



Mary Taylor, CPA
Auditor of State

VILLAGE OF HOYTVILLE
WOOD COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2007	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - Enterprise Funds - For the Year Ended December 31, 2007	6
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2006	7
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - Enterprise Funds - For the Year Ended December 31, 2006	8
Notes to the Financial Statements	9
Federal Awards Expenditures Schedule.....	16
Notes to the Federal Awards Expenditures Schedule	17
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	19
Independent Accountants' Report on Compliance with Requirements Applicable to Major Federal Programs and Internal Control Over Compliance in Accordance with <i>OMB Circular A-133</i>	21
Schedule of Findings.....	23
Schedule of Prior Audit Findings	27

This page intentionally left blank.



Mary Taylor, CPA

Auditor of State

Village of Hoytville
Wood County
2418 South Main Street, P.O. Box 135
Hoytville, Ohio 43529-0135

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

July 31, 2008

This page intentionally left blank.



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Hoytville
Wood County
2418 South Main Street, P.O. Box 135
Hoytville, Ohio 43529-0135

To the Village Council:

We have audited the accompanying financial statements of Village of Hoytville, Wood 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. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

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

Instead of the combined funds the accompanying financial statements present, GAAP 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 and reserves for encumbrances of Village of Hoytville, Wood 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 July 31, 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.

We conducted our audit to form opinions on the financial statements that collectively comprise the Village's financial statements. The federal awards expenditures schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. We subjected the federal awards expenditures schedule to the auditing procedures applied in the audit of the financial statements. In our opinion, this information is fairly stated in all material respects in relation to the financial statements taken as a whole.



Mary Taylor, CPA
Auditor of State

July 31, 2008

**VILLAGE OF HOYTVILLE
WOOD COUNTY**

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

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Local Taxes	\$5,306	\$1,841	\$7,147
Intergovernmental	18,128	10,878	29,006
Special Assessments		7,784	7,784
Earnings on Investments	861		861
Miscellaneous	7,710		7,710
	<u>32,005</u>	<u>20,503</u>	<u>52,508</u>
Total Cash Receipts	32,005	20,503	52,508
Cash Disbursements:			
Current:			
Security of Persons and Property	1,808		1,808
Leisure Time Activities	5,200		5,200
Community Environment		31	31
Basic Utility Service		82	82
General Government	26,644		26,644
Debt Service:			
Redemption of Principal	1,500		1,500
Capital Outlay		8,342	8,342
	<u>35,152</u>	<u>8,455</u>	<u>43,607</u>
Total Cash Disbursements	35,152	8,455	43,607
Total Receipts Over/(Under) Disbursements	(3,147)	12,048	8,901
Fund Cash Balances, January 1	40,454	15,792	56,246
	<u>40,454</u>	<u>15,792</u>	<u>56,246</u>
Fund Cash Balances, December 31	\$37,307	\$27,840	\$65,147
	<u>\$37,307</u>	<u>\$27,840</u>	<u>\$65,147</u>
Reserve for Encumbrances, December 31	\$7,013	\$4,265	\$11,278
	<u>\$7,013</u>	<u>\$4,265</u>	<u>\$11,278</u>

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

**VILLAGE OF HOYTVILLE
WOOD COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Enterprise
Operating Cash Receipts:	
Charges for Services	\$27,698
Operating Cash Disbursements:	
Personal Services	4,400
Employee Fringe Benefits	521
Contractual Services	11,606
Supplies and Materials	510
Total Operating Cash Disbursements	17,037
Operating Income	10,661
Non-Operating Cash Receipts:	
Intergovernmental	954,060
Special Assessments	17,495
Other Debt Proceeds	738,097
Other Non-Operating Cash Receipts	210
Total Non-Operating Cash Receipts	1,709,862
Non-Operating Cash Disbursements:	
Capital Outlay	1,327,951
Redemption of Principal	263,200
Interest and Other Fiscal Charges	19,178
Other Non-Operating Cash Disbursements	850
Total Non-Operating Cash Disbursements	1,611,179
Net Receipts Over Disbursements	109,344
Fund Cash Balances, January 1	120,306
Fund Cash Balances, December 31	\$229,650
Reserve for Encumbrances, December 31	\$72,887

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

**VILLAGE OF HOYTVILLE
WOOD COUNTY**

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

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Local Taxes	\$5,705	\$1,826	\$7,531
Intergovernmental	18,108	14,126	32,234
Special Assessments		8,224	8,224
Earnings on Investments	141		141
Miscellaneous	6,860	65	6,925
	<u>30,814</u>	<u>24,241</u>	<u>55,055</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
Security of Persons and Property	1,964		1,964
Leisure Time Activities	16,129		16,129
Community Environment		35	35
Basic Utility Service		108	108
General Government	22,275		22,275
Debt Service:			
Redemption of Principal	1,500		1,500
Capital Outlay		31,883	31,883
	<u>41,868</u>	<u>32,026</u>	<u>73,894</u>
Total Cash Disbursements			
	<u>41,868</u>	<u>32,026</u>	<u>73,894</u>
Total Disbursements Over Receipts	<u>(11,054)</u>	<u>(7,785)</u>	<u>(18,839)</u>
Other Financing Receipts :			
Other Financing Sources	29,170		29,170
	<u>29,170</u>		<u>29,170</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	18,116	(7,785)	10,331
Fund Cash Balances, January 1	22,338	23,577	45,915
	<u>22,338</u>	<u>23,577</u>	<u>45,915</u>
Fund Cash Balances, December 31	<u>\$40,454</u>	<u>\$15,792</u>	<u>\$56,246</u>

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

**VILLAGE OF HOYTVILLE
WOOD COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Enterprise
Operating Cash Receipts:	
Charges for Services	\$28,231
Operating Cash Disbursements:	
Personal Services	4,412
Employee Fringe Benefits	557
Contractual Services	13,355
Total Operating Cash Disbursements	18,324
Operating Income	9,907
Non-Operating Cash Receipts:	
Special Assessments	16,157
Earnings on Investments	2
Other Debt Proceeds	209,903
Other Non-Operating Cash Receipts	2,601
Total Non-Operating Cash Receipts	228,663
Non-Operating Cash Disbursements:	
Capital Outlay	154,618
Redemption of Principal	67,600
Interest and Other Fiscal Charges	8,615
Total Non-Operating Cash Disbursements	230,833
Net Receipts Over Disbursements	7,737
Fund Cash Balances, January 1	112,569
Fund Cash Balances, December 31	\$120,306

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

**VILLAGE OF HOYTVILLE
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Hoytville, Wood County, (the Village) as a body corporate and politic. A publicly-elected six-member Council governs the Village. The Village provides water and sewer utilities and park operations. 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. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. 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.

The Village values certificates of deposit 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 reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

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

**VILLAGE OF HOYTVILLE
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

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

Street Lighting Fund - This fund receives special assessment revenue to fund street lighting.

3. Enterprise Funds

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

Water Fund - This fund receives special assessment to provide funding for the waterline project.

OWDA Fund - This fund is used to account for the activity of the loan money from OWDA for the waterline project.

CDBG Fund - This fund is used to account for the activity of the federal grant money from Ohio Department of Development for the waterline project.

USDA Fund - This fund is used to account for the activity of the federal grant money from the US Department of Agriculture for the waterline project.

Sewer Fund - This fund receives charges for services from residents to cover sewer service costs.

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 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.

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 HOYTVILLE
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Village did not encumber all commitments required by Ohio law. Management has included audit adjustments in the accompanying budgetary presentations for material items that should have been encumbered.

A summary of 2007 and 2006 budgetary activity appears in Note 4.

F. Property, Plant, and Equipment

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

2. RESTATEMENT OF FUNDS

The Village reclassified Gas Tax and mispostings from prior years. The effect on the fund balances is as follows:

	General	Enterprise	Special Revenue
Fund Balance as reported at December 31, 2005	\$21,412	\$112,736	\$24,336
Reclassification of Gas Tax and mispostings	926	(167)	(759)
Restated Fund Balances at January 1, 2006	<u>\$22,338</u>	<u>\$112,569</u>	<u>\$23,577</u>

3. EQUITY IN POOLED CASH

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

	2007	2006
Demand deposits	\$274,499	\$176,552
Certificates of deposit	20,298	
Total deposits	<u>\$294,797</u>	<u>\$176,552</u>

Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

**VILLAGE OF HOYTVILLE
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

4. BUDGETARY ACTIVITY

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

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$131,541	\$32,005	(\$99,536)
Special Revenue	22,100	20,503	(1,597)
Enterprise	2,046,131	1,737,560	(308,571)
Total	\$2,199,772	\$1,790,068	(\$409,704)

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$100,000	\$42,165	\$57,835
Special Revenue	39,052	12,720	26,332
Enterprise	2,121,631	1,701,103	420,528
Total	\$2,260,683	\$1,755,988	\$504,695

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$61,488	\$59,984	(\$1,504)
Special Revenue	20,460	24,241	3,781
Enterprise	345,806	256,894	(88,912)
Total	\$427,754	\$341,119	(\$86,635)

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$54,868	\$41,868	\$13,000
Special Revenue	27,850	32,026	(4,176)
Enterprise	98,720	249,157	(150,437)
Total	\$181,438	\$323,051	(\$141,613)

Contrary to Ohio law, gas and auto license taxes (\$2,999) and homestead/rollback monies (\$23) were credited to incorrect funds resulting in adjustments to the financial statements and accounting records.

Contrary to Ohio law, expenditures exceeded appropriations in 2006 in the Street Construction Maintenance and Repair Fund (\$9,579), State Highway Fund (\$772), Special Assessment – Trees Fund (\$1,127), Water – Capital Project Fund (\$12,650), and the OWDA – Capital Project Fund (\$209,903).

**VILLAGE OF HOYTVILLE
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

5. PROPERTY TAX

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

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.

6. DEBT

Debt outstanding at December 31, 2007, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
USDA-Rural Development Loan 1989	\$108,300	5.00%
Ohio Water Development Authority Loan #4725	698,000	4.44%
Total	<u>\$806,300</u>	

The Ohio Water Development Authority (OWDA) loan #4725 relates to the installation of a waterline project. The OWDA approved up to \$698,000 in an advance loan to the Village at an interest rate of 4.44%. The Village will repay the loan with a USDA-Rural Development loan which will be received when the water project is completed. As of December 31, 2007, amounts drawn down plus capitalized interest amounts to \$709,409.

The USDA Loan relates to sewer system improvements that were mandated by the Ohio Environmental Protection Agency. The USDA approved \$139,000 in bonds to the Village for these improvements. The bonds will be repaid in annual installments, plus interest, over 37 years. The bond is collateralized by sewer revenues. The Village has agreed to set utility rates sufficient to cover USDA Rural Development debt service requirements.

The USDA Loan requires the Village to establish and fund a sewer debt reserve fund, included as an enterprise fund. The balance in the fund at December 31, 2007 is \$9,000.

**VILLAGE OF HOYTVILLE
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

6. DEBT – (CONTINUED)

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

Year ending December 31:	OWDA Loan #4725	USDA Sewer Loan
2008	\$709,409	\$8,315
2009		8,270
2010		8,220
2011		8,265
2012		8,300
2013-2017		41,225
2018-2022		41,290
2023-2027		41,225
2028-2029		15,350
Total	\$709,409	\$180,460

7. RETIREMENT SYSTEM

The Village's personnel belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2007 and 2006, OPERS members contributed 9.5 and 9%, 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.

8. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

9. CONTINGENT LIABILITIES

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor, principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

**VILLAGE OF HOYTVILLE
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

10. SUBSEQUENT EVENTS

The Village sold a piece of property to CSX for \$35,007 in January of 2008. The money was placed in the general fund.

The Village obtained an additional OWDA loan, #4774, for \$236,045 to help cover the rest of the cost of the waterline project. As of December 31, 2007 no funds had been drawn down on this loan.

**VILLAGE OF HOYTVILLE
WOOD COUNTY**

**FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2007**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
U.S. DEPARTMENT OF AGRICULTURE			
<i>Direct Assistant</i>			
Water and Waste Disposal Systems for Rural Communities	Grant	10.760	\$453,744
	Loan	10.760	472,653
Total U.S. Department of Agriculture			<u>926,397</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
<i>Pass-through Ohio Department of Development</i>			
Community Development Block Grants/State's Program	C-W-06-353-1	14.228	<u>398,934</u>
Total Federal Awards Expenditures			<u><u>\$1,325,331</u></u>

The accompanying notes are an integral part of this schedule.

**VILLAGE OF HOYTVILLE
WOOD COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FISCAL YEAR ENDED DECEMBER 31, 2007**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Expenditures Schedule (the Schedule) summarizes activity of the Village's federal award programs. The schedule has been prepared on the cash basis of accounting.

This page intentionally left blank.



Mary Taylor, CPA

Auditor of State

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

Village of Hoytville
Wood County
2418 South Main Street, P.O. Box 135
Hoytville, Ohio 43529-0135

To the Village Council:

We have audited the financial statements of the Village of Hoytville, Wood County, (the Village) as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated July 31, 2008, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. Government Auditing Standards considers this service to impair the Auditor of State's independence to audit the Village. However, Government Auditing Standards permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' Government Auditing Standards.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and 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 a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in 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 Village'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-inconsequential financial statement misstatement.

We consider the following deficiency described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting: 2007-004.

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, we believe the significant deficiency described above is also a material weakness.

We also noted certain matters that we reported to the Village's management in a separate letter dated July 31, 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 items 2007-001 through 2007-003.

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 July 31, 2008.

We intend this report solely for the information and use of the finance committee, management, Village Council, federal awarding agencies and pass-through entities. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

July 31, 2008



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Village of Hoytville
Wood County
2418 South Main Street, P.O. Box 135
Hoytville, OH 43529-0135

To the Village Council

Compliance

We have audited the compliance of the Village of Hoytville, Wood County (the Village) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to each of its major federal programs for the year ended December 31, 2007. The summary of auditor's results section of the accompanying schedule of findings identifies the Village's major federal programs. The Village's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the Village's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the Village's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Village's compliance with those requirements.

In our opinion, the Village of Hoytville complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended December 31, 2007

Internal Control Over Compliance

The Village's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Village's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over compliance.

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to administer a federal program such that there is more than a remote likelihood that the Village's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the Village's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we noted a matter involving the internal control over federal compliance not requiring inclusion in this report, that we reported to the Village's management in a separate letter dated July 31, 2008.

We intend this report solely for the information and use of the finance committee, management, Village Council, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Mary Taylor, CPA
Auditor of State

July 31, 2008

VILLAGE OF HOYTVILLE
WOOD COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2007 and 2006

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	GAAP- Adverse Regulatory - Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(ii)</i>	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Community Development Block Grant/State's Program, CFDA # 14.228; Water and Waste Disposal Systems for Rural Communities CFDA#10.760
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

FINDING NUMBER 2007-001

Noncompliance Citation

Ohio Revised Code § 5705.41(D) states no subdivision 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. 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 shall be null and void.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. **"Then and Now" Certificate** – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.

2. **Blanket Certificate** – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. **Super Blanket Certificate** – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

For twenty-eight percent of the transactions tested, prior certification was not obtained nor was a then and now certificate utilized. Failure to properly certify the availability of funds can result in overspending funds and negative cash balances.

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 non-payroll disbursements receive prior certification of the Clerk-Treasurer. When that is not possible, a Then and Now Certificate should be executed. In addition Council should periodically review the expenditures made to ensure they are within the appropriations adopted by Council, certified by the Clerk-Treasurer and recorded against appropriations.

FINDING NUMBER 2007-002

Noncompliance Citation

Ohio Revised Code § 5705.10(D) provides, in part, that all revenue derived from a specific source shall be credited to a special fund for that purpose for which the monies were received.

The 2006 and 2007 Village financial records reflected \$2,999 in gas and auto license taxes and \$23 in homestead and rollback monies credited to the incorrect funds.

The Village Clerk-Treasurer posted these adjustments to the Village records. These are also reflected in the accompanying financial statements.

Sound financial reporting is the responsibility of the Clerk-Treasurer and Council and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. We recommend the Clerk-Treasurer and Council review each month a receipt report to ensure receipts are properly posted.

FINDING NUMBER 2007-003

Noncompliance Citation

Ohio Revised Code § 5705.41(B) states no subdivision shall make any expenditure of money unless it has been lawfully appropriated.

The following funds had expenditures in excess of appropriations for the year ended December 31, 2006:

<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
Street Construction, Maintenance and Repair	\$5,900	\$15,479	\$9,579
State Highway	1,950	2,722	772
Special Assessment-Trees	2,000	3,127	1,127
Water - capital project		12,650	12,650
OWDA - capital project		209,903	209,903

We recommend the Clerk-Treasurer and Village Council review and amend appropriations whenever necessary to help reduce the possibility of expenditures exceeding appropriations, provided sufficient resources are available.

FINDING NUMBER 2007-004

Material Weakness - Monitoring Controls by Council and Financial Reporting

Sound accounting procedures require there to be adequate segregation of duties and monitoring procedures performed by management. Sound financial reporting is the responsibility of the Clerk-Treasurer and Village Council and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The Clerk-Treasurer performed most accounting functions. It is therefore important that Council monitor financial activity closely. The following deficiencies were noted in the reporting of the Village's financial activity that required adjustment and are reflected in the accompanying financial statements and accounting records:

- Errors were noted in the posting of revenues and expenditures to the financial statements that required twenty-two audit reclassifications and adjustments ranging in amounts \$2 to \$209,903.
- As noted in the Finding 2007-002, in 2006 and 2007 Village financial records reflected gas and auto license taxes and homestead and rollback monies credited to the incorrect fund.
- Budgeted receipts and appropriations posted to the Village's accounting system did not always agree to the amended certificate of estimated resources or to the appropriation resolution or any modifications or amendments.
- The Village had \$84,165 in outstanding purchase commitments as of December 31, 2007 that were not certified at year end. The accompanying budgetary presentations have been adjusted to reflect these amounts as an outstanding encumbrance at year end in the General, Special Revenue, and Enterprise Funds, \$7,013, \$4,265, \$72,887, respectively.
- In 2006 and 2007, \$6,437 in water utility delinquencies received from tax settlements were credited to the sewer fund.
- In 2007, \$850 in Village Hall expenses was paid from the Sewer fund which should have been charged to the General Fund.
- In 2007, \$51,654 in expenses were posted to the CDBG fund that did not occur. To correct this situation, the Clerk-Treasurer increased the USDA Grant fund's beginning balance by this amount.
- In 2007, \$760 in interest from a matured certificate of deposit was rolled over and not posted to General Fund.

In addition to the errors noted in the financial statements and related disclosures, Council did not receive monthly budget versus actual reports for their review and approval and monthly bank reconciliations were not reviewed or approved by Council or the Finance Committee.

These weaknesses allowed posting errors to occur and go undetected. In addition, inaccurate budgetary information could hinder Council's ability to monitor the Village's financial condition when reviewing budgetary reports.

To strengthen the monitoring over the Village's financial condition and ensure the financial statements are complete and accurate we recommend, the Village adopt policies and procedures, including a review of the financial records and a final review of the statements by the Clerk-Treasurer and Village Council.

Officials' Response:

We did not receive a response from Officials to the findings reported above.

VILLAGE OF HOYTVILLE
WOOD COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2007 AND 2006

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2005-001	Revised Code § 5705.41(D), expenditures not properly certified.	No	Not corrected, repeated as finding 2007-001 in this report.



Mary Taylor, CPA
Auditor of State

VILLAGE OF HOYTVILLE

WOOD COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 26, 2008**