



Dave Yost • Auditor of State

VILLAGE OF POTSDAM
MIAMI COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter	1
Independent Accountants' Report.....	3
Combined Statement of Receipts, Disbursements, and Changes in Fund Cash Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2011	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2010	6
Notes to the Financial Statements	7
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	13
Schedule of Findings.....	15

This page intentionally left blank.



Dave Yost • Auditor of State

Village of Potsdam
Miami County
P.O. Box 52
Potsdam, Ohio 45361

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

July 3, 2012

This page intentionally left blank.



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Potsdam
Miami County
P.O. Box 52
Potsdam, Ohio 45361

To the Village Council:

We have audited the accompanying financial statements of Village of Potsdam, Miami County, (the Village) as of and for the years ended December 31, 2011 and 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 requires 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, 2011 and 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, 2011 and 2010, or its changes in financial position 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 as of December 31, 2011 and 2010 of the Village of Potsdam, Miami County, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 1, during 2011 the Village of Potsdam adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 3, 2012, 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.



Dave Yost
Auditor of State

July 3, 2012

**VILLAGE OF POTSDAM
MIAMI COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:				
Property and Other Local Taxes	\$9,125			\$9,125
Intergovernmental	18,455	\$11,785		30,240
Fines, Licenses and Permits	1,233			1,233
Earnings on Investments	21	20		41
Total Cash Receipts	<u>28,834</u>	<u>11,805</u>		<u>40,639</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	2,000	4,032		6,032
Leisure Time Activities	1,605			1,605
Transportation		550		550
General Government	11,854			11,854
Debt Service:				
Principal Retirement			\$4,892	4,892
Interest and Fiscal Charges			3,298	3,298
Total Cash Disbursements	<u>15,459</u>	<u>4,582</u>	<u>8,190</u>	<u>28,231</u>
Excess of Receipts Over (Under) Disbursements	<u>13,375</u>	<u>7,223</u>	<u>(8,190)</u>	<u>12,408</u>
Other Financing Receipts (Disbursements):				
Transfers In			8,200	8,200
Transfers Out	(8,200)			(8,200)
Other Financing Uses	(41)			(41)
Total Other Financing Receipts (Disbursements)	<u>(8,241)</u>		<u>8,200</u>	<u>(41)</u>
Net Change in Fund Cash Balances	5,134	7,223	10	12,367
Fund Cash Balances, January 1	<u>37,408</u>	<u>36,515</u>	<u>46</u>	<u>73,969</u>
Fund Cash Balances, December 31:				
Restricted		43,738	56	43,794
Unassigned (Deficit)	42,542			42,542
Fund Cash Balances, December 31	<u>\$42,542</u>	<u>\$43,738</u>	<u>\$56</u>	<u>\$86,336</u>

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

**VILLAGE OF POTSDAM
MIAMI 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>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Property and Local Taxes	\$8,905				\$8,905
Intergovernmental	18,512	\$14,414		\$220,288	253,214
Fines, Licenses and Permits	1,459				1,459
Earnings on Investments	122	116			238
Total Cash Receipts	<u>28,998</u>	<u>14,530</u>		<u>220,288</u>	<u>263,816</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	2,000	4,032			6,032
Leisure Time Activities	657				657
Transportation		1,700			1,700
General Government	13,290				13,290
Debt Service:					
Redemption of Principal			\$4,129		4,129
Interest and Fiscal Charges			4,061		4,061
Capital Outlay				220,288	220,288
Total Cash Disbursements	<u>15,947</u>	<u>5,732</u>	<u>8,190</u>	<u>220,288</u>	<u>250,157</u>
Total Receipts Over/(Under) Disbursements	<u>13,051</u>	<u>8,798</u>	<u>(8,190)</u>		<u>13,659</u>
Other Financing Receipts / (Disbursements):					
Transfers-In			8,200		8,200
Transfers-Out	(8,200)				(8,200)
Total Other Financing Receipts / (Disbursements)	<u>(8,200)</u>		<u>8,200</u>		
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	4,851	8,798	10		13,659
Fund Cash Balances, January 1	<u>32,557</u>	<u>27,717</u>	<u>36</u>		<u>60,310</u>
Fund Cash Balances, December 31	<u>\$37,408</u>	<u>\$36,515</u>	<u>\$46</u>	<u>\$0</u>	<u>\$73,969</u>

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

**VILLAGE OF POTSDAM
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 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 Potsdam, Miami County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides general governmental services. The Miami County Sheriff's department provides law enforcement. The Village contracts with Laura Fire Department to provide fire protection services.

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

The Village has an interest bearing checking account which is valued at cost.

D. Fund Accounting

The Village uses fund accounting to segregate cash that is 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:

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

State Highway Fund – This fund receives gasoline tax and motor vehicle registration tax money for constructing, maintaining and repairing the State highway through the Village.

**VILLAGE OF POTSDAM
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Debt Service Funds

These funds account for resources the Village accumulates to pay note debt. The Village had the following significant Debt Service Fund;

Debt Service Fund - This fund received resources for the payment of a note used for the purchase and remodeling of the Municipal building.

4. 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;

OPWC Capital Projects Fund – This fund received resources from the Ohio Public Works Commission for reconstruction of Village Roads.

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 level of control and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and re-appropriated in the subsequent year.

A summary of 2011 and 2010 budgetary activity appears in Note 3.

F. Fund Balance

For December 31, 2011, the fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

VILLAGE OF POTSDAM
MIAMI COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Non-spendable

The Village classifies assets as non-spendable when legally or contractually required to maintain the amounts intact.

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. Committed

Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G. 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.

**VILLAGE OF POTSDAM
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

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:

	2011	2010
Demand deposits	\$86,336	\$73,969

Deposits: Deposits are insured by the Federal Depository Insurance Corporation.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2011 and 2010 follows:

2011 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$28,863	\$28,834	(\$ 29)
Special Revenue	11,220	11,805	585
Debt Service	8,200	8,200	
Total	\$48,283	\$48,839	\$556

2011 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$52,900	\$23,700	\$29,200
Special Revenue	34,000	4,582	29,418
Debt Service	8,200	8,190	10
Total	\$95,100	\$36,472	\$58,628

2010 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$28,766	\$ 28,998	\$ 232
Special Revenue	11,440	14,530	3,090
Debt Service	8,200	8,200	
Capital Projects		220,288	220,288
Total	\$48,406	\$272,016	\$223,610

2010 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$52,950	\$ 24,147	\$ 28,803
Special Revenue	34,000	5,732	28,268
Debt Service	8,200	8,190	10
Capital Projects		220,288	(220,288)
Total	\$95,150	\$258,357	(\$163,207)

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Capital Projects Fund by \$220,288 for the year ended December 31, 2010.

**VILLAGE OF POTSDAM
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(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.

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

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

5. DEBT

Debt outstanding at December 31, 2011 was as follows:

	Principal	Interest Rate
Mortgage Note at Main Source Bank	\$48,037	6.375%

The Municipal Building Mortgage Note related to the purchase and remodeling of the new municipal building. The note originally issued July 7, 1999 through Fifth Third Bank to be repaid in semiannual installments of \$5,000.00 plus interest over five years with a balloon payment of \$75,000 due in 2004. The note is a general obligation of the Village. The note for \$75,000 was refinanced at Mainsource Bank (formally Peoples Savings Bank Troy, Ohio) on August 3, 2004 at 4.875% variable interest rate to be adjusted annually to the one year treasury rate plus 2.75%. The note was refinanced again on October 6, 2005 at Mainsouce Bank for the principal amount \$71,698 at a fixed rate of interest of 7.15% through 2019. The note was refinanced again on March 5, 2009 at a fixed rate of interest of 6.375% through 2019. The note is being repaid in semiannual installments of \$4,095.

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

Year Ended December 31	MainSource Bank - Mortgage
2012	\$ 8,190
2013	8,190
2014	8,190
2015	8,190
2016	8,190
2017-2019	18,180
Total	\$59,130

6. RETIREMENT SYSTEMS

A. Ohio Public Employees Retirement System

The Village fiscal officer belongs to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing multiple –employer plan. The Ohio Revised Code prescribes the plan benefits, which include postretirement healthcare and survivor and disability benefits.

**VILLAGE OF POTSDAM
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

6. RETIREMENT SYSTEMS (Continued)

The Ohio Revised Code also prescribes contribution rates. For 2011 and 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, 2011.

B. Social Security

The Village Mayor and Council members do not participate in OPERS, but contributed 6.2% of their gross wages to Social Security in 2010 and that amount was matched by the Village. In 2011, the Mayor and Council members contributed 4.2% of their gross wages to Social Security, but the Village contribution remained at 6.2%. The Village has paid all contributions required through December 31, 2011.

7. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Errors and omissions.
- Employee dishonesty



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 Potsdam
Miami County
P.O. Box 52
Potsdam, Ohio 45361

To the Village Council

We have audited the financial statements of the Village of Potsdam, Miami County (the Village) as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated July 3, 2012 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) mandates the Auditor of State to audit Ohio governments. We also noted that the Village adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* for year ending December 31, 2011. 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 opinions 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 2011-01 described in the accompanying schedule of findings to be a material weakness.

One First National Plaza, 130 W. Second St., Suite 2040, Dayton, Ohio 45402
Phone: 937-285-6677 or 800-443-9274 Fax: 937-285-6688

www.ohioauditor.gov

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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated July 3, 2012.

We intend this report solely for the information and use of management, Village Council 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

July 3, 2012

**VILLAGE OF POTSDAM
MIAMI COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010**

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

FINDING NUMBER 2011-01

Material Weakness

Posting of Revenue and Expenditures

The Village prepared its annual financial statements in accordance with accounting practices the Auditor of State prescribes or permits. The Village's Annual Financial Report for 2011 and 2010 contained errors which resulted in several reclassifications and adjustments to correctly report the financial activity during and at the end of the periods as follows;

- On-behalf of monies received from the Ohio Public Works Commission during 2010 for the Village's street project in the amount of \$220,288 were not recorded on the accounting system or annual financial report. In accordance with Auditor of State Bulletin 2002-004 the Village should have recorded a receipt and expenditure in the capital projects fund equal to the amount disbursed by the Ohio Public Works Commission. Additionally per Bulletin 2002-004 the Village shall include in its amended certificate of estimated resources and appropriations measures the amount to be received. The Village did not update its amended certificate of estimated resources or appropriations for these funds in 2010 which resulted in violations of Ohio Rev. Code Sections 5705.36(A)(3) and 5705.41(B)
- Intergovernmental revenues received in 2010 in the amount of \$2,494 were posted as miscellaneous revenue in the Village's Street and State Highway Funds.
- Principal payments in the Debt Service Fund related to its mortgage note were understated in 2011 and 2010 by \$592 and \$465 respectively and interest and fiscal charges were overstated in 2011 and 2010 by the same amounts.

Adjustments and reclassifications to correct the significant errors above are reflected in the accompanying financial statements.

To improve the accuracy and completeness of the Village's financial statements and provide comparative financial statements from year to year, the posting of receipts should be performed consistently with the instructions contained in the Village Officer's Handbook and the Uniform Accounting Network (UAN) Chart of Accounts.

Officials Response: Village Officials declined to respond to the above finding.

This page intentionally left blank.



Dave Yost • Auditor of State

VILLAGE OF POTSDAM

MIAMI 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 02, 2012