



**VILLAGE OF OTTOVILLE
PUTNAM COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 1999-1998



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**VILLAGE OF OTTOVILLE
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REPORT OF INDEPENDENT ACCOUNTANTS

Village of Ottoville
Putnam County
102 Canal Street
P.O. Box 358
Ottoville, Ohio 45876-0358

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 years ended December 31, 1999 and 1998. 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 audits.

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

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village as of December 31, 1999 and 1998, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

As described in Note 2 to the accompanying financial statements, the Village reclassified the Debt Service Funds in 1998.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 6, 2000 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

This report is intended solely for the information and use of management, Village Council, and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a long horizontal stroke extending to the right.

Jim Petro
Auditor of State

June 6, 2000

VILLAGE OF OTTOVILLE
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
FUND CASH BALANCES - ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1999

	<u>Governmental Fund Types</u>			<u>Fiduciary Fund Type</u>	Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
Cash Receipts:					
Property Tax and Other Local Taxes	\$29,089	\$29,812		\$158,009	\$216,910
Intergovernmental Receipts	52,017	30,382	\$399,039		481,438
Charges for Services	23,206				23,206
Fines, Licenses, and Permits	230				230
Miscellaneous	20,506	8,574			29,080
Total Cash Receipts	<u>125,048</u>	<u>68,768</u>	<u>399,039</u>	<u>158,009</u>	<u>750,864</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	84,827	89,689		8,012	182,528
Public Health Services	244				244
Basic Utility Services	1,401				1,401
General Government	49,745				49,745
Capital Outlay		6,790	552,270		559,060
Total Cash Disbursements	<u>136,217</u>	<u>96,479</u>	<u>552,270</u>	<u>8,012</u>	<u>792,978</u>
Total Receipts Over (Under) Disbursements	<u>(11,169)</u>	<u>(27,711)</u>	<u>(153,231)</u>	<u>149,997</u>	<u>(42,114)</u>
Other Financing Receipts/(Disbursements):					
Transfers-In		55,000	165,000		220,000
Transfers-Out	(2,809)			(222,700)	(225,509)
Other Financing Disbursements				(776)	(776)
Total Other Financing Receipts/(Disbursements)	<u>(2,809)</u>	<u>55,000</u>	<u>165,000</u>	<u>(223,476)</u>	<u>(6,285)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>(13,978)</u>	<u>27,289</u>	<u>11,769</u>	<u>(73,479)</u>	<u>(48,399)</u>
Fund Cash Balances, January 1	<u>100,384</u>	<u>67,122</u>	<u>5,065</u>	<u>301,762</u>	<u>474,333</u>
Fund Cash Balances, December 31	<u>\$86,406</u>	<u>\$94,411</u>	<u>\$16,834</u>	<u>\$228,283</u>	<u>\$425,934</u>
Reserves for Encumbrances, December 31	<u>\$12,123</u>	<u>\$22,823</u>			<u>\$34,946</u>

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

VILLAGE OF OTTOVILLE
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
FUND CASH BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1999

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	
Operating Cash Receipts:			
Charges for Services	\$187,305		\$187,305
Miscellaneous	5,494		5,494
	<u>192,799</u>		<u>192,799</u>
Operating Cash Disbursements:			
Personal Services	45,534		45,534
Contractual Services	15,749		15,749
Supplies and Materials	54,256		54,256
Capital Outlay	9,117		9,117
	<u>124,656</u>		<u>124,656</u>
Operating Income	<u>68,143</u>		<u>68,143</u>
Non-Operating Cash Receipts:			
Other Non-Operating Receipts	150		150
Non-Operating Cash Disbursements:			
Debt Service	<u>44,863</u>		<u>44,863</u>
Excess of Receipts Over Disbursements Before Interfund Transfers and Advances	23,430		23,430
Transfers-In	55,805		55,805
Transfers-Out	<u>(50,296)</u>		<u>(50,296)</u>
Net Receipts Over Disbursements	28,939		28,939
Fund Cash Balances, January 1	<u>150,057</u>	<u>\$1,000</u>	<u>151,057</u>
Fund Cash Balances, December 31	<u>\$178,996</u>	<u>\$1,000</u>	<u>\$179,996</u>

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

VILLAGE OF OTTOVILLE
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
FUND CASH BALANCES - ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1998

	<u>Governmental Fund Types</u>			<u>Fiduciary Fund Type</u>	Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
Cash Receipts:					
Property Tax and Other Local Taxes	\$28,145	\$28,830		\$145,308	\$202,283
Intergovernmental Receipts	81,001	28,848			109,849
Charges for Services	28,695				28,695
Fines, Licenses, and Permits	318				318
Miscellaneous	18,863	7,330			26,193
Total Cash Receipts	<u>157,022</u>	<u>65,008</u>		<u>145,308</u>	<u>367,338</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	75,072	106,832		6,771	188,675
Public Health Services	245				245
Basic Utility Services	4,463	800			5,263
General Government	51,412				51,412
Capital Outlay	12,886				12,886
Total Cash Disbursements	<u>144,078</u>	<u>107,632</u>		<u>6,771</u>	<u>258,481</u>
Total Receipts Over/(Under) Disbursements	<u>12,944</u>	<u>(42,624)</u>		<u>138,537</u>	<u>108,857</u>
Other Financing Receipts/(Disbursements):					
Sale of Fixed Assets	14,000				14,000
Transfers-In	50,000	65,000			115,000
Other Sources	6,726				6,726
Transfers-Out	(3,023)			(115,000)	(118,023)
Other Financing Disbursements				(1,465)	(1,465)
Total Other Financing Receipts/(Disbursements)	<u>67,703</u>	<u>65,000</u>		<u>(116,465)</u>	<u>16,238</u>
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	80,647	22,376		22,072	125,095
Fund Cash Balances, January 1	19,737	44,746	\$5,065	279,690	349,238
Fund Cash Balances, December 31	<u>\$100,384</u>	<u>\$67,122</u>	<u>\$5,065</u>	<u>\$301,762</u>	<u>\$474,333</u>
Reserves for Encumbrances, December 31			\$27,702		\$27,702

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

VILLAGE OF OTTOVILLE
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
FUND CASH BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1998

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	
Operating Cash Receipts:			
Charges for Services	\$180,180		\$180,180
Miscellaneous	3,062		3,062
Total Operating Cash Receipts	<u>183,242</u>		<u>183,242</u>
Operating Cash Disbursements:			
Personal Services	39,104		39,104
Contractual Services	14,157		14,157
Supplies and Materials	35,906		35,906
Capital Outlay	8,000		8,000
Total Operating Cash Disbursements	<u>97,167</u>		<u>97,167</u>
Operating Income	<u>86,075</u>		<u>86,075</u>
Non-Operating Cash Receipts:			
Proceeds from Notes	30,000		30,000
Other Non-Operating Receipts	375		375
Total Non-Operating Cash Receipts	<u>30,375</u>		<u>30,375</u>
Non-Operating Cash Disbursements:			
Debt Service	74,912		74,912
Other Non-Operating Cash Disbursements	750		750
Total Non-Operating Cash Disbursements	<u>75,662</u>		<u>75,662</u>
Excess of Receipts Over Disbursements Before Interfund Transfers	40,788		40,788
Transfers-In	53,368		53,368
Transfers-Out	<u>(50,345)</u>		<u>(50,345)</u>
Net Receipts Over Disbursements	43,811		43,811
Fund Cash Balances, January 1	<u>106,246</u>	<u>\$1,000</u>	<u>107,246</u>
Fund Cash Balances, December 31	<u>\$150,057</u>	<u>\$1,000</u>	<u>\$151,057</u>

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

**VILLAGE OF OTTOVILLE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Ottoville, Putnam County, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general governmental services, including water and sewer utilities, park operations (leisure time activities), and police and fire services.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

C. Cash and Investments

Certificates of deposits are valued 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 is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Fund

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

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

VILLAGE OF OTTOVILLE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)

3. Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of 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 being used for the industrial park project.

4. Enterprise Funds

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

Water Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

Sewer Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

5. Fiduciary Funds (Trust and Agency Funds)

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. Other trust funds are classified as expendable. Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant fiduciary fund:

Local Income Tax Fund - The Village accounts for its income tax in the expendable trust fund.

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 object level of control, and appropriations may not exceed estimated resources. The 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
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

3. Encumbrances

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

A summary of 1999 and 1998 budgetary activity appears in Note 4.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the Village.

2. PRIOR PERIOD RESTATEMENT

In prior years the Village classified the funds used for sewer and water debt payments as Debt Service Funds. For fiscal year 1998, these funds have been appropriately reclassified as Enterprise Funds. This change had no effect on the excess of revenues over/under disbursements or fund balances as previously reported.

3. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>1999</u>	<u>1998</u>
Demand deposits	\$454,930	\$474,390
Certificates of deposit	<u>151,000</u>	<u>151,000</u>
Total deposits	<u><u>\$605,930</u></u>	<u><u>\$625,390</u></u>

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

At December 31, 1999 and 1998, \$8,464 and \$146,846 of deposits were not insured or collateralized, contrary to Chapter 135, Ohio Revised Code.

4. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 1999 and 1998 follows:

VILLAGE OF OTTOVILLE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)

1999 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$118,433	\$125,048	\$6,615
Special Revenue	135,529	123,768	(11,761)
Capital Projects	420,000	564,039	144,039
Enterprise	279,003	248,754	(30,249)
Fiduciary	132,000	158,009	26,009
Total	<u>\$1,084,965</u>	<u>\$1,219,618</u>	<u>\$134,653</u>

1999 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$177,300	\$151,149	\$26,151
Special Revenue	131,000	119,302	11,698
Capital Projects	452,702	552,270	(99,568)
Enterprise	306,453	219,815	86,638
Fiduciary	311,500	231,488	80,012
Total	<u>\$1,378,955</u>	<u>\$1,274,024</u>	<u>\$104,931</u>

1998 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$162,480	\$227,748	\$65,268
Special Revenue	100,757	130,008	29,251
Capital Projects	40,000	0	(40,000)
Enterprise	244,303	266,985	22,682
Fiduciary	120,000	145,308	25,308
Total	<u>\$667,540</u>	<u>\$770,049</u>	<u>\$102,509</u>

1998 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$178,800	\$147,101	\$31,699
Special Revenue	131,000	107,632	23,368
Capital Projects	45,000	27,702	17,298
Enterprise	297,053	223,174	73,879
Fiduciary	162,500	123,236	39,264
Total	<u>\$814,353</u>	<u>\$628,845</u>	<u>\$185,508</u>

Expenditures exceed appropriations in the Capital Projects Funds as the result of an audit adjustment.

VILLAGE OF OTTOVILLE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)

5. COMPLIANCE

Although no funds had deficit balances at year end there were several funds that had deficit cash balances at various times throughout the audit period.

Expenditures exceeded appropriations at the legal level of control in certain funds during 1999 and 1998.

The Village did not certify expenditures as required by Ohio Revised Code § 5705.41(D).

6. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village.

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

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

7. DEBT

Debt outstanding at December 31, 1999 was as follows:

	Principal	Interest Rate
Ohio Public Works Commission Loan	\$54,409	0.00%
Sewerage System First Mortgage Revenue Bond	349,000	5.00%
Business Refinance Loan	20,000	5.00%
Total	\$423,409	

The Ohio Public Works Commission (OPWC) loan 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.

The Sewerage System First Mortgage Revenue Bond was entered into for the purpose of paying the costs of constructing a municipal sewage collection and treatment system in 1977. The debt has a 5% interest rate and is scheduled to be paid in full in 2017. The debt agreement contains a provision requiring the Village to have an annual audit. The Village did not have an annual audit in 1998. As of the date of these financial statements, it is unknown what action, if any, the debt-holder intends to take with regard to noncompliance with this provision.

VILLAGE OF OTTOVILLE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)

The Business Refinance Loan is renewed bi-annually until it is paid off in its entirety. The current principal amount and 5% interest is due June 30, 2000.

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

Year ending December 31:	OPWC Loan	Mortgage Revenue Bonds	Business Refinance Loan
2000	\$3,553	\$30,462	\$21,000
2001	3,553	29,812	
2002	3,553	30,162	
2003	3,553	30,462	
2004	3,553	29,712	
Subsequent	<u>36,644</u>	<u>354,194</u>	
Total	<u>\$54,409</u>	<u>\$504,804</u>	<u>\$21,000</u>

8. RETIREMENT SYSTEMS

The Village's Police Chief belongs to the Police and Firemen's Disability and Pension Funds (PFDPF). Other employees belong to the Public Employees Retirement System (PERS) of Ohio. PFDPF and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 1999 and 1998, members of PFDPF contributed 10% of their wages to the PFDPF. The Village contributed an amount equal to 19.5% of their wages. PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 1999.

Officials not otherwise covered by PERS must become a member of the Social Security system. As of December 31, 1999, one Village council and two Board of Public Affairs members have elected to participate in Social Security system. The Village has paid all contributions required through December 31, 1999.

9. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

- Commercial property and liability
- Inland marine
- Auto coverage
- Public officials liability
- Police professional liability



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

Village of Ottoville
Putnam County
102 Canal Street
P.O. Box 358
Ottoville, Ohio 45876-0358

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 years ended December 31, 1999 and 1998, and have issued our report thereon dated June 6, 2000, in which we disclosed that the Village reclassified its debt service funds. We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 1999-30269-001, 1999-30269-002, 1999-30269-003, 1999-30269-004, and 1999-30269-005. We also noted certain immaterial instances of noncompliance that we have reported to the management of the Village in a separate letter dated June 6, 2000.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated June 6, 2000.

Village of Ottoville
Putnam County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
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This report is intended for the information and use of management and the Village Council, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is fluid and cursive, with a large loop at the end.

Jim Petro
Auditor of State

June 6, 2000

**VILLAGE OF OTTOVILLE
SCHEDULE OF FINDINGS
DECEMBER 31, 1999 AND 1998**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 1999-30269-001

Noncompliance Citation

Ohio Revised Code § 135.18 states the treasurer of a political subdivision must require the depository to provide as security an amount equal to the funds on deposit at all times. Such security may consist of federal deposit insurance, surety company bonds, or pledged securities.

The Village's deposits exceeded depository insurance and pledged collateral throughout the audit period including deposits of \$146,846 at December 31, 1998 and \$8,464 at December 31, 1999 that were uninsured and uncollateralized.

It is recommended that the Clerk monitor deposits and collateral and request additional collateral when necessary.

FINDING NUMBER 1999-30269-002

Noncompliance Citation

Ohio Revised Code § 5705.10 states that money paid into any fund shall be used only for the purpose for which such fund was established.

The existence of a deficit balance in any fund indicates that money from another fund or funds have been used to pay the obligations of the fund or funds carrying the deficit balance.

Although there were no funds with deficit balances at year end, the following funds had deficit balances during 1998 and/or 1999: Sewer Debt Service Fund, Water Debt Service Fund, Capital Improvement Fund, Street Fund, and the General Fund. The deficits ranged from \$644 to \$191,989.

It is recommended that the Village monitor fund cash balances and transfer or advances money as needed to avoid deficit balances.

FINDING NUMBER 1999-30269-003

Noncompliance Citation

Ohio Revised Code § 5705.41(D) states that no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certification should be null and void.

This section also provides two exception to the above requirement:

- A. Then and Now Certificate - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was appropriated and free of any previous encumbrance, the Council may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.
- B. If the amount involved is less than \$1,000 the fiscal officer may authorize it to be paid without the affirmation of the Village Council, if such expenditure is otherwise valid.

None of the transactions tested received prior certification nor were they certified using a then-and-now certification. In addition, as of December 31, 1998 and 1999, the Village had \$27,702 and \$34,946 respectively, in outstanding purchase commitments that were not properly certified and as a result were charged against 1999 and 2000 appropriations. The accompanying financial statements have been adjusted to reflect these amounts as outstanding encumbrances at December 31, 1998 and 1999.

Certification is not only required by Ohio law but is a key control in the disbursement process to assure that purchase commitments receive prior approval, and to help reduce the possibility of Village funds being over expended or exceeding budgetary spending limitations as set by the Council. To improve controls over disbursements, it is recommended that all Village disbursements receive prior certification of the Clerk and that the Council periodically review the expenditures made to ensure they are within the appropriations adopted by the Council, certified by the Clerk and recorded against appropriations.

FINDING NUMBER 1999-30269-004

Noncompliance Citation

Ohio Revised Code § 5705.41 (B) states that no subdivision shall make any expenditure of money unless it has been lawfully appropriated. The Village's legal level of control is object level and the following fund/program/activity/object codes had expenditures that exceeded appropriations:

<u>1998</u>	<u>Appropriation</u>	<u>Expenditure</u>	<u>Variance</u>
General-Security of Persons and Prop-Fire -Wages	\$2,500	\$2,807	(\$307)
General-Security of Persons and Prop-St Lighting-Contracts	10,500	10,603	(103)
General-General Government- Leg. Activity-Contracts	2,000	4,771	(2,771)
General-General Government- Leg. Activity-Supplies/Mat.	6,000	6,503	(503)
General-General Government- Land and Bldg-Capital Outlay	1,000	12,886	(11,886)

(Continued)

1998	Appropriation	Expenditure	Variance
(Continued)			
General-General Government- Bds. and Comm.- A/T Fees	1,500	1,686	(186)
General-General Government- Bds. and Comm.-Audit Fees	3,500	5,142	(1,642)
Sewer-Basic Utility Services- Supplies and Materials	5,000	6,576	(1,576)
Sewer-Basic Utility Services-Capital Outlay	2,000	5,330	(3,330)
Sewer Debt Service-Principal	10,000	11,000	(1,000)
Street-Transportation- St. Const/Reconst.-Contracts	30,000	43,765	(13,765)
Street-Transportation- St. Const/Reconst-Supplies/Mat	2,000	4,470	(2,470)
Utility Deposits-Basic Utility Serv.- Deposits Refunded	500	750	(250)
Water-Supply-Personal Services	10,500	10,526	(26)
1999	Appropriation	Expenditure	Variance
General-Security of Persons and Prop- Police -Wages	\$9,000	\$11,224	(\$2,224)
General-Security of Persons and Prop-Fire - Wages	2,500	6,549	(4,049)
General-Security of Persons and Prop-Fire - Supplies/Mat.	20,000	25,523	(5,523)
General-Security of Persons and Prop- St Lighting-Contracts	10,500	11,521	(1,021)
			(Continued)

<u>1999</u>	<u>Appropriation</u>	<u>Expenditure</u>	<u>Variance</u>
(Continued)			
General-General Government-Mayor Office- Wages	1,000	1,203	(203)
General-General Government-Mayor Office- Supplies/Mat.	1,000	3,211	(2,211)
General-General Government-Clerk- Supplies/Materials	2,500	3,313	(813)
General-General Government- Bds. and Comm.- A/T Fees	1,500	1,753	(253)
Income Tax-General Government- Administration-Wages	1,000	1,432	(432)
Income Tax-General Government- Taxes Refunded	500	776	(276)
Police-Security of Persons and Prop- Enforce.– Supplies/Mat.	10,000	10,160	(160)
Sewer-Basic Utility Services-Office - Capital Outlay	2,000	4,228	(2,228)
Sewer-Basic Utility Services- Other Uses-Transfers	33,000	33,095	(95)
Sewer Debt Service-Principal	11,000	12,000	(1,000)
Street-Transportation-St. Const/Reconst.-Wages	45,000	46,089	(1,089)
Street-Transportation-St. Const/Reconst- Supplies/Mat	20,000	21,578	(1,578)
Street-Transportation-St. Const/Reconst- Capital Outlay		6,790	(6,790)
Capital Improvement-Construction- Capital Outlay	200,000	282,675	(82,675)
Water-Supply-Supplies/Materials	35,000	36,249	(1,249)
Water-Supply-Capital Outlay	4,000	4,889	(889)

It is recommended the Council monitor appropriations and approve all necessary adjustments needed to ensure planned expenditures do not exceed appropriations.

FINDING NUMBER 1999-30269-005

Noncompliance Citation

The Indenture Mortgage for the Sewerage System First Mortgage Revenue Bonds § 13 (c) requires the Village to have an annual audit.

The Village did not have an annual audit in 1998. It is recommended that the Village obtain the required annual audit or request a waiver of this requirement from the bond holder.



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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
JULY 20, 2000**



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