subgrantee's officers, employees or agents will neither solicit nor accept gratuities, favors or anything of monetary value from contractors, potential contractors, or parties to subagreements. Grantee and subgrantees may set minimum rules where the financial interest is not substantial or the gift is an unsolicited item of nominal intrinsic value. To the extent permitted by State or local law or regulations, such standards or conduct will provide for penalties, sanctions, or other disciplinary actions for violations of such standards by the grantee's and subgrantee's officers, employees, or agents, or by contractors or their agents. The awarding agency may in regulation provide additional prohibitions relative to real, apparent, or potential conflicts of interest.(c)(3) Grantees will have written selection procedures for procurement transactions.

Finally, **44 CFR § 13.36 (d)(3)** states the technique of competitive proposals is normally conducted with more than one source submitting an offer, and either a fixed-price or cost-reimbursement type contract is awarded. It is generally used when conditions are not appropriate for the use of sealed bids. If this method is used...the proposals will be solicited from an adequate number of qualified sources.

W.D. Miller, FEMA Grant Project Officer, is employed by Radio Hospital. He is not an employee or official of the Village, but does act on behalf of the Village as grant administrator. The Village purchased fire department communication equipment from Radio Hospital with FEMA grant proceeds in the total amount of \$285,836 which was not competitively bid contrary to the requirements of Ohio Revised Code Section 731.14 which is noted in Finding 2010-002 above. In addition, the Finding 2010-003 also discloses potential non-compliance with Ohio Revised Sections 102.03(D), 2921.42 (A)(1), (A)(3), and (A)(4) regarding a private interest of a public official in a public contract.

This increases the risk the cost of the communication equipment may have been excessive. We recommend the Village comply with all bidding requirements and Village officials refrain from conducting business transactions with the Village. There is a possibility these expenditures may be disqualified and subject to refund.

Officials' Response:

See Corrective Action Plan on next page.

VILLAGE OF OTTOVILLE
PUTNAM COUNTY

CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)
DECEMBER 31, 2010

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2010-001	Grant is currently completed. Village Council will adopt an ethics policy and include it an updated employee handbook.	9/30/11	Jeanne Wannemacher, Clerk-Treasurer

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**VILLAGE OF OTTOVILLE
PUTNAM COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2009-001	Monitoring of Financial Statements	No	Not Corrected. Repeated as finding 2010-001 in this report.
2009-002	Ohio Revised Code §5705.41(B) – Expenditures Exceeding Appropriations	Yes	
2009-003	Ohio Revised Code §5705.39 – Appropriations Exceeding Estimated Resources	Yes	

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Dave Yost • 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
SEPTEMBER 20, 2011