

Village of Ohio City

Van Wert County, Ohio

Regular Audit

For The Fiscal Years Ended December 31, 2010 and December 31, 2009

Fiscal Years Audited Under GAGAS: 2009 and 2010



Caudill & Associates, CPA

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Dave Yost • Auditor of State

Village Council
Village of Ohio City
103 South Main Street
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, CPAs, for the audit period January 1, 2009 through December 31, 2010. 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 black ink that reads "Dave Yost".

Dave Yost
Auditor of State

July 19, 2011

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**VILLAGE OF OHIO CITY
VAN WERT COUNTY**

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INDEPENDENT AUDITOR'S REPORT

Village of Ohio City
103 South Main Street
Ohio City, OH 45874

To the Members of the Council:

We have audited the accompanying financial statements of Village of Ohio City, Van Wert, County, (the Village) as of and for the years ended December 31, 2010 and 2009. 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' *Village 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. 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, 2010 and 2009 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, 2010 and 2009, or its changes in financial position or cash flows of its proprietary funds for the years then ended.

Village of Ohio City
Independent Auditor's Report

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Village of Ohio City, Van Wert County, as of December 31, 2010 and 2009, 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 June 27, 2011, 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.

Caudill & Associates, CPA

Caudill & Associates, CPA

June 27, 2011

**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, 2010**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property and Local Taxes	\$ 65,536	\$ 32,620	\$ -	\$ 98,156
Municipal Income Tax	61,624	-	-	61,624
Intergovernmental	42,415	61,835	-	104,250
Charges for Services	-	73,049	-	73,049
Fines, Licenses and Permits	4,683	-	-	4,683
Earnings on Investments	1,427	49	-	1,476
Miscellaneous	728	956	-	1,684
	<u>176,413</u>	<u>168,509</u>	<u>-</u>	<u>344,922</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	38,288	48,476	-	86,764
Public Health Services	4,408	-	-	4,408
Leisure Time Activities	2,945	729	-	3,674
Community Environment	1,085	-	-	1,085
Basic Utility Service	3,872	-	-	3,872
Transportation	-	37,125	-	37,125
General Government	92,254	-	-	92,254
Debt Service:				
Redemption of Principal	-	19,000	-	19,000
Interest and Fiscal Charges	-	-	-	-
Capital Outlay	31,286	29,948	28,894	90,128
	<u>174,138</u>	<u>135,278</u>	<u>28,894</u>	<u>338,310</u>
Total Receipts Over/(Under) Disbursements	<u>2,275</u>	<u>33,231</u>	<u>(28,894)</u>	<u>6,612</u>
Other Financing Receipts / (Disbursements):				
Proceeds from Sale of Public Debt:				
Sale of Fixed Assets	214	-	-	214
Transfers-In	-	-	6,162	6,162
Transfers-Out	(29,179)	-	-	(29,179)
	<u>(28,965)</u>	<u>-</u>	<u>6,162</u>	<u>(22,803)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(26,690)	33,231	(22,732)	(16,191)
Fund Cash Balances, January 1	<u>272,596</u>	<u>54,862</u>	<u>57,043</u>	<u>384,501</u>
Fund Cash Balances, December 31	<u>\$ 245,906</u>	<u>\$ 88,093</u>	<u>\$ 34,311</u>	<u>\$ 368,310</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 PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Proprietary Fund Types	Totals (Memorandum Only)
	Enterprise	
Operating Cash Receipts:		
Charges for Services	\$ 967,910	\$ 967,910
Miscellaneous	2,783	2,783
Total Operating Cash Receipts	970,693	970,693
Operating Cash Disbursements:		
Personal Services	232,436	232,436
Contractual Services	842,112	842,112
Supplies and Materials	100,189	100,189
Other	900	900
Total Operating Cash Disbursements	1,175,637	1,175,637
Operating Income/(Loss)	(204,944)	(204,944)
Non-Operating Cash Receipts:		
Intergovernmental	886,840	886,840
Other Debt Proceeds	162,940	162,940
Miscellaneous Receipts	1,664	1,664
Total Non-Operating Cash Receipts	1,051,444	1,051,444
Non-Operating Cash Disbursements:		
Capital Outlay	836,859	836,859
Redemption of Principal	56,552	56,552
Other Non-Operating Cash Disbursements	4,122	4,122
Total Non-Operating Cash Disbursements	897,533	897,533
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	(51,033)	(51,033)
Transfers-In	23,016	23,016
Net Receipts Over/(Under) Disbursements	(28,017)	(28,017)
Fund Cash Balances, January 1	381,652	381,652
Fund Cash Balances, December 31	\$ 353,635	\$ 353,635

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, 2009**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property and Local Taxes	\$ 59,482	\$ 29,399	\$ -	\$ 88,881
Municipal Income Tax	56,469	-	-	56,469
Intergovernmental	38,838	73,630	-	112,468
Special Assessments	-	-	-	-
Charges for Services	42,050	27,955	-	70,005
Fines, Licenses and Permits	600	-	-	600
Earnings on Investments	1,041	34	-	1,075
Miscellaneous	6,311	650	-	6,961
	<u>204,791</u>	<u>131,668</u>	<u>-</u>	<u>336,459</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	38,537	44,738	-	83,275
Public Health Services	4,949	-	-	4,949
Leisure Time Activities	8,764	499	-	9,263
Community Environment	1	-	-	1
Transportation	-	38,905	-	38,905
General Government	83,760	-	-	83,760
Debt Service:				
Redemption of Principal	-	9,500	-	9,500
Interest and Fiscal Charges	-	-	-	-
Capital Outlay	24,896	232,665	10,000	267,561
	<u>160,907</u>	<u>326,307</u>	<u>10,000</u>	<u>497,214</u>
Total Receipts Over/(Under) Disbursements	<u>43,884</u>	<u>(194,639)</u>	<u>(10,000)</u>	<u>(160,755)</u>
Other Financing Receipts / (Disbursements):				
Proceeds from Sale of Public Debt:				
Other Debt Proceeds	-	190,000	-	190,000
Sale of Fixed Assets	3,400	7,303	-	10,703
Transfers-In	-	-	5,647	5,647
Transfers-Out	(27,519)	-	-	(27,519)
	<u>(24,119)</u>	<u>197,303</u>	<u>5,647</u>	<u>178,831</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	19,765	2,664	(4,353)	18,076
Fund Cash Balances, January 1	<u>252,831</u>	<u>52,198</u>	<u>61,396</u>	<u>366,425</u>
Fund Cash Balances, December 31	<u><u>\$ 272,596</u></u>	<u><u>\$ 54,862</u></u>	<u><u>\$ 57,043</u></u>	<u><u>\$ 384,501</u></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 PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Proprietary Fund Types	Totals (Memorandum Only)
	Enterprise	Enterprise
Operating Cash Receipts:		
Charges for Services	\$ 912,779	\$ 912,779
Miscellaneous	1,890	1,890
	914,669	914,669
Operating Cash Disbursements:		
Personal Services	256,672	256,672
Contractual Services	865,071	865,071
Supplies and Materials	102,516	102,516
Other	900	900
	1,225,159	1,225,159
Operating Income/(Loss)	(310,490)	(310,490)
Non-Operating Cash Receipts:		
Intergovernmental	1,179,695	1,179,695
Other Debt Proceeds	3,864,077	3,864,077
	5,043,772	5,043,772
Non-Operating Cash Disbursements:		
Capital Outlay	4,492,586	4,492,586
Redemption of Principal	279,625	279,625
Interest and Other Fiscal Charges	12,231	12,231
Other Non-Operating Cash Disbursements	9,120	9,120
	4,793,562	4,793,562
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	(60,280)	(60,280)
Transfers-In	21,872	21,872
Net Receipts Over/(Under) Disbursements	(38,408)	(38,408)
Fund Cash Balances, January 1	420,060	420,060
Fund Cash Balances, December 31	\$381,652	\$381,652

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, 2010 AND 2009**

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, 2010 AND 2009**

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, 2010 AND 2009**

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 2010 and 2009 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>2010</u>	<u>2009</u>
Demand deposits	<u>\$721,945</u>	<u>\$766,153</u>
Total deposits	<u><u>\$721,945</u></u>	<u><u>\$766,153</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, 2010 AND 2009**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2010 and 2009 follows:

2010 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$213,891	\$176,413	\$(37,478)
Special Revenue	177,575	168,509	(9,066)
Capital Projects	7,500	6,162	(1,338)
Enterprise	3,296,994	2,045,153	(1,251,841)
Total	\$3,695,960	\$2,396,237	(\$1,299,723)

2010 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$282,410	\$203,317	\$79,093
Special Revenue	154,825	135,278	19,547
Capital Projects	43,748	28,894	14,854
Enterprise	2,308,444	2,073,170	235,274
Total	\$2,789,427	\$2,440,659	\$348,768

2009 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$263,305	\$208,191	\$(55,114)
Special Revenue	345,260	328,971	(16,289)
Capital Projects	10,000	5,647	(4,353)
Enterprise	7,170,152	5,980,313	(1,189,839)
Total	\$7,788,717	\$6,523,122	\$(1,265,595)

2009 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$260,205	\$188,426	\$71,779
Special Revenue	352,085	326,307	25,778
Capital Projects	17,748	10,000	7,748
Enterprise	6,326,003	6,016,023	309,980
Total	\$6,956,041	\$6,540,756	\$415,285

**VILLAGE OF OHIO CITY
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009**

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

5. DEBT

Debt outstanding at December 31, 2010 was as follows:

	Principal	Interest Rate
Ohio Public Works Commission Loan #CM729	\$ 8,000	0.00%
Ohio Public Works Commission Loan #CU06D	120,467	0.00%
Ohio Public Works Commission Loan #CT37C	116,772	2.00%
Ohio Public Works Commission Loan #CT60M	1,000,000	0.00%
Ohio Public Works Commission Loan #CT59J	11,181	0.00%
Ohio Water Development Authority Loan #3532	5,000	0.00%
Ohio Water Development Authority Loan #3635	129,866	5.65%
Ohio Water Development Authority Loan #3993	20,000	0.00%
Ohio Water Development Authority Loan #4749	99,128	2.00%
Ohio Water Development Authority Loan #5171	779,689	1.50%
Ohio Water Development Authority Loan #5037	2,107,222	0.00%
Ohio Water Development Authority Loan #5682	107,318	0.00%
Department of Commerce Revolving Loan	161,500	0.00%
Total	<u>\$ 4,666,143</u>	

The Ohio Public Works Commission (OPWC) loans #CM729 and #CT37C and the Ohio Water Development Authority (OWDA) loan #3635 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 #CM729 will be repaid in semiannual installments of \$1,000, with 0% interest, over 20 years. The OPWC loan #CT37C will be repaid in semiannual installments of \$5,302, over 30 years. The OWDA loan #3635 will be repaid in semiannual installments of \$5,255, including interest, over 30 years.

The Ohio Water Development Authority (OWDA) loan #3532 relates to the planning phase of the water plant expansion project. The Ohio Public Works Commission (OPWC) loan #CU06D relates to a water plant expansion project that was mandated by the Ohio Environmental Protection Agency. The OPWC loan #CU06D will be repaid in semiannual installments of \$5,737, with 0% interest, over 20 years. The OWDA loan #3532 will be repaid in annual installments of \$2,500 over 10 years.

The OWDA loan #3935 was rolled into OWDA loan #5171 on January 1, 2009.

**VILLAGE OF OHIO CITY
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009**

5. DEBT (Continued)

The Ohio Water Development Authority (OWDA) loan #3993 relates to the construction phase of the water plant expansion project. The OWDA loan #3933 will be repaid in annual installments of \$6,085, including interest, over 30 years.

The Ohio Public Works Commission (OPWC) loan #CT60M and the Ohio Water Development Authority (OWDA) loan #5682 relates to the planning stage of the sewer plant expansion project. The schedule for OPWC loan #CT60M and OWDA loan #5682 has not been completed and is not included in the schedule below.

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 was paid in full in 2009.

The Ohio Water Development Authority (OWDA) loans #5171 and OWDA loan #5037 relates to the construction phase of the water plant expansion project. The OWDA #5171 will begin payments on 7/1/2010 with a semiannual payment of 16,628. The amortization schedule for OWDA loan #5037 has not been completed and is not included in the amortization schedule below.

The Department of Commerce provided the Village with an interest free revolving loan to purchase fire equipment and machinery. The Department of Commerce loan is to be repaid in quarterly installments of \$4,750 over 10 years.

Amortization of the above debt, including interest, follows:

Year ending December 31:	OPWC CM729	OPWC CU06D	OPWC CT37C	OWDA 3532	OWDA 3635	OWDA 4749
2011	\$ 2,000	\$ 11,473	\$ 10,605	\$ 2,500	\$ 10,509	\$ 6,085
2012	2,000	11,473	10,605	2,500	10,509	6,085
2013	2,000	11,473	10,605	-	10,509	6,085
2014	2,000	11,473	10,605	-	10,509	6,085
2015	-	11,473	10,605	-	10,509	6,085
2016-2020	-	57,365	53,025	-	52,545	30,425
2021-2025	-	5,737	26,456	-	52,545	30,425
2026-2030	-	-	-	-	52,545	30,425
2031-2035	-	-	-	-	21,020	30,425
2036-2040	-	-	-	-	-	9,128
Total	<u>\$ 8,000</u>	<u>\$ 120,467</u>	<u>\$ 132,506</u>	<u>\$ 5,000</u>	<u>\$ 231,200</u>	<u>\$ 161,253</u>

**VILLAGE OF OHIO CITY
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009**

5. DEBT (Continued)

Year ending December 31:	OWDA 3993	OWDA 5171	DOC Revolving Loan	Total principle and Interest
2011	\$ 5,000	\$ 33,256	\$ 19,000	\$ 100,428
2012	5,000	33,256	19,000	100,428
2013	5,000	33,256	19,000	97,928
2014	5,000	33,256	19,000	97,928
2015	-	33,256	19,000	90,928
2016-2020	-	166,280	66,500	426,140
2021-2025	-	166,280	-	281,443
2026-2030	-	166,280	-	249,250
2031-2035	-	166,280	-	217,725
2036-2040	-	149,652	-	158,780
Total	<u>\$ 20,000</u>	<u>\$ 981,052</u>	<u>\$ 161,500</u>	<u>\$ 1,820,978</u>

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 2010 and 2009, OPERS members contributed 10 percent, of their gross salaries. The Village contributed an amount equaling 14 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2010.

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, 2010 AND 2009**

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. COMPLIANCE

Contrary to Village Ordinance 2-3-86, the Village did not assess penalties and interest on income tax returns that were filed late or was not paid in full by the due date.



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

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

To the Members of the Council:

We have audited the financial statements of the Village of Ohio City, Van Wert County, (the Village) as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated June 27, 2011, wherein we noted the Village prepared its financial statements using accounting practices the Auditor of State prescribes or permits, rather than accounting principles generally accepted in the United States of America. 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 opinions on the financial statements, but not for opining 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings and responses, we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness and other deficiencies we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2010-003 described in the accompanying schedule of findings and responses to be a material weakness.

A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2010-001 through 2010-002 described in the accompanying schedule of findings and responses to be significant deficiencies.

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*

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 that we must report under *Government Auditing Standards*, which are, described in the accompanying schedule of findings and responses as item 2010-001.

We also noted certain other matters that we reported to management of the Village in a separate letter dated June 27, 2011

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 intend this report solely for the information and use of management, Village Council and Auditor of State. We intend it for no one other than these specified parties.

Caudill & Associates, CPA

Caudill & Associates, CPA

June 27, 2011

**VILLAGE OF OHIO CITY
VAN WERT COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2010 AND 2009**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2010-001

Noncompliance Citation/Significant Deficiency– Income Tax

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 2010 and 2009, 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. It was also noted during audit procedures that several filers had not filed the income tax returns for several years despite the requirement to do so.

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. We also recommend that the Village send delinquent accounts to the Village solicitor for further action.

Village Response:

Council has not a decision on this matter to date.

FINDING NUMBER 2010-002

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, 2010 AND 2009

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

FINDING NUMBER 2010-03

Material Weakness – Recording of Pass-Through Grants and Loans

The AICPA establishes auditing standards generally accepted in the United States that certified public accountants and government auditors must follow in conducting audits of state and local governments. SAS No. 115 establishes standards, responsibilities and guidance for audits during a financial statement audit engagement for identifying and evaluating a client's internal control over financial reporting. This standard requires the auditor to report *in writing* to management and the governing body any control deficiencies found during the engagement that are considered deficiencies, significant deficiencies or material weaknesses.

During 2009 and 2010, the Village received debt proceeds and State and Federal Grants for Wastewater Treatment Plant Expansion Project and Sewer Plant Expansion Project. The amount of the debt proceeds and grant monies were paid directly to the contractors. The Village did not record the proceeds properly, alternating the posting from Intergovernmental revenue to debt proceeds. As well, the Village did not post the amount of interest paid on the loans. These required adjustments to properly record all debt proceeds and intergovernmental activity that occurred during 2009 and 2010 to the Water and Sewer Fund.

We recommend the Village implement control procedures related to financial reporting that enable management to identify, prevent, detect, and correct potential misstatements in the financial statements and footnotes.

Village Response:

The Village will ensure that all postings are made appropriately.

VILLAGE OF OHIO CITY
VAN WERT COUNTY
Schedule of Prior Audit Findings
For the Fiscal Years Ended December 31, 2010 and 2009

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2008-001	ORC 5705.36 (A)(2)	Yes	Finding no longer Valid
2008-002	ORC 5705.41(B)	Yes	Finding no longer Valid
2008-003	Village Ordinance 2-3-86	No	Repeated as Finding 2010-001
2008-004	Dual Signatures	No	Repeated as Finding 2010-002
2008-005	Identification of Taxpayers	Yes	Finding no longer Valid



Dave Yost • 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
AUGUST 2, 2011