



**Auditor of State
Betty Montgomery**

VILLAGE OF SCOTT
VAN WERT AND PAULDING COUNTY

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**Auditor of State
Betty Montgomery**

Village of Scott
Van Wert and Paulding County
Post Office Box 155
Scott, Ohio 45886-0155

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in cursive script that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

December 29, 2005

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Village of Scott
Van Wert and Paulding County
Post Office Box 155
Scott, Ohio 45886-0155

To the Village Council:

We have audited the accompanying financial statements of the Village of Scott, Van Wert and Paulding County, (the Village), as of and for the years ended December 31, 2004 and 2003. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. 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 year ended December 31, 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2004, or its changes in financial position for the year 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, 2004 and 2003, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the year ended December 31, 2004. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2005, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Betty Montgomery
Auditor of State

December 29, 2005

**VILLAGE OF SCOTT
VAN WERT/ PAULDING COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Property Tax and Other Local Taxes	\$9,868	\$3,433			\$13,301
Intergovernmental Receipts	28,671	41,177			69,848
Charges for Services		37,812			37,812
Fines, Licenses, and Permits	210				210
Earnings on Investments	1,098				1,098
Miscellaneous		3,635			3,635
Total Cash Receipts	39,847	86,057			125,904
Cash Disbursements:					
Current:					
Security of Persons and Property	8,969	34,032			43,001
Public Health Services	1,166				1,166
Leisure Time Activities		167			167
Community Environment	71				71
Transportation		14,592			14,592
General Government	22,486	125			22,611
Debt Service:					
Principal Payments			12,034		12,034
Interest Payments			6,989		6,989
Capital Outlay	4,771	10,165			14,936
Total Cash Disbursements	37,463	59,081	19,023		115,567
Total Receipts Over/(Under) Disbursements	2,384	26,976	(19,023)		10,337
Other Financing Receipts and (Disbursements):					
Transfers-In		5,500	19,023		24,523
Transfers-Out	(5,500)	(19,023)			(24,523)
Total Other Financing Receipts/(Disbursements)	(5,500)	(13,523)	19,023		
Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(3,116)	13,453			10,337
Fund Cash Balances, January 1	60,417	96,580		536	157,533
Fund Cash Balances, December 31	\$57,301	\$110,033	\$0	\$536	\$167,870

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

**VILLAGE OF SCOTT
VAN WERT/ PAULDING COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Property Tax and Other Local Taxes	\$10,334	\$3,587			\$13,921
Intergovernmental Receipts	28,919	22,724			51,643
Charges for Services		40,266			40,266
Fines, Licenses, and Permits	25				25
Earnings on Investments	760	395			1,155
Miscellaneous	172	10,750			10,922
	<u>40,210</u>	<u>77,722</u>			<u>117,932</u>
Total Cash Receipts					
Cash Disbursements:					
Current:					
Security of Persons and Property	8,796	41,225			50,021
Public Health Services	978				978
Leisure Time Activities	756	298			1,054
Community Environment	71				71
Transportation		10,171			10,171
General Government	20,988	114			21,102
Debt Service:					
Principal Payments			12,034		12,034
Interest Payments			6,989		6,989
	<u>31,589</u>	<u>51,808</u>	<u>19,023</u>		<u>102,420</u>
Total Cash Disbursements					
Total Receipts Over/(Under) Disbursements	<u>8,621</u>	<u>25,914</u>	<u>(19,023)</u>		<u>15,512</u>
Other Financing Receipts and (Disbursements):					
Sale of Fixed Assets		650			650
Transfers-In		5,500	19,023		24,523
Transfers-Out	(5,500)	(19,023)			(24,523)
	<u>(5,500)</u>	<u>(12,873)</u>	<u>19,023</u>		<u>650</u>
Total Other Financing Receipts/(Disbursements)					
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	3,121	13,041			16,162
Fund Cash Balances, January 1	<u>57,296</u>	<u>83,539</u>		<u>536</u>	<u>141,371</u>
Fund Cash Balances, December 31	<u>\$60,417</u>	<u>\$96,580</u>	<u>\$0</u>	<u>\$536</u>	<u>\$157,533</u>

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

**VILLAGE OF SCOTT
VAN WERT/ PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Scott, Van Wert/ Paulding County, (the Village), as a body corporate and politic. A publicly-elected six-member Council governs the Village. The Village provides street lighting and street maintenance and repair, park operations (leisure time activities), fire protection services, and police 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 accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. This basis recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements adequately disclose material matters the Auditor of State prescribes.

C. Cash and Investments

The Village's accounting basis includes investments as assets. This basis does not report disbursements for investment purchases or receipts for investment sales. The Village reports gains or losses at the time of sale as receipts or disbursements, respectively.

Money market mutual funds (including STAR Ohio) are recorded at share values the mutual fund reports.

D. Fund Accounting

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

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

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

Fire Levy Fund – This fund receives tax levy monies and charges for services to provide fire protection to the Village and other area Townships and Villages.

EMS Fund – This fund receives grant monies, charges for services and donations to provide emergency medical services to the Village and other area Townships and Villages.

**VILLAGE OF SCOTT
VAN WERT/ PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Debt Service Fund

These funds account for resources the Village accumulates to pay bond and note debt. The Village had the following significant Debt Service Fund:

Debt Service Fund – This Fund receives a transfer of monies from the Fire Levy Fund and is used for a loan payment on a fire truck.

4. 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:

ODNR State Grant Fund – This fund received grant monies to be used for the development of a nature trail.

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.

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 commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Village did not use the encumbrance method of accounting.

A summary of 2004 and 2003 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.

**VILLAGE OF SCOTT
VAN WERT/ PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

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:

	2004	2003
Demand deposits	\$89,991	\$80,638
STAR Ohio	77,879	76,895
Total deposits and investments	\$167,870	\$157,533

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

Investments: Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2004 and December 31, 2003 follows:

2004 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$0	\$39,847	\$39,847
Special Revenue	0	91,557	91,557
Debt Service	0	19,023	19,023
Capital Projects	0	0	0
Total	\$0	\$150,427	\$150,427

2004 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$52,280	\$42,963	\$9,317
Special Revenue	131,000	78,104	52,896
Debt Service	19,024	19,023	1
Capital Projects	535	0	535
Total	\$202,839	\$140,090	\$62,749

2003 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$0	\$40,210	\$40,210
Special Revenue	0	83,872	83,872
Debt Service	0	19,023	19,023
Capital Projects	0	0	0
Total	\$0	\$143,105	\$143,105

**VILLAGE OF SCOTT
VAN WERT/ PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$44,880	\$37,089	\$7,791
Special Revenue	110,850	70,831	40,019
Debt Service	19,024	19,023	1
Capital Projects	535	0	535
Total	\$175,289	\$126,943	\$48,346

During 2004 and 2003, all fund appropriations exceeded estimated resources and all expenditures exceeded appropriations as a result of the Village's failure to file the certification of available balances, file the appropriations, and obtain a certificate of estimated resources.

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.

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

Property owners assess tangible personal property tax. They must file a list of tangible property to the County by each April 30. The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on the Village's behalf.

5. DEBT

Debt outstanding at December 31, 2004 was as follows:

	Principal	Interest Rate
Fire Truck Lease	\$109,304	5.22%

During October 2002, the Village entered into a lease agreement with Bank One for the purchase of a fire truck. At the end of the lease, the Village will own the fire truck.

Amortization of the above debt, including interest, follows:

Year ending December 31:	Fire Truck Lease
2005	\$19,023
2006	19,024
2007	19,023
2008	19,024
2009	19,023
2010-2011	38,047
Total	\$133,164

**VILLAGE OF SCOTT
VAN WERT/ PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

6. RETIREMENT SYSTEMS

The Village's full-time employees belong to the Ohio Public Employees Retirement System (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. OPERS members contributed 8.5 percent of their wages. The Village contributed an amount equal to 13.55 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2004.

7. RISK MANAGEMENT

Risk Pool Membership

The Village belongs to the Ohio Government Risk Management Plan (the "Plan"), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 500 Ohio governments ("Members").

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages, modified for each Member's needs.

The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the Member's deductible.

The Plan issues its own policies and reinsures the Plan with A- VII or better rated carriers, except for the 5% portion retained by the Plan. After September 1, 2003, the Plan pays the lesser of 5% or \$25,000 of casualty losses and the lesser of 5% or \$50,000 of property losses. The individual members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31:

	<u>2004</u>	<u>2003</u>
Assets	\$6,685,522	\$5,402,167
Liabilities	\$2,227,808	\$1,871,123
Members' Equity	<u>\$4,457,714</u>	<u>\$3,531,044</u>

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan's website, www.ohioplan.org.

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**Auditor of State
Betty Montgomery**

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

Village of Scott
Van Wert and Paulding County
Post Office Box 155
Scott, Ohio 45886-0155

To the Village Council:

We have audited the financial statements of the Village of Scott, Van Wert and Paulding County, (the Village), as of and for the years ended December 31, 2004 and December 31, 2003, and have issued our report thereon dated December 29, 2005, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2004-008 and 2004-009.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. However, we do not believe the reportable conditions described above are material weaknesses. In a separate letter to the Village's management dated December 29, 2005, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2004-001 through 2004-007. In a separate letter to the Village's management dated December 29, 2005, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of management and the Village Council. It is not intended for anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

December 29, 2005

**VILLAGE OF SCOTT
VAN WERT/ PAULDING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2004-001

Noncompliance Citation

Ohio Rev. Code Section 733.28 states, in part, the village clerk shall keep the books of the village, exhibit accurate statements of all moneys received and expended and of all the property owned by the village and the income derived therefrom, and of all taxes and assessments.

The Village clerk did not maintain the books of the village during the audit period. The Village was declared as unauditible by the Auditor of State during September 2005 due to the failure to prepare financial reports and the lack of adequate records. The books were updated and completed for both fiscal years 2003 and 2004 by October, 2005.

The Village should record all transaction in the books of the Village. Reference can be made to the Village Officer's Handbook.

FINDING NUMBER 2004-002

Noncompliance Citation

Ohio Rev. Code Section 117.38 states, in part, that each public office, other than a state agency, must file annual reports with the Auditor of State within 60 days of the fiscal year end. Any public office which does not file the report by the required date shall pay a penalty of twenty-five dollars for each day the report remains unfiled, not to exceed seven hundred and fifty dollars.

The report shall contain the amount of: 1) receipts, and amounts due from each source; 2) expenditures for each purpose; 3) income of any public service industry that the entity owns or operates, as well as the costs of ownership or operation; and 4) public debt of each taxing district, the purpose of the debt, and how the debt will be repaid.

Also, the public office must publish notice in a local newspaper stating the financial report is available for public inspection at the office of the chief fiscal officer.

The Village did not prepare and file the 2004 or the 2003 annual financial statements by the required date and did not file the required reports with the Auditor of State. The 2003 annual report was completed during September, 2005 and the 2004 annual report was completed during October, 2005. The Village was declared as unauditible by the Auditor of State in September 2005 due to the failure to prepare financial reports and the lack of adequate records. In addition, the Village did not publish notice that the financial statements were completed and available for public inspection. The Village received a \$750 penalty for the 2003 annual report during March 2005.

The Village should maintain records to allow for filing of the financial report within 60 days of year-end and publish notice in the newspaper that the financial statements are available for public inspection at this time.

FINDING NUMBER 2004-003

Noncompliance Citation

Ohio Rev. Code Section 5705.41(D) states, in part, that no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certification should be considered null and void and no warrant shall be issued in payment of any amount due thereon.

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

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

Amounts of less than \$3,000 (\$1,000 prior to April 7, 2003) may be paid by the clerk without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.

2. **Blanket Certificate** – Clerks may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. (Prior to September 26, 2003, blanket certificates were limited to \$5,000 and three months.) The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. **Super Blanket Certificate** – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Purchase orders were not utilized during the audit period. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Unless the exceptions noted above are used, prior certification is not only required by statute, but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations. The Village should certify purchases to which Section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language Section 5705.41(D) requires to authorize disbursements. The fiscal officer should sign the certification at the time the Village incurs a commitment, and only when the requirements of Section 5705.41(D) are satisfied. When prior certification is not possible, "then and now" certification should be used.

FINDING NUMBER 2004-004

Noncompliance Citation

Ohio Rev. Code Section 5705.41(B) states that no subdivision or taxing unit is to expend money unless it has been appropriated. While the Village Council did adopt appropriations during 2004 and 2003, these appropriations were not filed with the County Budget Commission and not legally approved.

Therefore, expenditures exceeded appropriations for all funds during 2003 and 2004 as a result of the Village's failure to file their appropriations with the County Budget Commission and obtain the required certification by the County Auditor. Failure to limit expenditures by approving appropriations and obtaining certificate by the County Auditor could result in deficit spending and deficit fund balances.

The Village should approve appropriation amounts and obtain certification from the County Auditor. When expenditures will exceed the approved appropriation amounts, amended or supplemental appropriations need to be issued and approved by Council.

FINDING NUMBER 2004-005

Noncompliance Citation

Ohio Rev. Code Section 5705.36 states, in part, that on or about the first day of each fiscal year, the fiscal officers of subdivisions and other taxing units are to certify to the county auditor the total amount from all sources which is available for expenditures from each fund in the tax budget along with any unencumbered balances that existed at the end of the preceding year.

The Village did not certify to the County Auditor the total amount from all sources which is available for expenditures from each fund in the tax budget along with any balances that existed at the end of the preceding year for 2004 and 2003.

The Village should certify to the County Auditor the total amount from all sources which is available for expenditures from each fund in the tax budget along with any balances that existed at the end of the preceding year.

FINDING NUMBER 2004-006

Noncompliance Citation

Ohio Rev. Code Section 5705.39 states, in part, that the total appropriation from each fund should not exceed the total estimated revenue. No appropriation measure is to become effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

The Village did not file a certificate of available balances, obtain a certificate of estimated revenue, or file an appropriation resolution for 2003 and 2004; therefore, the Village did not receive a certificate from the county auditor.

The Village should file and obtain the appropriate certificates from the County Auditor

FINDING NUMBER 2004-007

Noncompliance Citation

Ohio Rev. Code Section 149.351(A) states that records shall be delivered by outgoing officials and employees to their successors and shall not be otherwise removed, transferred, or destroyed unlawfully.

The new clerk took office April 1, 2004; however, the prior clerk of the Village is still in possession of the old Village records.

The Village should collect the records from outgoing clerks and pass them to the new clerk in a timely fashion.

FINDING NUMBER 2004-008

Reportable Condition

Monitoring Financial Reports and Budget

The duties of Village Council include the management and control of the finances and property of the municipal corporation. In order to properly perform these duties, the Village Council should review financial reports and monitor the Village budget.

For each regular meeting, the Clerk should provide the Council with detailed budget and actual financial statements, lists of investments, cash balances, and reconciliation reports. The Council should carefully review the aforementioned information and make appropriate inquiries to help determine the continued integrity of financial information. This information also provides important data necessary to manage the Village. This information can help answer questions such as the following:

Inquiries Relevant to Overall Village's Operations:

- Are current receipts sufficient to cover expenditures?
- Are expenditures in line with prior year costs? Are expenditures made on a timely basis?
- If unusual fluctuations in receipts or expenditures occur, is the reason understood, and has it been appropriately budgeted?
- Are grant revenues being recorded in the proper funds?
- Is the Village drawing all the grant revenues available and drawing timely?
- Are anticipated receipts being timely received?
- Is the Village maximizing its return on invested cash balances?
- Are bank reconciliations performed on a timely basis and are there any unusual reconciling items?
- Are estimated revenues sufficient to cover appropriations?

The Village should investigate any failures to meet reporting requirements and/or unusual delays in obtaining financial information or providing financial reports. In addition to performing such reviews and inquiries, documentation should be maintained to support that a review was made. This could be documented by making a notation in the minutes or initialing documents reviewed.

FINDING NUMBER 2004-009

Reportable Condition

Bank Reconciliations

The Village Clerk does not perform bank reconciliations accurately and on a monthly basis. Failure to accurately reconcile accounts at monthly intervals could result in errors and discrepancies being undetected. The Village should develop and implement procedures including but not limited to the following:

- Ensure accurate and monthly reconciliations and ensure proper reviews are performed (perhaps by the Village Manager, audit committee or Village Commission and documented;
- Develop a policy which includes the length of time a check will remain outstanding before it is cancelled and reissued, or the amount is moved to unclaimed fees.

To help provide for accurate financial reporting, the safeguarding of assets, and that adequate controls over reporting are employed, the Village should perform monthly reconciliations between the bank and the general ledger balance. All adjustments on the reconciliations should be supported by documentation that justifies the adjustment. This reconciliation should be reviewed by someone independent of the financial record keeping process. Implementation of these procedures will provide the Village with accurate and timely financial information needed for decision making purposes.

**VILLAGE OF SCOTT
VAN WERT/ PAULDING COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2004 AND 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2002-001	ORC Sec. 117.38 – The Village failed to file annual reports	No	See finding #2004-002
2002-002	ORC Sec. 733.28 – The Clerk failed to maintain books of the Village	No	See finding #2004-001
2002-003	ORC Sec. 5705.41(D) – Failed to obtain prior certification of funds for expenditures	No	See finding #2004-003
2002-004	ORC Sec. 5705.36 – Total amount of estimated resources not certified	No	See finding #2004-005
2002-005	ORC Sec. 5705.39 – Appropriations exceed total estimated revenue	No	See finding #2004-006
2002-006	ORC Sec. 5705.41(B) – Expenditures exceeded appropriations	No	See finding #2004-004
2002-007	Reportable Condition – Council should monitor financial reports	No	See finding #2004-008



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VILLAGE OF SCOTT

VAN WERT AND PAULDING COUNTIES

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
FEBRUARY 9, 2006**