



**Auditor of State
Betty Montgomery**

VILLAGE OF OTWAY
SCIOTO COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' 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, 2002.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2001.....	4
Notes to the Financial Statements.....	5
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	11
Schedule of Findings.....	13
Schedule of Prior Audit Findings.....	14

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Village of Otway
Scioto County
6864 State Route 73
Otway, Ohio 45657

To the Village Council:

We have audited the accompanying financial statements of the Village of Otway, Scioto County, Ohio (the Village), as of and for the years ended December 31, 2002 and 2001. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Otway, Scioto County, as of December 31, 2002 and 2001, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2003 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of management, the Village Council and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

June 20, 2003

**VILLAGE OF OTWAY
SCIOTO COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Local Taxes	\$ 4,677	\$ 4,234	\$ 8,911
Intergovernmental	2,429	4,881	7,310
Charges for Services		25,165	25,165
Fines, Licenses and Permits	745		745
Earnings on Investments	266		266
Other Revenue	1,752	318	2,070
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	9,869	34,598	44,467
Cash Disbursements:			
Current:			
Security of Persons & Property	2,957	6,285	9,242
Public Health	359		359
Community Environment		717	717
Basic Utility Services	179	9,603	9,782
Transportation		4,592	4,592
General Government	5,462	3,885	9,347
Debt Service:			
Redemption of Principal		5,816	5,816
Interest and Fiscal Charges		1,082	1,082
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	8,957	31,980	40,937
Total Cash Receipts Over/(Under) Cash Disbursements	912	2,618	3,530
Fund Cash Balances, January 1	669	18,073	18,742
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	<u>\$ 1,581</u>	<u>\$ 20,691</u>	<u>\$ 22,272</u>

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

**VILLAGE OF OTWAY
SCIOTO COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Local Taxes	\$ 4,865	\$ 4,202	\$ 9,067
Intergovernmental	2,312	4,280	6,592
Charges for Services		26,676	26,676
Fines, Licenses and Permits	1,615		1,615
Earnings on Investments	387	224	611
Other Revenue	1,713	2,621	4,334
	<u>10,892</u>	<u>38,003</u>	<u>48,895</u>
Total Cash Receipts			
	<u>10,892</u>	<u>38,003</u>	<u>48,895</u>
Cash Disbursements:			
Current:			
Security of Persons & Property	2,970	6,230	9,200
Public Health Services	389		389
Community Environment		1,755	1,755
Basic Utility Services	213	13,867	14,080
Transportation		5,119	5,119
General Government	8,256	6,405	14,661
Debt Service:			
Redemption of Principal		5,499	5,499
Interest and Fiscal Charges		1,400	1,400
	<u>11,828</u>	<u>40,275</u>	<u>52,103</u>
Total Cash Disbursements			
	<u>11,828</u>	<u>40,275</u>	<u>52,103</u>
Total Cash Receipts Over/(Under) Cash Disbursements	(936)	(2,272)	(3,208)
Fund Cash Balances, January 1	1,605	20,345	21,950
	<u>1,605</u>	<u>20,345</u>	<u>21,950</u>
Fund Cash Balances, December 31	<u>\$ 669</u>	<u>\$ 18,073</u>	<u>\$ 18,742</u>

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

**VILLAGE OF OTWAY
SCIOTO COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Otway, Scioto County (the Village), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council and a publicly-elected Village Clerk and Mayor. The Village provides street and state highway maintenance and fire protection.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash

The Village invests all available funds of the Village in an interest-bearing checking account and a savings account.

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 Funds

These funds are used to account for proceeds from specific sources that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

Street Construction, Repair and Maintenance Fund – This fund receives gasoline tax and motor vehicle license tax money for street construction, maintenance and repair in the Village.

**VILLAGE OF OTWAY
SCIOTO COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

Community Building Fund – This fund receives money for rental of the gymnasium and storage units at the Community Building for maintaining and repairing Village property.

Volunteer Fire Department Fund – This fund receives property tax money for fire protection in the Village.

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 level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus 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 individual 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 2002 and 2001 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

**VILLAGE OF OTWAY
SCIOTO COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>2002</u>	<u>2001</u>
Demand Deposits	<u>\$ 22,272</u>	<u>\$ 18,742</u>

Deposits: Deposits are insured by the Federal Deposit Insurance Corporation.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2002 and 2001 follows:

2002 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 9,706	\$ 9,869	\$ 163
Special Revenue	58,383	34,598	(23,785)
Total	<u>\$ 68,089</u>	<u>\$ 44,467</u>	<u>\$ (23,622)</u>

2002 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 9,915	\$ 8,957	\$ 958
Special Revenue	45,949	31,980	13,969
Total	<u>\$ 55,864</u>	<u>\$ 40,937</u>	<u>\$ 14,927</u>

2001 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 10,966	\$ 10,892	\$ (74)
Special Revenue	39,150	38,003	(1,147)
Total	<u>\$ 50,116</u>	<u>\$ 48,895</u>	<u>\$ (1,221)</u>

2001 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 11,000	\$ 11,828	\$ (828)
Special Revenue	51,307	40,275	11,032
Total	<u>\$ 62,307</u>	<u>\$ 52,103</u>	<u>\$ 10,204</u>

**VILLAGE OF OTWAY
SCIOTO COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

4. PROPERTY TAX

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

Public utilities are also taxed on personal and real property located within the Village.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

5. DEBT

Debt outstanding at December 31, 2002 was as follows:

	Principal	Interest Rate
Fire Station Bond Anticipation Note	\$ 16,050	5.63%

The Fire Station Bond Anticipation Note was issued to finance the purchase of a building for the fire department to be used for Village fire protection. The full faith and credit of the Village have been pledged to repay this debt.

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

Year ending December 31:	Bond Anticipation Note
2003	\$ 6,898
2004	6,898
2005	3,449
Total	\$ 17,245

6. RETIREMENT SYSTEM

The Village's elected officials belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2002 and 2001, members of PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all employer contributions required through December 31, 2002.

**VILLAGE OF OTWAY
SCIOTO COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

7. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles

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Auditor of State Betty Montgomery

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

Village of Otway
Scioto County
6864 State Route 73
Otway, Ohio 45657

To the Village Council:

We have audited the accompanying financial statements of the Village of Otway, Scioto County, Ohio (the Village), as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated June 20, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings as item 2002-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated June 20, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated June 20, 2003.

743 E. State St. / Athens Mall Suite B / Athens, OH 45701
Telephone: (740) 594-3300 (800) 441-1389 Fax: (740) 594-2110
www.auditor.state.oh.us

Village of Otway
Scioto County
Independent Accountants' Report on Compliance and on Internal Control
Required by *Government Auditing Standards*
Page 2

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

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

Betty Montgomery
Auditor of State

June 20, 2003

**VILLAGE OF OTWAY
SCIOTO COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001**

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

FINDING NUMBER 2002-001

Noncompliance Citation

Ohio Rev. Code Section 5705.41(D) states that no subdivision or taxing authority shall make any contract or order an expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the same has been lawfully appropriated for such purposes 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 null and void and no warrant shall be issued in payment of any amount due thereon. This Section provides two "exceptions" to the above requirement:

- A. "Then and Now" Certificate – If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that both at the time that the contract or order was made and at the time that the fiscal officer is completing the certification, a sufficient sum was appropriated and free from any previous encumbrances, the Village Council (the taxing authority) may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.
- B. If the amount involved is less than \$1,000 (which was increased to \$3,000 on April 7, 2003) the fiscal officer may authorize it to be paid without the affirmation of the taxing authority, upon completion of the then and now certificate, provided that the expenditure is otherwise lawful.

Of the expenditures tested, 80% in 2001 and 60% in 2002 did not have the prior certification of the Village Clerk, and neither of the exceptions noted above were met. This could result in the Village spending more money than what is available.

We recommend the Village obtain the fiscal officer's certification of the availability of funds prior to the commitment being incurred.

**VILLAGE OF OTWAY
SCIOTO COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2002 AND 2001**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2000-30773-001	A material noncompliance citation was issued under Ohio Rev. Code Section 5705.41(D) for not properly certifying the availability of funds.	No	Not Corrected. The finding is repeated in the current audit Schedule of Findings as item 2002-001.
2000-30773-002	A material noncompliance citation was issued under Ohio Rev. Code Section 5705.41(B) for expending money without the benefit of appropriations.	No	Not Corrected. The finding is not significant in the current audit. However, it is repeated in Management Letter
2000-30773-003	A material noncompliance citation was issued under Ohio Rev. Code Section 5705.39 for appropriations exceeding estimated resources.	Yes	N/A



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

VILLAGE OF OTWAY

SCIOTO 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
SEPTEMBER 9, 2003**