



**VILLAGE OF HOYTVILLE  
WOOD COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2005**



**Auditor of State  
Betty Montgomery**



VILLAGE OF HOYTVILLE  
WOOD COUNTY

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**Auditor of State  
Betty Montgomery**

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 a February 2, 2005, 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 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 "Betty Montgomery".

**Betty Montgomery**  
Auditor of State

October 25, 2006

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**Auditor of State  
Betty Montgomery**

**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 the Village of Hoytville, Wood County, (the Village) as of and for the years ended December 31, 2005 and 2004. 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.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2005 and 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2005 and 2004.

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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 the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since this Village does not use GAAP to measure financial statement amounts, 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, 2005 and 2004, 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, 2005 and 2004, or its changes in financial position or cash flows of its proprietary funds 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, 2005 and 2004, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the years ended December 31, 2005 and 2004. 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 October 25, 2006, 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.



**Betty Montgomery**  
Auditor of State

October 25, 2006



**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, 2005**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Property Tax and Other Local Taxes	\$5,322			\$5,322
Special Assessments		\$8,429		8,429
Intergovernmental Receipts	28,838	12,483		41,321
Charges for Services	5,133			5,133
Earnings on Investments	640			640
Miscellaneous	1,398			1,398
	<u>41,331</u>	<u>20,912</u>		<u>62,243</u>
<b>Total Cash Receipts</b>				
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	1,271	5,470		6,741
Public Health Services	40			40
Leisure Time Activities	14,682			14,682
Community Environment		410		410
Basic Utility Services		122		122
Transportation		4,312		4,312
General Government	20,623			20,623
Capital Outlay	3,000	11,423	\$67,600	82,023
	<u>39,616</u>	<u>21,737</u>	<u>67,600</u>	<u>128,953</u>
<b>Total Cash Disbursements</b>				
Total Cash Receipts Over/(Under) Cash Disbursements	<u>1,715</u>	<u>(825)</u>	<u>(67,600)</u>	<u>(66,710)</u>
<b>Other Financing Receipts:</b>				
Other Debt Proceeds			67,600	67,600
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	1,715	(825)		890
Fund Cash Balances, January 1	<u>19,697</u>	<u>25,161</u>		<u>44,858</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$21,412</b></u>	<u><b>\$24,336</b></u>		<u><b>\$45,748</b></u>
Reserves for Encumbrances, December 31	<u>\$26</u>			<u>\$26</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 - PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<b>Proprietary Fund Type</b>
	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$32,432
<b>Operating Cash Disbursements:</b>	
Personal Services	4,400
Fringe Benefits	553
Contractual Services	9,522
Supplies and Materials	447
Total Operating Cash Disbursements	14,922
Operating Income	17,510
<b>Non-Operating Cash Receipts:</b>	
Special Assessments	10,351
Earnings on Investments	6
Total Non-Operating Cash Receipts	10,357
<b>Non-Operating Cash Disbursements:</b>	
Debt Service	
Redemption of Principal	2,500
Interest and Other Fiscal Charges	5,805
Total Non-Operating Cash Disbursements	8,305
Net Receipts Over Disbursements	19,562
Fund Cash Balances, January 1	93,174
<b>Fund Cash Balances, December 31</b>	<b>\$112,736</b>
Reserve for Encumbrances, December 31	\$12

*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, 2004**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Property Tax and Other Local Taxes	\$5,468			\$5,468
Special Assessments		\$7,774		7,774
Intergovernmental Receipts	18,766	11,912		30,678
Charges for Services	5,100			5,100
Earnings on Investments	63	1		64
Miscellaneous	1,064			1,064
	<u>30,461</u>	<u>19,687</u>		<u>50,148</u>
<b>Total Cash Receipts</b>				
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	4,020	5,522		9,542
Public Health Services	101			101
Leisure Time Activities	8,986			8,986
Community Environment		32		32
Basic Utility Services		97		97
General Government	24,005	1,267	\$6,000	31,272
Capital Outlay	2,205	7,034		9,239
	<u>39,317</u>	<u>13,952</u>	<u>6,000</u>	<u>59,269</u>
<b>Total Cash Disbursements</b>				
Total Cash Receipts Over/(Under) Cash Disbursements	(8,856)	5,735	(6,000)	(9,121)
Fund Cash Balances, January 1	28,553	19,426	6,000	53,979
<b>Fund Cash Balances, December 31</b>	<u><u>\$19,697</u></u>	<u><u>\$25,161</u></u>		<u><u>\$44,858</u></u>
Reserves for Encumbrances, December 31	<u><u>\$1,153</u></u>			<u><u>\$1,153</u></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 - PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<b>Proprietary Fund Type</b>
	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$32,346
<b>Operating Cash Disbursements:</b>	
Personal Services	4,400
Fringe Benefits	553
Contractual Services	11,958
Total Operating Cash Disbursements	16,911
Operating Income	15,435
<b>Non-Operating Cash Receipts:</b>	
Special Assessments	3,090
Earnings on Investments	3
Total Non-Operating Cash Receipts	3,093
<b>Non-Operating Cash Disbursements:</b>	
Debt Service	
Redemption of Principal	2,300
Interest and Other Fiscal Charges	5,920
Other Financing Uses	2,500
Total Non-Operating Cash Disbursements	10,720
Net Receipts Over Disbursements	7,808
Fund Cash Balances, January 1	85,366
<b>Fund Cash Balances, December 31</b>	<b>\$93,174</b>
Reserve for Encumbrances, December 31	\$12

*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, 2005 AND 2004**

**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. Basis of Accounting**

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. This basis 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 adequately disclose material matters the Auditor of State prescribes.

**C. Cash and Investments**

The Village's accounting basis includes investments as assets. This basis does not report disbursements for investment purchases or receipts for investment sales. The Village reports 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 that is 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 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, 2005 AND 2004  
(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.

Permissive Motor Vehicle License Fund -This fund receives tax money from Wood County for roadwork.

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

**3. Capital Project Funds**

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project fund:

Water System Planning Fund - This fund receives proceeds of an OWDA loan. The proceeds are being used for planning the feasibility of providing water to the Village residents.

**4. 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 Fund:

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. 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, 2005 AND 2004  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (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 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 2005 and 2004 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. RECLASSIFICATION OF FUNDS**

In prior years, the Expendable Trust Funds consisted of a Gas Fund and Wastewater Treatment Fund. The Gas Fund is surplus funds accumulated from a gas service revenue account and reimbursed to the Village from Suburban Natural Gas Company and has no restrictions for its use and should have been placed into the General Fund. The Wastewater Treatment Fund is funds left over from the lagoon and sewer lines project and moneys are restricted to sewer usage. The Enterprise classification better reflects this activity. The effect changes the beginning January 1, 2004 General Fund balance from \$9,644 to \$28,553 for an increase of \$18,909 and a change to the beginning Enterprise Fund balance from \$76,950 to \$85,366 for an increase of \$8,416 and eliminates the Expendable Trust Fund which had a December 31, 2003, fund balance of \$27,325.

**3. EQUITY IN POOLED CASH**

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

	<u>2005</u>	<u>2004</u>
Demand deposits	\$158,484	\$119,123
Certificates of deposit		18,909
Total deposits	<u>\$158,484</u>	<u>\$138,032</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, 2005 AND 2004  
(Continued)**

**4. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2005 and 2004 follows:

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$60,948	\$41,331	(\$19,617)
Special Revenue	20,000	20,912	912
Capital Projects	70,000	67,600	(2,400)
Enterprise	59,010	42,789	(16,221)
Total	\$209,958	\$172,632	(\$37,326)

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$79,772	\$39,642	\$40,130
Special Revenue	45,161	21,737	23,424
Capital Projects	67,600	67,600	
Enterprise	113,080	23,239	89,841
Total	\$305,613	\$152,218	\$153,395

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$56,273	\$30,461	(\$25,812)
Special Revenue	17,100	19,687	2,587
Capital Projects	12,000		(12,000)
Enterprise	28,100	35,439	7,339
Total	\$113,473	\$85,587	(\$27,886)

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$84,826	\$40,470	\$44,356
Special Revenue	36,527	13,952	22,575
Capital Projects	18,000	6,000	12,000
Enterprise	104,466	27,643	76,823
Total	\$243,819	\$88,065	\$155,754



**VILLAGE OF HOYTVILLE  
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**5. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Village Council adopts 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 State pays the Village amounts equaling these deductions. The Village includes these with Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half payment 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.

Property owners assess tangible personal property tax. They must file a list of tangible 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 the Village's behalf.

**6. DEBT**

Debt outstanding at December 31, 2005, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan #3726	\$13,500	
Ohio Water Development Authority Loan #4311	66,273	4.99%
USDA Mortgage Revenue Bonds	<u>113,600</u>	5.00%
Total	<u><u>\$193,373</u></u>	

The Ohio Water Development Authority (OWDA) loan #3726 relates to the planning phase of bringing water to the Village residents. The loan will be repaid in annual installments over 10 years. The loan is collateralized by general fund receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Water Development Authority (OWDA) loan #4311 relates to the planning and design phase of bringing water to Village residents. The OWDA approved up to \$67,523 in loans to the Village for this project at an interest rate of 4.99%. As of December 31, 2005, the Village has used \$66,273 of this loan and no amortization schedule is available at this time. The Village will repay the loan over 5 years. Water receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The USDA Mortgage Revenue Bonds relate 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 Mortgage Revenue Bonds require the Village to establish and fund a sewer debt reserve fund, included as an enterprise fund. The balance in the fund at December 31, 2005, is \$9,000.

**VILLAGE OF HOYTVILLE  
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**6. DEBT – (Continued)**

Amortization of the above debt, including interest, follows:

<u>Year ending December 31:</u>	<u>OWDA Loan #3726</u>	<u>USDA Sewer Loan</u>
2006	\$1,500	\$8,280
2007	1,500	8,250
2008	1,500	8,315
2009	1,500	8,270
2010	1,500	8,220
2011-2015	6,000	41,290
2016-2020		41,270
2021-2025		41,255
2026-2029		31,840
Total	<u>\$13,500</u>	<u>\$196,990</u>

**7. RETIREMENT SYSTEM**

Officials and employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes the plan's retirement benefits, including postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 8.5 percent of their wages. The Village contributed an amount equal to 13.55 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2005.

**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.

**VILLAGE OF HOYTVILLE  
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**9. CONTINGENT LIABILITIES**

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor, principally the federal government. Grantors 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.

**10. SUBSEQUENT EVENTS**

On March 30, 2006, the Ohio Water Development Authority (OWDA) approved a \$250,000 loan #4478 to the Village for the water system planning and design at an interest rate of 4.99%.

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**Auditor of State  
Betty Montgomery**

**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, 2005 and 2004, and have issued our report thereon dated October 25, 2006, 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 because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. 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 to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Village's management dated October 25, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

### **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 an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of finding as item 2005-001. In a separate letter to the Village's management dated October 25, 2006, we reported another matter related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the finance and audit committee, management, and the Village Council. It is not intended for 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

October 25, 2006

**VILLAGE OF HOYTVILLE  
WOOD COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2005 AND 2004**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2005-001**

**Noncompliance Citation**

Ohio Revised Code § 5705.41(D) (1) states that 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. Every such contract made without such a certificate shall be void and no warrant shall be issued in payment of any amount due thereon.

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.

**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 payment of the amount due. The Village has thirty days from the receipt of the "then and now" certificate to approve payment by resolution or ordinance.

Amounts of less than \$3,000 may be paid by the fiscal officer without such affirmation of the taxing authority 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 taxing authority.

**Blanket Certificate:** Fiscal Officers may prepare "blanket" certificates not exceeding amounts as approved by Council via Ordinance or Resolution, or running beyond the current 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.

**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.

Twenty-three percent of the transactions tested were not certified by the Clerk/Treasurer at the time the commitment was incurred, and there was no evidence that the Village followed the aforementioned exceptions. Although the Village does utilize Blanket Certificates, as well as Then & Now statements, for the exceptions noted they were either not used or improperly used. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances. In addition, the Village had \$1,127 in outstanding purchase commitments as of December 31, 2004, that was 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 Fund.

**FINDING NUMBER 2005-001  
(Continued)**

Certification is not only required by Ohio law but is a key control in the disbursements process to help 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/Treasurer and the Council periodically review the expenditures made to ensure they are within the appropriations adopted by the Council, certified by the Clerk/Treasurer and recorded against appropriations.

**Officials Response:**

Management will try to ensure prior certification of expenditures.





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**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  
NOVEMBER 21, 2006**