



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

VILLAGE OF OTTOVILLE
PUTNAM COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

Village of Ottoville
Putnam County
102 West Canal Street
P.O. Box 488
Ottoville, Ohio 45876-0488

To the Village Council:

We have audited the accompanying financial statements of the Village of Ottoville (the Village) as of and for the years ended December 31, 2001 and 2000. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit 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 audit provides 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, 2001 and 2000, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

As discussed in Note 2 to the financial statements, during 2000 the Village reclassified its income tax fund.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 3, 2002 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

This report is intended solely for the information and use of the finance committee, 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 cursive "Petro".

Jim Petro
Auditor of State

June 3, 2002

**VILLAGE OF OTTOVILLE
PUTNAM COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$348,715	\$30,522		\$379,237
Special Assessments		5,789		5,789
Intergovernmental Receipts	63,194	64,909		128,103
Charges for Services	20,035			20,035
Fines, Licenses, and Permits	398			398
Earnings on Investments	18,473	2,162		20,635
Miscellaneous	25,209			25,209
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	476,024	103,382		579,406
Cash Disbursements:				
Current:				
Security of Persons and Property	111,986	11,926		123,912
Public Health Services	249			249
Basic Utility Services	135			135
Transportation	7,585	169,354		176,939
General Government	71,527			71,527
Capital Outlay			\$63,685	63,685
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	191,482	181,280	63,685	436,447
	<hr/>	<hr/>	<hr/>	<hr/>
Total Receipts Over/(Under) Disbursements	284,542	(77,898)	(63,685)	142,959
Other Financing Receipts and (Disbursements):				
Transfers-In		120,000	80,000	200,000
Transfers-Out	(212,656)			(212,656)
Other Financing Uses	(2,799)			(2,799)
	<hr/>	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts/(Disbursements)	(215,455)	120,000	80,000	(15,455)
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements				
	69,087	42,102	16,315	127,504
Fund Cash Balances, January 1	357,788	73,372	18,327	449,487
	<hr/>	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	\$426,875	\$115,474	\$34,642	\$576,991
	<hr/>	<hr/>	<hr/>	<hr/>
Reserves for Encumbrances, December 31	\$340,140		\$239,763	\$579,903
	<hr/>	<hr/>	<hr/>	<hr/>

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

**VILLAGE OF OTTOVILLE
PUTNAM COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES
PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	
Operating Cash Receipts:			
Charges for Services	\$218,740		\$218,740
Miscellaneous	11,600		11,600
Total Operating Cash Receipts	<u>230,340</u>		<u>230,340</u>
Operating Cash Disbursements:			
Personal Services	57,890		57,890
Contractual Services	30,122		30,122
Supplies and Materials	54,162		54,162
Capital Outlay	9,077		9,077
Total Operating Cash Disbursements	<u>151,251</u>		<u>151,251</u>
Operating Income	<u>79,089</u>		<u>79,089</u>
Non-Operating Cash Receipts:			
Other Non-Operating Receipts	675		675
Non-Operating Cash Disbursements:			
Debt Service	43,615		43,615
Other Non-Operating Cash Disbursements	150		150
Total Non-Operating Cash Disbursements	<u>43,765</u>		<u>43,765</u>
Excess of Receipts Over Disbursements Before Interfund Transfers	35,999		35,999
Transfers-In	64,263		64,263
Transfers-Out	(51,607)		(51,607)
Net Receipts Over Disbursements	48,655		48,655
Fund Cash Balances, January 1	<u>223,365</u>	<u>\$1,000</u>	<u>224,365</u>
Fund Cash Balances, December 31	<u>\$272,020</u>	<u>\$1,000</u>	<u>\$273,020</u>
Reserve for Encumbrances, December 31			

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

**VILLAGE OF OTTOVILLE
PUTNAM COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES
PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	
Operating Cash Receipts:			
Charges for Services	\$204,538		\$204,538
Miscellaneous	3,142		3,142
Total Operating Cash Receipts	<u>207,680</u>		<u>207,680</u>
Operating Cash Disbursements:			
Personal Services	52,632		52,632
Contractual Services	14,859		14,859
Supplies and Materials	60,835		60,835
Capital Outlay	621		621
Total Operating Cash Disbursements	<u>128,947</u>		<u>128,947</u>
Operating Income	<u>78,733</u>		<u>78,733</u>
Non-Operating Cash Receipts:			
Other Non-Operating Receipts	1,125		1,125
Non-Operating Cash Disbursements:			
Debt Service	44,757		44,757
Other Non-Operating Cash Disbursements	825		825
Total Non-Operating Cash Disbursements	<u>45,582</u>		<u>45,582</u>
Excess of Receipts Over Disbursements Before Interfund Transfers	34,276		34,276
Transfers-In	62,216		62,216
Transfers-Out	(52,123)		(52,123)
Net Receipts Over Disbursements	44,369		44,369
Fund Cash Balances, January 1	<u>178,996</u>	<u>\$1,000</u>	<u>179,996</u>
Fund Cash Balances, December 31	<u>\$223,365</u>	<u>\$1,000</u>	<u>\$224,365</u>
Reserve for Encumbrances, December 31			

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

**VILLAGE OF OTTOVILLE
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Ottoville (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, water and sewer utilities, 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

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

Certificates of deposit 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 Funds

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
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

3. Capital Project Fund

This fund is 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 used for major projects in the Village such as the industrial park, water tower, and the engineer costs for these projects.

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 Fund (Trust Fund)

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. The Village had the following significant fiduciary fund:

Refuse Trust Fund - This fund is maintained to account for a \$1,000 deposit being held as a performance bond for the refuse contract. This fund has been classified as a non-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 fund, function or 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
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(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. The Village did not use the encumbrance method of accounting. The budgetary presentations have been adjusted to include material items that should have been encumbered.

A summary of 2001 and 2000 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. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

2. PRIOR PERIOD RESTATEMENT

As of January 1, 2000, the Village reclassified its income tax fund from an expendable trust fund to a component of the general fund.

This change had the following affect on fund balances previous reported by the Village:

	General Fund	Expendable Trust Fund
Fund balances as previously reported at December 31, 1999	\$86,406	\$228,283
Adjustments for change to fund structure	228,283	(228,283)
Adjusted balances January 1, 2000	\$314,689	

This change had the following affect on the excess of revenues over expenditures as previous reported by the Village:

	General Fund	Expendable Trust Fund
Excess as previously reported at December 31, 1999	(\$13,978)	(\$73,479)
Adjustments for change to fund structure	(73,479)	73,479
Adjusted excess at December 31, 1999	(\$87,457)	

**VILLAGE OF OTTOVILLE
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

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:

	2001	2000
Demand deposits	\$699,011	\$522,852
Certificates of deposit	151,000	151,000
Total deposits	\$850,011	\$673,852

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, 2001, \$133,072 of deposits were collateralized with securities that were not allowable securities as described by Ohio law.

4. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2001 and 2000 follows:

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$379,617	\$476,024	\$96,407
Special Revenue	135,514	223,382	87,868
Capital Projects	20,000	80,000	60,000
Enterprise	273,703	295,278	21,575
Total	\$808,834	\$1,074,684	\$265,850

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$453,350	\$747,077	(\$293,727)
Special Revenue	169,000	181,280	(12,280)
Capital Projects	38,000	303,448	(265,448)
Enterprise	346,703	246,623	100,080
Fiduciary	1,000		1,000
Total	\$1,008,053	\$1,478,428	(\$470,375)

**VILLAGE OF OTTOVILLE
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

2000 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$330,453	\$381,060	\$50,607
Special Revenue	126,613	130,668	4,055
Capital Projects	2,000	230,960	228,960
Enterprise	243,554	271,021	27,467
Total	<u>\$702,620</u>	<u>\$1,013,709</u>	<u>\$311,089</u>

2000 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$423,750	\$337,961	\$85,789
Special Revenue	151,000	213,207	(62,207)
Capital Projects	18,000	229,466	(211,466)
Enterprise	309,203	226,652	82,551
Fiduciary	1,000	1,000	1,000
Total	<u>\$902,953</u>	<u>\$1,007,286</u>	<u>(\$104,333)</u>

5. COMPLIANCE

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

Although there were no negative fund balances at year end, the following funds were found to have deficit balances during the audit period by the maximum amount indicated: Police Fund \$2,107, Sewer Debt Service Fund \$30,462, State Capital Improvement Fund \$1,776, Permissive Tax Fund \$23,800 and the Village Capital Improvement Fund \$2,411.

As of December 31, 2001 there were fifteen instances for which expenditures exceeded appropriations at the fund/function/object legal level of control, in amounts ranging from \$133 to \$27,300. As of December 31, 2000 there were fourteen instances for which expenditures exceeded appropriations at the fund/function/object legal level of control, in amounts ranging from \$375 to \$45,948. In addition, the following funds had expenditures exceeding appropriations at year end.

Fund	Amount Appropriated	Amount Expended	Excess of Expenditures Over Appropriations
December 31, 2001			
General Fund	\$453,350	\$747,077	\$293,727
Permissive License Tax Fund	4,000	31,300	27,300
Village Capital Improvement Fund	38,000	303,448	265,448
Sewer Fund	127,000	140,947	13,947

**VILLAGE OF OTTOVILLE
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

Fund	Amount Appropriated	Amount Expended	Excess of Expenditures Over Appropriations
December 31, 2000			
Street, Construction, Maintenance and Repair Fund	105,000	153,136	48,136
Permissive License Tax Fund	4,000	23,800	19,800
Police Fund	32,000	33,384	1,384
Village Capital Improvement Fund	18,000	229,466	211,466
Water Fund	89,000	89,100	100

In 2000, the Village was the beneficiary of a \$150,960 CDBG Grant that was sent directly to the vendor by Putnam County. This activity was not recorded on the ledgers of the Village.

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 payments, 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. LOCAL INCOME TAX

The Village levies a municipal income tax of one percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually. Income tax receipts are credited to the general fund.

**VILLAGE OF OTTOVILLE
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

8. DEBT

Debt outstanding at December 31, 2001 was as follows:

	Principal	Interest Rate
Ohio Public Works Commission Loan	\$47,303	0.00%
Mortgage Revenue Bonds	323,000	5.00%
Total	\$370,303	

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 cost 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 2000. 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.

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

Year ending December 31:	OPWC Loan	Mortgage Revenue Bonds
2002	\$3,553	\$30,162
2003	3,553	30,462
2004	3,553	29,712
2005	3,553	29,962
2006	3,553	30,162
2007 - 2011	17,765	150,160
2012 - 2016	11,773	150,060
2017		24,162
Total	\$47,303	\$474,842

9. RETIREMENT SYSTEMS

The Village's fulltime law enforcement officers belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. OP&F 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 2001 and 2000, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant wages. PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2001 and from January 1, 2000 through June 30, 2000. PERS temporarily reduced the employer contribution rate to 8.13%,

**VILLAGE OF OTTOVILLE
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

effective July 1, 2000 through December 31, 2000. The Village has paid all contributions required through December 31, 2001.

10. RISK MANAGEMENT

Risk Pool Membership

The Government belongs to the Public Entities Pool of Ohio ("PEP"), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty insurance for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Insurance

PEP retains casualty risks up to \$250,000 per claim. Claims exceeding \$250,000 are reinsured with APEEP up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000, from the General Reinsurance Corporation.

If losses exhaust PEP's retained earnings, APEEP covers PEP losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Insurance

PEP retains property risks, including automobile physical damage up to \$100,000 on any specific loss. The Travelers Indemnity Company reinsures specific losses exceeding \$100,000. The Travelers Indemnity Company also provides aggregate excess coverage for property including automobile physical damage subject to an annual stop loss. When the stop loss is reached in any year, The Travelers Indemnity Company provides coverage in excess of \$10,000.

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

Financial Position

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

Casualty Coverage	2000	1999
Assets	\$17,112,129	\$15,295,389
Liabilities	7,715,035	6,636,543
Retained earnings	<u>\$9,397,094</u>	<u>\$8,658,846</u>

**VILLAGE OF OTTOVILLE
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

<u>Property Coverage</u>	<u>2000</u>	<u>1999</u>
Assets	\$1,575,614	\$1,118,222
Liabilities	<u>281,561</u>	<u>279,871</u>
Retained earnings	<u>\$1,294,053</u>	<u>\$838,351</u>

The Village also provides health and life insurance to fulltime employees and sickness and accidental insurance for firemen.

11. CONTINGENT LIABILITIES

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the federal government. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.

12. OUTSTANDING CONTRACTS

As of December 31, 2001, the Village had outstanding contracts for the purchase of a fire truck in the amount of \$339,536 and for \$237,015 for the cost of providing utilities to the new Ottoville Local School.

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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 West Canal Street
P.O. Box 488
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To the Village Council:

We have audited the accompanying financial statements of the Village of Ottoville (the Village) as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated June 3, 2002, in which we disclosed the Village reclassified its income tax fund. 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 *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 audit 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 2001-30269-001 through 2001-30269-006. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated June 3, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, 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 3, 2002.

Village of Ottoville
Putnam County
Report of Independent Accountants on Compliance and on Internal Control
Required by *Government Auditing Standards*
Page 2

This report is intended solely for the information and use of the finance committee, management and 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 stylized with a large, looping initial "J" and a horizontal line extending to the right.

Jim Petro
Auditor of State

June 3, 2002

**VILLAGE OF OTTOVILLE
PUTNAM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2001-30269-001

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, consisting of securities of the United States or any of its political subdivisions or securities guaranteed by the United States or any federal government agency.

Two of the securities for September, 2001 and one for December, 2001 were for private corporations and not of an allowable type listed above. As a result, the Village's deposits exceeded depository insurance and allowable securities by \$133,072 and \$83,749 at December 31, 2001 and September 30, 2001, respectfully. We recommend the Clerk/Treasurer monitor deposits and collateral and ensure securities are of a type allowed.

FINDING NUMBER 2001-30269-002

Noncompliance Citation

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

The existence of a deficit balance in any fund indicates that money from another fund or funds has been used to pay the obligations of the fund or funds carrying the deficit balance. Although there were no negative fund balances at year end, the following funds were found to have deficit balances during the audit period by the maximum amount indicated: Police Fund \$2,107, Sewer Debt Service Fund \$30,462, State Capital Improvement Fund \$1,776, Permissive Tax Fund \$23,800 and the Village Capital Improvement Fund \$2,411.

We recommend the Village monitor cash balances and make transfers or advances as necessary from the General Fund or reduce planned expenditures to avoid deficit balances.

FINDING NUMBER 2001-30269-003

Noncompliance Citation

Ohio Revised Code § 5705.41 (B) prohibits a subdivision from making any expenditure of money unless it has been lawfully appropriated as provided in such chapter.

As of December 31, 2001 there were fifteen instances for which expenditures exceeded appropriations at the fund/function/object legal level of control, in amounts ranging from \$133 to \$27,300. As of December 31, 2000 there were fourteen instances for which expenditures exceeded appropriations at the fund/function/object legal level of control, in amounts ranging from \$375 to \$45,948. In addition, the following funds had expenditures exceeding appropriations at year end.

**FINDING NUMBER 2001-30269-003
 (Continued)**

Fund	Amount Appropriated	Amount Expended	Excess of Expenditures Over Appropriations
December 31, 2001			
General Fund	\$453,350	\$747,077	\$293,727
Permissive License Tax Fund	4,000	31,300	27,300
Village Capital Improvement Fund	38,000	303,448	265,448
Sewer Fund	127,000	140,947	13,947
December 31, 2000			
Street, Construction, Maintenance and Repair Fund	105,000	153,136	48,136
Permissive License Tax Fund	4,000	23,800	19,800
Police Fund	32,000	33,384	1,384
Village Capital Improvement Fund	18,000	229,466	211,466
Water Fund	89,000	89,100	100

The Clerk should not issue checks for expenditures that would exceed appropriations. The Clerk should inform the Council of the insufficiency of appropriations, and whether current resources permit an increase to appropriations. The Council should determine if they wish to increase appropriations and if needed, obtain an amended certificate of estimated resources.

FINDING NUMBER 2001-30269-004

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 exceptions 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, both at the time of the contract or order and at the time of the certificate, 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.
- 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.

**FINDING NUMBER 2001-30269-004
(Continued)**

None of the transactions tested received prior certification nor were they certified using a then-and-now certification. In addition, as of December 31, 2001 and 2000, the Village had \$579,903 and \$61,500, respectfully, in outstanding purchase commitments that were not properly certified and as a result were charged against 2002 and 2001 appropriations. The accompanying financial statements have been adjusted to reflect these amounts as outstanding encumbrance at December 31, 2001 and 2000.

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, we recommend 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 2001-30269-005

Noncompliance Citation

Ohio Revised Code § 5705.42 states when the United States government or the state or any department, division, agency authority or unit thereof makes a grant or loan of money to any political subdivision of the state to aid in paying the cost of any program, activity or function of such subdivision, or enters into an agreement with the subdivision for the making of any such grant or loan of money, the amount thereof is deemed appropriated for such purposes by the taxing authority of such subdivision as provided by law and shall be recorded as such by the fiscal officer of the subdivision, and is deemed in the process of collection within the meaning of § 5705.41, of the Ohio Revised Code.

In 2000, the Village was the beneficiary of a \$150,960 CDBG Grant that was sent directly to the vendor by Putnam County. This activity was not recorded on the ledgers of the Village. The accompanying financial statements have been adjusted to reflect the amount in the Capital Project Funds.

We recommend the Village record all benefits received from State and Federal Grants as a memo receipt and expenditure on the Village's records, request an amended certificate of estimated resources for these funds and the Council approve a corresponding appropriation for the expenditure. For additional guidance, the Village should review AOS Bulletin 2000-08.

FINDING NUMBER 2001-30269-006

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 2000. We recommend the Village obtain the required annual audit or request a waiver of the requirement from the bond holder.

**VILLAGE OF OTTOVILLE
PUTNAM COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2001 AND 2000**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
1999-30269-001	ORC § 135.18 deposits uninsured	No	This finding has not been corrected and is repeated in this report as finding 2001-30269-001.
1999-30269-002	ORC § 5705.10 deficit fund balances	No	This finding has not been corrected and is repeated in this report as finding 2001-30269-002.
1999-30269-003	ORC § 5705.41(D) certification of funds	No	This finding has not been corrected and is repeated in this report as finding 2001-30269-004.
1999-30269-004	ORC § 5705.41(B) expenditures in excess of appropriations	No	This finding has not been corrected and is repeated in this report as finding 2001-30269-003.
1999-30269-005	Mortgage Revenue Bonds 13(c) annual audit	No	This finding has not been corrected and is repeated in this report as finding 2001-30269-006.



STATE OF OHIO
OFFICE OF THE AUDITOR

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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 2, 2002**