

**VILLAGE OF MONTEZUMA**

DAYTON REGION, MERCER COUNTY

**REGULAR AUDIT**

FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006





# Mary Taylor, CPA

Auditor of State

Village Council  
Village of Montezuma  
69 West Main Street  
P.O. Box 178  
Montezuma, Ohio 45866

We have reviewed the *Independent Accountants' Report* of the Village of Montezuma, Mercer County, prepared by Manning & Associates CPAs, LLC, for the audit period January 1, 2006 through December 31, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Report of Independent Accountants* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Report of Independent Accountants* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Montezuma is responsible for compliance with these laws and regulations.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

October 28, 2008

88 E. Broad St. / Fifth Floor / Columbus, OH 43215-3506  
Telephone: (614) 466-4514 (800) 282-0370 Fax: (614) 466-4490  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

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**VILLAGE OF MONTEZUMA  
MERCER COUNTY**

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**MANNING & ASSOCIATES CPAs, LLC**  
**6105 North Dixie Drive**  
**Dayton, Ohio 45414**

**INDEPENDENT ACCOUNTANTS' REPORT**

Village of Montezuma  
69 West Main Street  
P.O. Box 178  
Montezuma, Ohio 45866

To the Mayor and Village Council:

We have audited the accompanying financial statements of the Village of Montezuma, Mercer County, (the Village) as of and for the years ended December 31, 2007 and 2006. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

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

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2007 and 2006, 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, 2007 and 2006, or its changes in financial position or cash flows, where applicable for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Montezuma, Mercer County, as of December 31, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2008, 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.

Manning & Associates CPAs, LLC  
Dayton, Ohio

September 24, 2008

**VILLAGE OF MONTEZUMA  
MERCER COUNTY**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND CHANGES IN CASH FUND BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2007

	<b>GOVERNMENTAL FUND TYPES</b>			<b>Total (Memorandum Only)</b>
	<b>General</b>	<b>Special Revenue</b>	<b>Capital Projects</b>	
<b>Cash Receipts:</b>				
Property & Local Taxes	\$ 4,945	\$ 472	\$ 0	\$ 5,417
Intergovernmental Receipts	18,960	9,627	465,701	494,288
Fines, licenses and Permits	1,689	0	0	1,689
Earnings on Investments	22	38	0	60
Miscellaneous	139	0	0	139
	<u>25,755</u>	<u>10,137</u>	<u>465,701</u>	<u>501,593</u>
<b>Total Cash Receipts</b>				
	<u>25,755</u>	<u>10,137</u>	<u>465,701</u>	<u>501,593</u>
<b>Cash Disbursements:</b>				
Current:				
Security of Persons & Property	5,774	0	0	5,774
Public Health Services	628	0	0	628
Leisure Time Activities	600	0	0	600
Community Environment	492	0	0	492
Transportation	0	22,915	0	22,915
General Government	21,800	0	0	21,800
Capital Outlay	0	0	465,701	465,701
	<u>29,294</u>	<u>22,915</u>	<u>465,701</u>	<u>517,910</u>
<b>Total Cash Disbursements</b>				
	<u>29,294</u>	<u>22,915</u>	<u>465,701</u>	<u>517,910</u>
<b>Total Receipts Over/(Under) Disbursements</b>	<u>(3,539)</u>	<u>(12,778)</u>	<u>0</u>	<u>(16,317)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	<u>(3,539)</u>	<u>(12,778)</u>	<u>0</u>	<u>(16,317)</u>
<b>Fund Cash Balances, January 1,</b>	<u>11,830</u>	<u>30,257</u>	<u>0</u>	<u>42,087</u>
<b>Fund Cash Balances, December 31,</b>	<u><u>\$ 8,291</u></u>	<u><u>\$ 17,479</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 25,770</u></u>

The Notes to the Financial Statements are an integral part of this statement.

**VILLAGE OF MONTEZUMA  
MERCER COUNTY**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND CHANGES IN CASH FUND BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2006

	<b>GOVERNMENTAL FUND TYPES</b>			<b>Total (Memorandum Only)</b>
	<b>General</b>	<b>Special Revenue</b>	<b>Capital Projects</b>	
<b>Cash Receipts:</b>				
Property & Local Taxes	\$ 5,313	\$ 715	\$ 0	\$ 6,028
Intergovernmental Receipts	18,809	10,637	0	29,446
Fines, Licenses and Permits	1,748	0	0	1,748
Earnings on Investments	16	42	0	58
Miscellaneous	18	61	0	79
<b>Total Cash Receipts</b>	<b>25,904</b>	<b>11,455</b>	<b>0</b>	<b>37,359</b>
<b>Cash Disbursements:</b>				
Current:				
Security of Persons & Property	3,942	0	0	3,942
Public Health Services	266	0	0	266
Community Environment	49	0	0	49
Transportation	0	5,080	0	5,080
General Government	16,944	0	0	16,944
Capital Outlay	0	0	143	143
<b>Total Cash Disbursements</b>	<b>21,201</b>	<b>5,080</b>	<b>143</b>	<b>26,424</b>
<b>Total Receipts Over/(Under) Disbursements</b>	<b>4,703</b>	<b>6,375</b>	<b>(143)</b>	<b>10,935</b>
<b>Other Financing Receipts:</b>				
Sale of Fixed Assets	3,010	0	0	3,010
<b>Total Other Financing Receipts</b>	<b>3,010</b>	<b>0</b>	<b>0</b>	<b>3,010</b>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	7,713	6,375	(143)	13,945
<b>Fund Cash Balances, January 1,</b>	<b>4,117</b>	<b>23,882</b>	<b>143</b>	<b>28,142</b>
<b>Fund Cash Balances, December 31,</b>	<b>\$ 11,830</b>	<b>\$ 30,257</b>	<b>\$ 0</b>	<b>\$ 42,087</b>

The Notes to the Financial Statements are an integral part of this statement.

**VILLAGE OF MONTEZUMA  
MERCER COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Village of Montezuma, Mercer 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, park operations (leisure time activities), and fire protection. The Village contracts with the Mercer County Sheriff's Department to provide security of persons and property. The Village contracts with Mercer County Emergency Ambulance for ambulance 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 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. Cash 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.

**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:

**General Fund**

The General Fund reports all financial resources except those required by law or contract to be restricted.

**VILLAGE OF MONTEZUMA  
MERCER COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Fund Accounting (Continued)**

**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.

**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 funds:

**Issue II – Village Rehab** – This fund receives funding from Ohio Public Works Commission in grants for road improvement projects. The funds received from these grants are paid directly to vendors on behalf of the Village.

**Village Rehab - CDBG** – This fund receives funding from CDBG grants for road improvement projects. The funds received from these grants are paid directly to vendors on behalf of the Village.

**E. Budgetary Process**

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

**Appropriations**

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

**VILLAGE OF MONTEZUMA  
MERCER COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Budgetary Process, continued**

**Estimated Resources**

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

**Encumbrances**

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

A summary of 2007 and 2006 budgetary activity appears in Note 3.

**F. Property, Plant and Equipment**

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

**2. EQUITY IN POOLED CASH 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>2007</u>	<u>2006</u>
Demand Deposits	<u>\$ 25,770</u>	<u>\$42,087</u>

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

**VILLAGE OF MONTEZUMA  
MERCER COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

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**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2007 and 2006 as follows:

**2007 Budgeted vs. Actual Receipts**

<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$ 27,036	\$ 25,755	\$ (1,281)
Special Revenue	8,135	10,137	2,002
Capital Projects	0	465,701	465,701
Total	<u>\$ 35,171</u>	<u>\$ 501,593</u>	<u>\$ 466,422</u>

**2007 Budgeted vs. Actual Budgetary Basis Expenditures**

<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$ 38,222	\$ 29,294	\$ 8,928
Special Revenue	37,650	22,915	14,735
Capital Projects	600	465,701	(465,101)
Total	<u>\$ 76,472</u>	<u>\$ 517,910</u>	<u>\$ (441,438)</u>

**2006 Budgeted vs. Actual Receipts**

<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$ 23,161	\$ 28,914	\$ 5,753
Special Revenue	8,135	11,455	3,320
Capital Projects	0	0	0
Total	<u>\$ 31,296</u>	<u>\$ 40,369</u>	<u>\$ 9,073</u>

**2006 Budgeted vs. Actual Budgetary Basis Expenditures**

<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$ 26,675	\$ 21,201	\$ 5,474
Special Revenue	32,017	5,080	26,937
Capital Projects	143	143	0
Total	<u>\$ 58,835</u>	<u>\$ 26,424</u>	<u>\$ 32,411</u>

**VILLAGE OF MONTEZUMA  
MERCER COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

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**4. PROPERTY TAX**

Real property taxes become a lien on January 1 proceeding 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.

**5. RETIREMENT SYSTEMS**

Full-Time employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, survivor, and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2007 and 2006, OPERS members contributed 9.5% and 9.0% respectively, of their gross salaries and the Village contributed an amount equaling 13.85% and 13.7% respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2007.

**6. RISK MANAGEMENT**

The Village belongs to the Ohio Government Risk Management Plan (the "Plan"), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 460 Ohio governments ("Members").

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages, modified for each Member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the Member's deductible.

The Plan issues its own policies and reinsures the Plan with A- VII or better rated carriers, except for the 15% casualty and the 10% property portions the Plan retains. The Plan pays the lesser of 15% or \$37,500 of casualty losses and the lesser of 10% or \$100,000 of property losses. Individual Members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

**VILLAGE OF MONTEZUMA  
MERCER COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

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**5. RISK MANAGEMENT** (Continued)

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other obligation to the Plan. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

<u>Type</u>	<u>Coverage</u>
General Liability	\$3,000,000
Buildings & Personal Property	184,080
Automobile	1,000,000

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31: 2007 and 2006 (the latest information available):

	<u>2007</u>	<u>2006</u>
Assets	\$11,136,455	\$ 9,620,148
Liabilities	<u>(4,273,553)</u>	<u>(3,329,620)</u>
Members' Equity	<u>\$ 6,862,902</u>	<u>\$ 6,290,528</u>

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).

The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. The rate is calculated based on accident history and administrative costs.

**6. RELATED PARTY**

In 2007 the Village received a distress grant from CDBG for Village rehab projects. Council Brenda Springer had a building that was included in the demolition of property paid for by the grant.

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**MANNING & ASSOCIATES, CPAs, LLC**  
**6105 North Dixie Drive**  
**Dayton, Ohio 45414**

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

Village of Montezuma  
69 West Main Street  
PO Box 178  
Montezuma, Ohio 45866

To the Mayor and Village Council:

We have audited the financial statements of the Village of Montezuma, Mercer County, Ohio (the Village), as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated September 24, 2008, wherein we noted the Village prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We 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 auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over financial reporting.

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

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

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2007-002 and 2007-003.

### **Internal Control Over Financial Reporting (continued)**

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, of the significant deficiencies described above, we believe finding number 2007-003 is also material weakness.

We noted a certain matter that we reported to the Village's management in a separate letter dated September 24, 2008.

### **Compliance and Other Matters**

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as item 2007-001.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated September 24, 2008.

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Government's responses and, accordingly, we express no opinion on them.

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

Manning & Associates CPAs, LLC  
Dayton, Ohio

September 24, 2008

**VILLAGE OF MONTEZUMA  
MERCER COUNTY**

SCHEDULE OF FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

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<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2007-001**

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

This Section also provides for two exceptions to the above requirements:

- A. Then and Now Certificates – If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, 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.
- B. If the amount involved is less than \$3,000, the Fiscal Officer may authorize payment through a Then and Now Certificate without affirmation of the Council, if such expenditure is otherwise valid.

The Village did not properly certify the availability of funds for 20 percent in 2007 and 8 percent in 2006 of expenditures tested and neither of the above two exceptions applied.

Failure to properly certify the availability of funds can result in overspending available funds and negative cash fund balances. Effort should be made by the Village to properly utilize the encumbrance method of accounting by certifying the availability of funds on properly approved purchase orders. We recommend that Village obtain approved purchase orders, including amounts, which contain the Fiscal Officer's certification indicated by a signature that the amount required to meet the obligation has been lawfully appropriated and authorized, prior to making a commitment.

*Response:* The Fiscal Officer will review the ORC and Village Handbook for guidance in proper issuance of purchase orders.

**FINDING NUMBER 2007-002**

**On behalf payments/Budgetary**

The Village did not record on-behalf payments made to contractors for the Ohio Public Works Issue II Grant and CBDG Grant in 2007 in the amount of \$118,916 and \$346,785, respectively. The Village for the purpose of accounting for these on-behalf payments should record these monies in the appropriate fund established; also such monies should be budgeted by the Village. By not recording the receipts and disbursements, the Village financial statements result in an understatement of financial benefit provided by the grant. The accompanying financial statement has been adjusted to reflect this activity.

**VILLAGE OF MONTEZUMA  
MERCER COUNTY**

SCHEDULE OF FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

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<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2007-002**, continued

We recommend the Village record future payments made by the grant as receipts and disbursements within the appropriate fund.

In addition, the Village should obtain an official certificate of estimated resource for any on-behalf-payments expected, and pass a resolution for its appropriation measure under Ohio Rev. Code section 5705.40.

*Response:* The Village will review AOS Bulletin 2000-008, and record on behalf payments as directed.

**FINDING NUMBER 2007-003**

Ohio Rev. Code, Section 733.28, requires the Fiscal Officer to maintain the books of the Village and exhibit accurate statements of all monies received and expended. The Village did not properly classify receipt and disbursement transactions. An accurate record was not maintained for all monies received by the Village. The following errors were noted:

- A. Revenue and disbursements paid directly by the Ohio Public Works Commission and CDBG (in the form of grants) were not properly posted to the ledgers and annual financial report.
- B. Budgetary estimated receipts on the Village' books did not match the amounts filed with the County Auditor.
- C. Sale of assets in 2006 were not properly recorded
- D. Inventory records have not been updated.

All of these conditions exhibit a lack of control over the recording and reporting of Village financial activity and did result in inaccurate accounting records.

We recommend the Village post items according to the Village handbook. The Village has made these adjustments to their books and the adjustments are reflected in the financial statements.

*Response:* The Village will review its current accounting methods and implement changes where needed.



**Mary Taylor, CPA**  
Auditor of State

**VILLAGE OF MONTEZUMA**

**MERCER 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  
NOVEMBER 13, 2008**