



**Auditor of State  
Betty Montgomery**



**VILLAGE OF OTTOVILLE  
PUTNAM COUNTY**

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

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, Putnam County, (the Village) as of and for the years ended December 31, 2003 and 2002. 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, 2003 and 2002, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 10, 2004 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 audit.

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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

March 10, 2004

**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, 2003**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
<b>Cash Receipts:</b>				
Property Tax and Other Local Taxes	\$ 51,828	\$ 33,005		\$ 84,833
Municipal Income Tax	383,126			383,126
Special Assessments		3,459		3,459
Intergovernmental Receipts	63,398	34,879	\$ 21,700	119,977
Charges for Services	197,343	2,174		199,517
Fines, Licenses, and Permits	264			264
Earnings on Investments	10,158	890		11,048
Miscellaneous	29,395	3,352		32,747
<b>Total Cash Receipts</b>	<b>735,512</b>	<b>77,759</b>	<b>21,700</b>	<b>834,971</b>
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	110,403	33,706		144,109
Public Health Services	143			143
Transportation	27,446	151,778		179,224
General Government	146,864			146,864
Capital Outlay			545,079	545,079
<b>Total Cash Disbursements</b>	<b>284,856</b>	<b>185,484</b>	<b>545,079</b>	<b>1,015,419</b>
<b>Total Receipts Over/(Under) Disbursements</b>	<b>450,656</b>	<b>(107,725)</b>	<b>(523,379)</b>	<b>(180,448)</b>
<b>Other Financing Receipts and (Disbursements):</b>				
Loan Proceeds			239,556	239,556
Transfers-In		105,000	288,000	393,000
Transfers-Out	(407,187)			(407,187)
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>(407,187)</b>	<b>105,000</b>	<b>527,556</b>	<b>225,369</b>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	43,469	(2,725)	4,177	44,921
Fund Cash Balances, January 1	530,107	85,311	6,008	621,426
<b>Fund Cash Balances, December 31</b>	<b>\$ 573,576</b>	<b>\$ 82,586</b>	<b>\$ 10,185</b>	<b>\$ 666,347</b>
Reserves for Encumbrances, December 31			\$ 2,747	\$ 2,747

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

**VILLAGE OF OTTOVILLE  
PUTNAM COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2003**

	Proprietary Fund Type
	Enterprise
<b>Operating Cash Receipts:</b>	
Charges for Services	\$ 249,253
Miscellaneous	611
	249,864
Total Operating Cash Receipts	249,864
<b>Operating Cash Disbursements:</b>	
Personal Services	64,145
Contractual Services	87,364
Supplies and Materials	60,621
Capital Outlay	28,050
	240,180
Total Operating Cash Disbursements	240,180
Operating Income	9,684
<b>Non-Operating Cash Receipts:</b>	
Other Non-Operating Receipts	1,275
<b>Non-Operating Cash Disbursements:</b>	
Redemption of Principal	18,553
Interest and Other Fiscal Charges	15,672
Other Non-Operating Cash Disbursements	750
	34,975
Total Non-Operating Cash Disbursements	34,975
Excess of Disbursements over Receipts Before Interfund Transfers	(24,016)
Transfers-In	22,187
Transfers-Out	(8,000)
	(9,829)
Net Disbursements over Receipts	(9,829)
Fund Cash Balances, January 1	322,262
<b>Fund Cash Balances, December 31</b>	<b>\$ 312,433</b>

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 - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
<b>Cash Receipts:</b>				
Property Tax and Other Local Taxes	\$ 51,148	\$ 31,674		\$ 82,822
Municipal Income Tax	395,236			395,236
Intergovernmental Receipts	63,800	32,790		96,590
Charges for Services	377,347			377,347
Fines, Licenses, and Permits	286			286
Earnings on Investments	14,165	1,530		15,695
Miscellaneous	21,509	2,665		24,174
<b>Total Cash Receipts</b>	<b>923,491</b>	<b>68,659</b>		<b>992,150</b>
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	127,915	7,278		135,193
Public Health Services	259			259
Transportation		91,544		91,544
General Government	96,598			96,598
Capital Outlay	335,487		\$ 282,960	618,447
<b>Total Cash Disbursements</b>	<b>560,259</b>	<b>98,822</b>	<b>282,960</b>	<b>942,041</b>
<b>Total Receipts Over/(Under) Disbursements</b>	<b>363,232</b>	<b>(30,163)</b>	<b>(282,960)</b>	<b>50,109</b>
<b>Other Financing Receipts and (Disbursements):</b>				
Loan Proceeds			4,127	4,127
Transfers-In			250,000	250,000
Transfers-Out	(260,000)			(260,000)
Other Financing Sources			199	199
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>(260,000)</b>		<b>254,326</b>	<b>(5,674)</b>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	103,232	(30,163)	(28,634)	44,435
Fund Cash Balances, January 1	426,875	115,474	34,642	576,991
<b>Fund Cash Balances, December 31</b>	<b>\$ 530,107</b>	<b>\$ 85,311</b>	<b>\$ 6,008</b>	<b>\$ 621,426</b>
Reserves for Encumbrances, December 31		\$ 33,330	\$ 382,486	\$ 415,816

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, 2002**

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$ 243,305		\$ 243,305
Miscellaneous	1,611		1,611
Total Operating Cash Receipts	<u>244,916</u>		<u>244,916</u>
<b>Operating Cash Disbursements:</b>			
Fringe Benefits			-
Contractual Services	37,659		37,659
Supplies and Materials	44,940		44,940
Capital Outlay	30,952		30,952
Total Operating Cash Disbursements	<u>170,659</u>		<u>170,659</u>
Operating Income	<u>74,257</u>		<u>74,257</u>
<b>Non-Operating Cash Receipts:</b>			
Other Non-Operating Receipts	<u>750</u>		<u>750</u>
Total Non-Operating Cash Receipts	<u>750</u>		<u>750</u>
<b>Non-Operating Cash Disbursements:</b>			
Redemption of Principal	17,553		17,553
Interest and Other Fiscal Charges	16,162		16,162
Other Non-Operating Cash Disbursements	1,050	\$ 1,000	2,050
Total Non-Operating Cash Disbursements	<u>34,765</u>	<u>1,000</u>	<u>35,765</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers	40,242	(1,000)	39,242
Transfers-Out	<u>(8,000)</u>		<u>(8,000)</u>
Net Receipts Over/(Under) Disbursements	50,242	(1,000)	49,242
Fund Cash Balances, January 1	<u>272,020</u>	<u>1,000</u>	<u>273,020</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$ 322,262</u></b>		<b><u>\$ 322,262</u></b>
Reserve for Encumbrances, December 31	<u>\$ 32,613</u>		<u>\$ 32,613</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

**VILLAGE OF OTTOVILLE  
PUTNAM COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002

**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 governmental services, water and sewer utilities, and police services. The Village appropriates general fund money to support a volunteer fire department.

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:

**VILLAGE OF OTTOVILLE  
PUTNAM COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)

**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.

**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 used for major projects in the Village such as the Water and Sewer Line to the school, Franklin Street, and Wastewater Treatment Plant and the engineer costs for these projects. The projects are financed with State and Federal grants and loans and transfers from the General Fund

**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.

**VILLAGE OF OTTOVILLE  
PUTNAM COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)

**5. Fiduciary Funds (Trust 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. The Village had the following significant fiduciary funds:

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. The deposit was returned in 2002.

**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.

**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 2003 and 2002 budgetary activity appears in Note 3.

**VILLAGE OF OTTOVILLE  
PUTNAM COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)

**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. EQUITY IN POOLED CASH**

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

	2003	2002
Demand deposits	\$ 828,780	\$ 793,688
Certificates of deposit	150,000	150,000
Total deposits	\$ 978,780	\$ 943,688

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

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2003 and 2002 follows:

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 488,943	\$ 735,512	\$ 246,569
Special Revenue	155,486	182,759	27,273
Capital Projects	130,000	549,256	419,256
Enterprise	255,900	273,326	17,426
Total	\$ 1,030,329	\$ 1,740,853	\$ 710,524

**VILLAGE OF OTTOVILLE  
PUTNAM COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)

2003 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 721,700	\$ 692,043	\$ 29,657
Special Revenue	291,330	185,484	105,846
Capital Projects	639,086	547,826	91,260
Enterprise	412,154	283,155	128,999
Total	<u>\$ 2,064,270</u>	<u>\$ 1,708,508</u>	<u>\$ 355,762</u>

2002 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,121,600	\$ 923,491	\$ (198,109)
Special Revenue	138,566	68,659	(69,907)
Capital Projects	421,000	254,326	(166,674)
Enterprise	258,203	263,666	5,463
Total	<u>\$ 1,939,369</u>	<u>\$ 1,510,142</u>	<u>\$ (429,227)</u>

2002 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 1,349,490	\$ 820,259	\$ 529,231
Special Revenue	205,000	132,152	72,848
Capital Projects	639,763	665,446	(25,683)
Enterprise	393,453	246,037	147,416
Fiduciary	1,000	1,000	
Total	<u>\$ 2,588,706</u>	<u>\$ 1,864,894</u>	<u>\$ 723,812</u>

**4. COMPLIANCE**

In 2002, the Village Capital Improvement Fund had a deficit fund balance of \$89,546 and in 2003, the Street Construction Maintenance and Repair Fund had deficit fund balances ranging from \$114 to \$1,298.

**VILLAGE OF OTTOVILLE  
PUTNAM COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)

As of December 31, 2003, there were eighteen instances for which expenditures exceeded appropriations at the fund/function/object legal level of control, in amounts ranging from \$44 to \$285,020. As of December 31, 2002, there were twelve instances for which expenditures exceeded appropriations at the fund/function/object legal level of control, in amounts ranging from \$9 to \$24,833. In addition, the following funds had expenditures exceeding appropriations at year end.

Fund	Amount Appropriated	Amount Expended	Excess of Expenditures Over Appropriations
December 31, 2003			
Sewer Fund	\$ 136,005	\$ 144,558	\$ 8,553
Utility Deposit Fund	675	750	75
December 31, 2002			
Village Capital Improvement Fund	\$ 639,763	\$ 665,446	\$ 25,683
Utility Deposit Fund	900	1,050	150

None of the transactions tested received prior certification nor were they certified using a then-and-now certification. In addition, as of December 31, 2003 and 2002, the Village had \$2,747 and \$448,429, respectfully, in outstanding purchase commitments that were not properly certified and as a result were charged against 2004 and 2003 appropriations. The accompanying financial statements have been adjusted to reflect these amounts as outstanding encumbrance at December 31, 2003 and 2002.

**5. 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 Tax 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.

**VILLAGE OF OTTOVILLE  
PUTNAM COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)

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.

**6. 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.

**7. DEBT**

Debt outstanding at December 31, 2003 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Commission Loan #1	\$ 39,082	
Ohio Public Works Commission Loan #2	243,683	1.00%
Mortgage Revenue Bonds	294,000	5.00%
Total	<u>\$ 576,765</u>	

Ohio Public Works Commission (OPWC) loan #1 was entered into in 1994, for the purpose of providing revenues for a waterline and valve replacement project. The 20 year interest free loan had an original principal of \$71,057. The Village makes semiannual installments of \$1,776, with final maturity in 2015.

Ohio Public Works Commission (OPWC) loan #2 was entered into in 2002, for the purpose of providing revenues for a wastewater treatment plant sledge handling improvement. The 20 year loan is for \$243,683. The Village will begin making semiannual installments of \$6,737 in 2004, with final maturity in 2024.

**VILLAGE OF OTTOVILLE  
PUTNAM COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)

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 percent 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 2002. 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 Loans	Mortgage Revenue Bonds
2004	\$ 8,513	\$ 29,712
2005	17,027	29,962
2006	17,027	30,162
2007	17,027	30,312
2008	17,027	30,412
2009-2013	85,135	150,109
2014-2018	72,696	113,785
2019-2023	67,370	
2024	6,737	
Total	\$ 308,559	\$ 414,454

**8. RETIREMENT SYSTEMS**

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees and officials belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS 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 2003 and 2002, OP&F participants contributed 10 percent of their wages. The Village contributed an amount equal to 19.5 percent of police participant wages. Members of OPERS contributed 8.5 percent of their wages. The Village contributed an amount equal to 13.55 percent of participants' gross salaries for 2003 and 2002. The Village has paid all contributions required through December 31, 2003.

**VILLAGE OF OTTOVILLE  
PUTNAM COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)

**9. 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:

**VILLAGE OF OTTOVILLE  
PUTNAM COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)

<u>Casualty Coverage</u>	<u>2002</u>	<u>2001</u>
Assets	\$ 20,174,977	\$ 19,358,458
Liabilities	<u>8,500,749</u>	<u>8,827,588</u>
Retained earnings	<u>\$ 11,674,228</u>	<u>\$ 10,530,870</u>
<u>Property Coverage</u>	<u>2002</u>	<u>2001</u>
Assets	\$ 2,565,408	\$ 1,890,323
Liabilities	<u>655,318</u>	<u>469,100</u>
Retained earnings	<u>\$ 1,910,090</u>	<u>\$ 1,421,223</u>

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

**10. 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.



**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL  
CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

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, Putnam County, (the Village) as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated March 10, 2004. 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 numbers 2003-001 through 2003-004. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated March 10, 2004.

### **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 March 10, 2004.

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.



**Betty Montgomery**  
Auditor of State

March 10, 2004

**VILLAGE OF OTTOVILLE  
PUTNAM COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2003 AND 2002**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2003-001**

**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 no funds had deficit cash balances at year end there were various instances during the year for which disbursements were made that resulted in deficit balances.

In 2002, the Village Capital Improvement Fund had a deficit fund balance of \$89,546 and in 2003 the Street Construction Maintenance and Repair Fund had deficit fund balances ranging from \$114 to \$1,298.

We recommended the Village monitor the activity in each account to ensure sufficient balances are available to pay obligations of the fund and if necessary reduce planned expenditures or transfer or advances funds to cover any anticipated shortages.

**FINDING NUMBER 2003-002**

**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, 2003, there were eighteen instances for which expenditures exceeded appropriations at the fund/function/object legal level of control, in amounts ranging from \$44 to \$285,020 and as of December 31, 2002, there were twelve instances for which expenditures exceeded appropriations at the fund/function/object legal level of control, in amounts ranging from \$9 to \$24,833. In addition, the following funds had expenditures exceeding appropriations at year end.

**FINDING NUMBER 2003-002  
 (Continued)**

Fund	Amount Appropriated	Amount Expended	Excess of Expenditures Over Appropriations
December 31, 2003			
Sewer Fund	\$ 136,005	\$ 144,558	\$ 8,553
Utility Deposit Fund	675	750	75
December 31, 2002			
Village Capital Improvement Fund	\$ 639,763	\$ 665,446	\$ 25,683
Utility Deposit Fund	900	1,050	150

The Clerk/Treasurer 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 2003-003**

**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 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 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 (\$3,000 effective April 2003) the fiscal officer may authorize it to be paid without the affirmation of the Village Council, if such expenditure is otherwise valid.

**FINDING NUMBER 2003-003**  
**(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, 2003 and 2002, the Village had \$2,747 and \$448,429, respectfully, in outstanding purchase commitments that were not properly certified and as a result were charged against 2004 and 2003 appropriations. The accompanying financial statements have been adjusted to reflect these amounts as outstanding encumbrance at December 31, 2003 and 2002.

Certification is not only required by Ohio law but is a key control in the disbursement process to assure 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 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 2003-30269-004**

**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 2002. 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, 2003 AND 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2001-30269-001	ORC § 135.18 Deposits uninsured	Yes	
2001-30269-002	ORC § 5705.10 Deficit fund balances	No	This finding has not been corrected and is repeated in this report as finding 2003-001.
2001-30269-003	ORC § 5705.41(B) Expenditures in excess of appropriation	No	This finding has not been corrected and is repeated in this report as finding 2003-002.
2001-30269-004	ORC § 5705.41(D) Certification of funds	No	This finding has not been corrected and is repeated in this report as finding 2003-003.
2001-30269-005	ORC § 5705.42 Recording benefit of state funds	No	Improvement was made reducing this to a management letter comment.
2001-30269-006	Mortgage Revenue Bonds 13(c) annual audit	No	This finding has not been corrected and is repeated in this report as finding 2003-004.



**Auditor of State  
Betty Montgomery**

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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  
APRIL 6, 2004**