

VILLAGE OF OHIO CITY
VAN WERT COUNTY, OHIO
REGULAR AUDIT
JANUARY 1, 2007 THROUGH DECEMBER 31, 2008
YEARS AUDITED UNDER GAGAS: 2008 AND 2007

CAUDILL & ASSOCIATES CPA's

725 5th Street
Portsmouth, Ohio 45662



Mary Taylor, CPA

Auditor of State

Village Council
Village of Ohio City
P.O. Box 246
Ohio City, Ohio 45874

We have reviewed the *Independent Auditor's Report* of the Village of Ohio City, Van Wert County, prepared by Caudill & Associates, CPA's, for the audit period January 1, 2007 through December 31, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

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

Mary Taylor, CPA
Auditor of State

June 30, 2009

This Page is Intentionally Left Blank.

**VILLAGE OF OHIO CITY
VAN WERT COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2008	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Proprietary Fund Type - For the Year Ended December 31, 2008	4
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 - All Proprietary Fund Type - For the Year Ended December 31, 2007	6
Notes to the Financial Statements	7
Report on Internal Control Over Financial Reporting and on Compliance And Other Matters Based on an Audit of Financial Statements Performed In Accordance with <i>Government Auditing Standards</i>	14
Schedule of Findings and Responses	16
Schedule of Prior Audit Findings	19

This Page is Intentionally Left Blank.

Caudill & Associates, CPA's

725 5th Street
Portsmouth, OH 45662

Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants
Kentucky Society of Certified Public Accountants

Independent Auditor's Report

Members of Council
Village of Ohio City
Van Wert County
103 South Main Street
Ohio City, Ohio 45874

We have audited the accompanying financial statements of the Village of Ohio City (The Village), Van Wert County, Ohio, as of and for the years ended December 31, 2008 and 2007. 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 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 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, 2008 and 2007. Instead of the combined funds the accompanying financial statements present for 2008 and 2007, the revisions require presenting entity wide statements and also presenting its larger (i.e. major) funds separately for 2008 and 2007. 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, 2008 and 2007, 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, 2008 and 2007, 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 of the Village, as of December 31, 2008 and 2007, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

Members of Council
Village of Ohio City
Independent Auditor's Report
Page 2

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, 2008 and 2007. 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 April 17, 2009, 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Caudill & Associates, CPA's

Caudill & Associates, CPA's

April 17, 2009

VILLAGE OF OHIO CITY
VAN WERT COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
<u>Cash Receipts</u>				
Property and Other Taxes	\$ 139,427	\$ 26,350	\$ -	\$ 165,777
Intergovernmental Receipts	47,949	63,414	90,102	201,465
Charges for Services	40,395	23,161	-	63,556
Fines, Licenses & Permit	3,050	200	-	3,250
Earnings on Investments	12,731	375	-	13,106
Miscellaneous	23,131	1,500	3,611	28,242
Total Cash Receipts	<u>266,683</u>	<u>115,000</u>	<u>93,713</u>	<u>475,396</u>
<u>Disbursements</u>				
Security of Persons and Property	40,633	40,041	-	80,674
Public Health Services	4,987	-	-	4,987
Leisure Time Activities	2,216	-	-	2,216
Community Environment	82	-	-	82
Conservation-Recreation	-	595	-	595
Transportation	-	41,324	-	41,324
General Government	67,645	-	-	67,645
Capital Outlay	70,459	24,810	123,628	218,897
Total Cash Disbursements	<u>186,022</u>	<u>106,770</u>	<u>123,628</u>	<u>416,420</u>
Total Receipts Over (Under) Disbursements	<u>80,661</u>	<u>8,230</u>	<u>(29,915)</u>	<u>58,976</u>
<u>Other Financing Receipts (Disbursements)</u>				
Transfers In	-	-	58,380	58,380
Transfers Out	(81,823)	-	-	(81,823)
Sale of Fixed Assets	1,404	-	-	1,404
Total Other Financing Receipts (Disbursements)	<u>(80,419)</u>	<u>-</u>	<u>58,380</u>	<u>(22,039)</u>
Excess of Cash Receipts and Other Financing Sources Over (Under) Cash Disbursements and Other Financing Disbursements	242	8,230	28,465	36,937
Fund Cash Balance, January 1	<u>252,589</u>	<u>43,968</u>	<u>32,931</u>	<u>329,488</u>
Fund Cash Balance, December 31	<u>\$ 252,831</u>	<u>\$ 52,198</u>	<u>\$ 61,396</u>	<u>\$ 366,425</u>

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

VILLAGE OF OHIO CITY
VAN WERT COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>PROPRIETARY FUND TYPE</u>
	<u>Enterprise</u>
Operating Cash Receipts	
Charges for Services	\$ 900,085
Miscellaneous	11,261
Total Operating Cash Receipts	<u>911,346</u>
Operating Cash Disbursements	
Personal Services	227,595
Transportation	900
Contractual Services	531,894
Supplies and Materials	90,094
Capital Outlay	30,593
Total Operating Cash Disbursements	<u>881,076</u>
Operating Income	<u>30,270</u>
Non-Operating Cash Receipts	
Other Non-Operating Receipts	
Proceeds from the Sale of Notes	9,831
Special Assessments	909
Total Non-Operating Cash Receipts	<u>10,740</u>
Non-Operating Cash Disbursements:	
Debt Service - Principal	(45,552)
Debt Services - Interest	(24,155)
Total Non-Operating Cash Disbursements	<u>(69,707)</u>
Receipts over Disbursements Before Interfund Transfer	(28,697)
Transfer-In	<u>23,443</u>
Net Receipts over Disbursements	(5,254)
Fund Cash Balance, January 1	<u>425,314</u>
Fund Cash Balance, December 31	<u>\$ 420,060</u>

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

VILLAGE OF OHIO CITY
VAN WERT 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>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<u>Cash Receipts</u>				
Property and Other Local Taxes	\$ 181,174	\$ 28,325	\$ -	\$ 209,499
Intergovernmental Receipts	47,125	42,641	502,203	591,969
Charges for Services	38,808	22,548	-	61,356
Fines, Licenses & Permit	3,200	3,772	-	6,972
Earnings on Investment	35,423	1,032	-	36,455
Miscellaneous	53,712	10,756	-	64,468
Total Cash Receipts	<u>359,442</u>	<u>109,074</u>	<u>502,203</u>	<u>970,719</u>
<u>Disbursements</u>				
Security of Persons and Property	45,982	46,867	-	92,849
Public Health Services	4,948	-	-	4,948
Leisure Time Activities	2,444	-	-	2,444
Community Environment	74	-	-	74
Human Services	-	8,639	-	8,639
Transportation	-	38,160	-	38,160
General Government	78,127	-	-	78,127
Capital Outlay	6,099	9,731	600,189	616,019
Total Cash Disbursements	<u>137,674</u>	<u>103,397</u>	<u>600,189</u>	<u>841,260</u>
Total Receipts Over (Under) Disbursements	<u>221,768</u>	<u>5,677</u>	<u>(97,986)</u>	<u>129,459</u>
<u>Other Financing Receipts (Disbursements)</u>				
Sale of Fixed Assets	200	-	-	200
Transfers-In	-	-	103,285	103,285
Transfers-Out	(138,554)	-	-	(138,554)
Total Other Financing Receipts (Disbursements)	<u>(138,354)</u>	<u>-</u>	<u>103,285</u>	<u>(35,069)</u>
Excess of Cash Receipts and Other Financing Sources Over (Under) Cash Disbursements and Other Financing Disbursements	83,414	5,677	5,299	94,390
Fund Cash Balance, January 1	<u>169,175</u>	<u>38,291</u>	<u>27,632</u>	<u>235,098</u>
Fund Cash Balance, December 31	<u>\$ 252,589</u>	<u>\$ 43,968</u>	<u>\$ 32,931</u>	<u>\$ 329,488</u>

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

VILLAGE OF OHIO CITY
VAN WERT COUNTY

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

	<u>PROPRIETARY FUND TYPE</u>
	<u>Enterprise</u>
Operating Cash Receipts	
Charges for Services	\$ 956,494
Miscellaneous	5,238
Total Operating Cash Receipts	<u>961,732</u>
Operating Cash Disbursements	
Personal Services	233,835
Transportation	900
Contractual Services	583,322
Supplies and Materials	88,300
Capital Outlay	140,539
Total Operating Cash Disbursements	<u>1,046,896</u>
Operating Income	<u>(85,164)</u>
Non-Operating Cash Receipts	
Other Non-Operating Receipts	
Proceeds from the Sale of Notes	118,056
Total Non-Operating Cash Receipts	<u>118,056</u>
Non-Operating Cash Disbursements:	
Debt Service - Principal	(43,674)
Debt Service - Interest	(22,023)
Total Non-Operating Cash Disbursements	<u>(65,697)</u>
Receipts over Disbursements Before Interfund Transfers	(32,805)
Transfers-In	<u>35,269</u>
Net Receipts over Disbursements	2,464
Fund Cash Balance, January 1	<u>422,850</u>
Fund Cash Balance, December 31	<u>\$ 425,314</u>

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

**VILLAGE OF OHIO CITY
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Ohio City, Van Wert County, (the Village), is a body corporate and political 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 that governs the Village. The Village provides general governmental services, including water, sewer and electric utilities, park operations, police services, and fire services.

The Village's management believes these financial statements present all activities for which the Village is financially accountable.

B. Basis of Accounting

These financial statements follow the basis of accounting 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 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.

D. Fund Accounting

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Fund

These funds are used 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:

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

Fire Levy Fund – This fund receives tax levy monies to be used for protection.

**VILLAGE OF OHIO CITY
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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:

Issue II Fund – This fund received OPWC monies for the payment of planning cost associated with the Carmean Street project.

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.

Electric Fund – This fund receives charges for services from residents to cover the cost of providing this utility.

Sewer Facilities Construction Fund – This fund receives proceeds from charges for services, income tax transfers, and grants and loans offered by the Ohio Public Works Commission and the Ohio Water Development Agency. The proceeds are being used to construct new Sewer Facilities.

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. Appropriations lapse at year end.

**VILLAGE OF OHIO CITY
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 canceled, and reappropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law.

A summary of 2008 and 2007 budgetary activity appears in Note 3.

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.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>2008</u>	<u>2007</u>
Demand deposits	<u>\$786,485</u>	<u>\$754,802</u>
Total deposits	<u><u>\$786,485</u></u>	<u><u>\$754,802</u></u>

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

**VILLAGE OF OHIO CITY
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2008 and 2007 follows:

2008 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$575,020	\$268,087	(\$306,933)
Special Revenue	177,817	115,000	(62,817)
Capital Projects	687,953	152,093	(535,860)
Enterprise	1,535,013	945,529	(589,484)
Total	\$2,975,803	\$1,480,709	(\$1,495,094)

2008 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$296,115	\$267,845	\$28,270
Special Revenue	129,400	106,770	22,630
Capital Projects	596,000	123,628	472,372
Enterprise	1,046,567	950,783	95,784
Total	\$2,068,082	\$1,449,026	\$619,056

2007 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$502,246	\$359,642	(\$142,604)
Special Revenue	183,283	109,074	(74,209)
Capital Projects	1,245,185	605,488	(639,697)
Enterprise	1,586,824	1,115,057	(471,767)
Total	\$3,517,538	\$2,189,261	(\$1,328,277)

2007 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$204,126	\$276,228	(\$72,102)
Special Revenue	134,200	103,397	30,803
Capital Projects	620,395	600,189	20,206
Enterprise	1,010,436	1,112,593	(102,157)
Total	\$1,969,157	\$2,092,407	(\$123,250)

**VILLAGE OF OHIO CITY
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007**

4. 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.

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.

5. DEBT

Debt outstanding at December 31, 2008 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Commission Loan #1	\$ 12,000	0.00%
Ohio Public Works Commission Loan #2	143,413	0.00%
Ohio Public Works Commission Loan #3	132,905	2.00%
Ohio Water Development Authority Loan #1	10,000	0.00%
Ohio Water Development Authority Loan #2	135,787	5.65%
Ohio Water Development Authority Loan #3	243,344	4.85%
Ohio Water Development Authority Loan #4	30,000	0.00%
Ohio Water Development Authority Loan #5	103,641	4.85%
AMP – Ohio Loan	<u>2,713</u>	3.50%
Total	<u>813,803</u>	

The Ohio Public Works Commission (OPWC) loans #1 and #3 and the Ohio Water Development Authority (OWDA) loan #2 relate to a sewer plant expansion project that was mandated by the Ohio Environmental Protection Agency. The project has been split into phases and the OPWC and OWDA have approved loans to apply to specific phases of the project. OPWC loan #1 will be repaid in semiannual installments of \$1,000, with 0% interest, over 20 years. The OPWC loan #3 will be repaid in semiannual installments of \$5,302, including interest, over 30 years. The OWDA loan #2 will be repaid in semiannual installments of \$5,255, including interest, over 30 years.

The Ohio Water Development Authority (OWDA) loan #1 relates to the planning phase of the water plant expansion project. The Ohio Public Works Commission (OPWC) loan #2 relates to a water plant expansion project that was mandated by the Ohio Environmental Protection Agency. The OPWC loan #2 will be repaid in semiannual installments of \$5,737, with 0% interest, over 20 years. The OWDA loan #1 will be repaid in annual installments of \$2,500 over 10 years.

The Ohio Water Development Authority (OWDA) loan #3 relates to the planning phase of the water plant expansion project. The OWDA loan #3 will be repaid in annual installments of \$5,000, with 0% interest, over 10 years.

The Ohio Water Development Authority (OWDA) loan #4 relates to the planning phase of the water plant expansion project. The OWDA loan #4 is drawn from as needed to a maximum of \$256,088. This loan is to be rolled into a consolidated federal loan as of January 1, 2009. No payments are required to be paid before the roll-over. The amortization schedule for the loan has not been completed to date.

**VILLAGE OF OHIO CITY
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007**

5. DEBT (Continued)

The loan also had \$19,116 of capitalized interest during 2007 and 2008. The OWDA loan #5 will be repaid in annual installments of \$6,085, including interest, over 30 years.

The AMP – Ohio loan relates to the purchase of a new Bucket Truck for the Electric Department. The AMP – Ohio loan is to be repaid in monthly payments of \$910, with 3.5% interest, over 5 years. \$2,713 was outstanding as of December 31, 2008 and will be paid in full in 2009.

Amortization of the above debt, including interest, follows:

Year ending December 31:	OPWC Loan #1	OPWC Loan #2	OPWC Loan #3	OWDA Loan #1	OWDA Loan #2	OWDA Loan #3	OWDA Loan #5
2009	\$2,000	\$11,473	\$10,605	\$2,500	\$10,509	\$5,000	\$6,085
2010	2,000	11,473	10,605	2,500	10,509	5,000	6,085
2011	2,000	11,473	10,605	2,500	10,509	5,000	6,085
2012	2,000	11,473	10,605	2,500	10,509	5,000	6,085
2013	2,000	11,473	10,605		10,509	5,000	6,085
2014-2018	2,000	57,365	53,023		52,545	5,000	30,425
2019-2023		28,683	47,668		52,545		30,425
2024-2028					52,545		30,425
2029-2033					42,038		30,425
2034-2037							21,298
Total	\$12,000	\$143,413	\$153,716	\$10,000	\$252,218	\$30,000	\$173,423

6. RETIREMENT SYSTEMS

The Village’s employees and officials belong to the Ohio Public Employees Retirement Systems (OPERS). OPERS is a 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. For 2008 and 2007, OPERS members contributed 10 and 9.5 percent, respectively, of their gross salaries. The Village contributed an amount equaling 14 and 13.85 percent of participants’ gross salaries. The Village has paid all contributions required through December 31, 2008.

7. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

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

The Village maintains coverage as listed above through private carriers with limits of two million on liability, one million for personal injury, fifty thousand for fire damages and five thousand for medical expenses for any one person.

The Village also provides health insurance and dental coverage to full-time employees through a private carrier.

**VILLAGE OF OHIO CITY
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007**

8. 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.

9. RELATED PARTIES

In 2008, the Village paid Ryan Strickler \$1,475 for lawn services. Ryan Strickler is the son of the Village Clerk, Debbie Strickler.

10. SUBSEQUENT EVENTS

In 2009, the Village received a \$150,000 water project credit enhancement grant through the Ohio Public Works Commission to assist in the repayment of Village improvement projects.

11. COMPLIANCE

1. Contrary to Ohio City Ordinance 2-3-86, Section 10, which states that when the full tax amount has not been paid upon the due date, prescribed penalties and interest shall be assessed.

The Village did not assess penalties and interest on tax returns that were filled after the due date and tax returns that were not paid in full by the due date.

2. Contrary to Ohio Rev. Code Section 5705.36 (A)(2), which allows all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources.

During 2008 and 2007, the Village was in violation of 5705.36 (A)(2) for not obtaining an amended certificate for several funds.

3. The Village expended monies in excess of appropriations in several funds, contrary to Ohio Rev. Code Section 5705.41 (B), which states no subdivision or taxing unit is to expend money unless it has been appropriated,

During 2007, expenditures exceeded appropriations in the General and Water funds by \$72,102 and \$107,509, respectively.

12. MISCELLANEOUS RECEIPTS

During 2008 and 2007, miscellaneous receipt amounts were comprised of contributions and donations totaling \$13,212 and \$58,496, respectively.

Caudill & Associates, CPA's

725 5th Street
Portsmouth, OH 45662

Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants
Kentucky Society of Certified Public Accountants

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Members of Council
Village of Ohio City
103 South Main Street
Van Wert County
Ohio City, Ohio 45874

We have audited the accompanying financial statements of the Village of Ohio City (the Village), Van Wert County, as of and for the years ended December 31, 2008 and 2007, which collectively comprise the Village's financial statements, and have issued our report thereon dated April 17, 2009, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than generally accepted accounting principles. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness on the Village's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over financial reporting.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the 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 a misstatement of the Village's financial statements that is more than inconsequential will not be prevented or detected by the Village's internal control. We consider the following deficiencies described in the accompanying Schedule of Findings and Responses to be significant deficiencies in internal control over financial reporting as items 2008-003, 2008-004 and 2008-005.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Village's internal control.

Village of Ohio City
Van Wert County

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Our consideration of 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 internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We consider the following deficiency described in the accompanying Schedule of Findings and Responses to be a material weakness in internal control over financial reporting as item 2008-003.

Compliance and Other Matters

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 grant agreements, 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 three instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings and Responses as items 2008-001, 2008-002 and 2008-003.

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

We noted certain matters that we reported to management of the Village in a separate letter dated April 17, 2009.

This report is intended for the information and use of management, members of the Village Council, and is not intended to be and should not be used by anyone other than these specified parties.

Caudill & Associates, CPA's

Caudill & Associates, CPA's

April 17, 2009

**VILLAGE OF OHIO CITY
VAN WERT COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2008 AND 2007**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
--

FINDING NUMBER 2008-001

Noncompliance Citation – Ohio Rev. Code Section 5705.36 (A)(2)

Ohio Rev. Code Section 5705.36 (A)(2) allows all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources.

During 2008 and 2007, the Village was in violation of 5705.36 (A)(2) for not obtaining an amended certificate for several funds.

We recommend the Village to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources.

Village Response:

The Village will comply with the auditor’s recommendation.

FINDING NUMBER 2008-002

Noncompliance Citation – Ohio Rev. Code Section 5705.41 (B)

Ohio Rev. Code Section 5705.41 (B), states no subdivision or taxing unit is to expend money unless it has been appropriated.

During 2007, expenditures in the General fund and Enterprise fund exceeded appropriations by \$72,102 and \$107,509, respectively.

We recommend the Village Clerk and Council review appropriations periodically to ensure disbursements do not exceed appropriated amounts.

Village Response:

The Village will comply with the auditor’s recommendation.

**VILLAGE OF OHIO CITY
VAN WERT COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2008 AND 2007**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
--

FINDING NUMBER 2008-003

Noncompliance Citation/Significant Deficiency/Material Weakness – Village Ordinance 2-3-86

According to Village Ordinance 2-3-86, the purpose of the Village income tax is to provide funds for the purposes of general municipal operations, maintenance, new equipment, extension and enlargement of municipal services and facilities and capital improvements of the Village of Ohio City. When the full tax amount has not been paid upon the due date, prescribed penalties and interest shall be assessed.

During 2007 and 2008, penalties and interest were not assessed on tax returns that were filed after the due date and tax returns were not paid in full by the due date.

We recommend the Village charge penalties and interest on all tax returns filed after the due date and tax returns that do not pay full amounts by the due date that do not meet the criteria for penalties and interest not to be assessed.

Village Response:

Council has not a decision on this matter to date.

FINDING NUMBER 2008-004

Significant Deficiency – Dual Signatures

During our test of disbursements, it was noted the Village Clerk is the only required signatory on all checks.

The lack of a second required signatory allows for potential fraud in that only one individual is authorizing the check prior to disbursement.

We recommend the Village adopt a written policy that requires a minimum of two signatures on all checks written from the Village's account for amounts over \$500. The second signatory should be an individual that serves on the Village Council.

Village Response:

The Village Council has stated that they do not need to change the single signature. They feel comfortable with the current policy.

**VILLAGE OF OHIO CITY
VAN WERT COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2008 AND 2007**

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

FINDING NUMBER 2008-005

Significant Deficiency – Identification of Individuals Subject to Taxation

The Village does not currently have an efficient method of identifying individuals subject to taxation.

Per testing and inquiry of the Village Clerk, there is no control in place to assure that all individuals subject to taxation are filing tax returns. Furthermore, no penalties are assessed for those not filing.

The lack of procedures to identify taxpayers results in loss of revenue to the Village.

Since the Village depends highly on the utility meter books for an accurate listing of individuals subject to taxation, we recommend the Village require all individuals to register with the Village taxation department before utility services can be provided. This will prevent residents of the Village from going undetected by the Village taxation department.

Village Response:

Current policy states residents must register and complete a utility agreement before service is provided.

VILLAGE OF OHIO CITY
VAN WERT COUNTY
Schedule of Prior Audit Findings
For the Fiscal Years Ended December 31, 2008 and 2007

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2006-001	ORC 135.14 (B)(5)	Yes	Corrected
2006-002	ORC 5705.41(D)	No	Partially Corrected. Repeated as Mangement Letter Comment.
2006-003	Village Ordinance 2-3-86	No	Repeated as Finding 2008-003
2006-004	Segregation of Duties	Yes	Corrected
2006-005	Segregation of Duties	Yes	Corrected
2006-006	Dual Signatures	No	Repeated as Finding 2008-004
2006-007	Identification of Taxpayers	No	Repeated as Finding 2008-005
2006-008	Payroll Reconciliation	Yes	Corrected



Mary Taylor, CPA
Auditor of State

VILLAGE OF OHIO CITY

VAN WERT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JULY 14, 2009