

VILLAGE OF SCOTT
VAN WERT/PAULDING COUNTY
REGULAR AUDIT
FOR THE YEARS ENDED DECEMBER 31, 2006 & 2005
FISCAL YEARS AUDITED UNDER GAGAS: 2006 & 2005

Caudill & Associates, CPA's
725 5th Street
Portsmouth, OH 45662



Mary Taylor, CPA

Auditor of State

Village Council
Village of Scott
P.O. Box 155
Scott, Ohio 45886

We have reviewed the *Independent Auditor's Report* of the Village of Scott, Van Wert County, prepared by Caudill & Associates, CPA's, for the audit period January 1, 2005 through December 31, 2006. 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 Scott is responsible for compliance with these laws and regulations.

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

Mary Taylor, CPA
Auditor of State

July 16, 2007

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**VILLAGE OF SCOTT
VAN WERT & PAULDING COUNTIES, OHIO**

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Independent Auditor's Report

Members of Council
Village of Scott
Van Wert/Paulding County
P.O. Box 155
Scott, Ohio 45886

We have audited the accompanying financial statements of the Village of Scott (The Village) , Van Wert/Paulding Counties, Ohio, as of and for the years ended December 31, 2006 and 2005. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2006 and 2005. Instead of the combined funds the accompanying financial statements present for 2006 and 2005, the revisions require presenting entity wide statements and also presenting its larger (i.e. major) funds separately for 2006 and 2005. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since this Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2006 and 2005, 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, 2006 and 2005, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances, and reserves for encumbrances of the Village, as of the December 31, 2006 and 2005, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

Members of Council
Village of Scott
Independent Auditor's Report
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The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the years ended December 31, 2006 and 2005. 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 May 31, 2007, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Caudill & Associates, CPA's

Caudill & Associates, CPA's
May 31, 2007

VILLAGE OF SCOTT
VAN WERT/PAULDING COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES, ALL GOVERNMENTAL FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2006

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
<u>Cash Receipts</u>					
Property and Other Taxes	\$ 10,532	\$ 4,738	\$ -	\$ -	\$ 15,270
Intergovernmental Receipts	29,498	22,529	-	-	52,027
Earnings on Investment	2,147	2,805	-	-	4,952
Charges for Services	88	47,406	-	-	47,494
Miscellaneous	83	9,775	-	-	9,858
Total Cash Receipts	42,348	87,253	-	-	129,601
<u>Disbursements:</u>					
Security of Persons and Property	8,310	34,178	-	-	42,488
Public Health Services	8,016	-	-	-	8,016
Leisure Time Activities	-	6,845	-	-	6,845
Community Environment	2	-	-	-	2
Basic Utility Services	-	5,622	-	-	5,622
Transportation	-	9,830	-	-	9,830
General Government	39,212	108	-	-	39,320
Capital Outlay	2,741	5,500	-	-	8,241
Debt Service					
Principal Payments	-	-	14,018	-	14,018
Interest and Fiscal Charges	-	-	5,005	-	5,005
Total Cash Disbursements	58,281	62,083	19,023	-	139,387
Total Receipts Over (Under) Disbursements	(15,933)	25,170	(19,023)	-	(9,786)
<u>Other Financing Receipts (Disbursements)</u>					
Transfers In	-	12,000	19,023	-	31,023
Transfers Out	(12,000)	(19,023)	-	-	(31,023)
Total Other Financing Receipts (Disbursements)	(12,000)	(7,023)	19,023	-	-
Excess of Cash Receipts and Other Financing Sources Over (Under) Cash Disbursements and Other Financing Disbursements	(27,933)	18,147	-	-	(9,786)
Fund Cash Balances, January 1	54,614	112,508	-	536	167,658
Fund Cash Balances, December 31	\$ 26,681	\$ 130,655	\$ -	\$ 536	\$ 157,872
Reserve for Encumbrances, December 31	\$ 1,912	\$ 871	\$ -	\$ -	\$ 2,783

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 FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2005

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
<u>Cash Receipts</u>					
Property and Other Taxes	\$ 9,742	\$ 4,027	\$ -	\$ -	\$ 13,769
Intergovernmental Receipts	32,569	34,638	-	-	67,207
Earnings on Investment	2,394	859	-	-	3,253
Charges for Services	88	71,697	-	-	71,785
Contributions and Donations	-	20,320	-	-	20,320
Miscellaneous	751	2,648	-	-	3,399
Total Cash Receipts	45,544	134,189	-	-	179,733
<u>Disbursements:</u>					
Security of Persons and Property	10,654	31,286	-	-	41,940
Leisure Time Activities	-	1,268	-	-	1,268
Community Environment	71	-	-	-	71
Basic Utility Services	-	242	-	-	242
Transportation	-	1,951	-	-	1,951
General Government	33,186	39	-	-	33,225
Capital Outlay	4,320	77,905	-	-	82,225
Debt Service	-	-	-	-	-
Principal Payments	-	-	13,323	-	13,323
Interest and Fiscal Charges	-	-	5,700	-	5,700
Total Cash Disbursements	48,231	112,691	19,023	-	179,945
Total Receipts Over (Under) Disbursements	(2,687)	21,498	(19,023)	-	(212)
<u>Other Financing Receipts (Disbursements)</u>					
Transfers In	-	-	19,023	-	19,023
Transfers Out	-	(19,023)	-	-	(19,023)
Total Other Financing Receipts (Disbursements)	-	(19,023)	19,023	-	(0)
Excess of Cash Receipts and Other Financing Sources Over (Under) Cash Disbursements and Other Financing Disbursements	(2,687)	2,475	-	-	(212)
Fund Cash Balances, January 1	57,301	110,033	-	536	167,870
Fund Cash Balances, December 31	\$ 54,614	\$ 112,508	\$ -	\$ 536	\$ 167,658
Reserve for Encumbrances, December 31	\$ 1,603	\$ 328	\$ -	\$ -	\$ 1,931

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, 2006 AND 2005**

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

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(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 are outstanding at year end. A summary of 2006 and 2005 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, 2006 AND 2005
(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:

	2005	2006
Demand deposits	\$87,629	\$83,942
STAR Ohio	80,029	73,930
Total deposits and investments	\$167,658	\$157,872

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, 2006 and December 31, 2005 follows:

2006 Budgeted Vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$44,355	\$42,348	\$(2,007)
Special Revenue	91,799	99,253	7,454
Debt Service	19,023	19,023	0
Capital Projects	0	0	0
Total	\$155,177	\$160,624	\$5,447

2006 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$86,527	\$72,193	\$14,334
Special Revenue	97,247	81,977	15,270
Debt Service	19,023	19,023	0
Capital Projects	536	0	536
Total	\$203,333	\$173,193	\$30,140

2005 Budgeted Vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$31,412	\$45,544	\$14,132
Special Revenue	65,622	134,189	68,567
Debt Service	19,023	19,023	0
Capital Projects	0	0	0
Total	\$116,057	\$198,756	\$82,699

**VILLAGE OF SCOTT
VAN WERT/ PAULDING COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$65,836	\$49,834	\$16,002
Special Revenue	134,690	132,042	2,648
Debt Service	19,023	19,023	0
Capital Projects	536	0	536
Total	\$220,085	\$200,899	\$19,186

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 is due the following June 20.

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

5. DEBT

Debt outstanding at December 31, 2006 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Fire Truck Lease	\$81,963	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:

<u>Year ending December 31:</u>	<u>Fire Truck Lease</u>
2007	\$19,023
2008	19,024
2009	19,023
2010	19,024
2011	<u>19,023</u>
	<u>\$95,117</u>

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(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 9.0 percent of their wages. The Village contributed an amount equal to 13.70 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2006.

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, 2005, 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:

	2006	2005
Assets	\$9,620,148	\$8,219,430
Liabilities	\$3,329,620	\$2,748,639
Members' Equity	\$6,290,528	\$5,470,791

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

8. COMPLIANCE

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 2006 and 2005 contrary to Section 5705.36.

In 2005, appropriations for the EMS fund exceeded its estimated resources by \$25,000 and in 2006 appropriations for the Parks and Recreation fund exceeded its estimated resources by \$7,000 contrary to Section 5705.39.

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

8. COMPLIANCE (Continued)

Appropriations for 2005 and 2006 were not filed with the County Auditor, and therefore were not legally approved contrary to Section 5705.41 (B).

75% of the expenditures tested were not properly certified contrary to Section 5705.41 (D).

Caudill & Associates, CPA's

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

Members of Council
Village of Scott
Van Wert/Paulding County
P.O. Box 155
Scott, Ohio 45886

We have audited the accompanying cash-basis financial statements of the Village of Scott (the Village), Van Wert/Paulding County, as of and for the years ended December 31, 2006 and 2005, which collectively comprise the Village's basic financial statements, and have issued our report thereon dated May 31, 2007, wherein we noted the Village uses a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Village's financial statements that is more than inconsequential will not be prevented or detected by the Village's internal control.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed four instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings and Responses as items No. 2006-001, 2006-002, 2006-003 and 2006-004.

We also noted certain noncompliance or other matters that we reported to the Village's management in a separate letter dated May 31, 2007.

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.

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

Caudill & Associates, CPAs

Caudill & Associates, CPA's
May 31, 2007

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

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2006 AND 2005**

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

FINDING NUMBER 2006-001

Noncompliance Citation

The Ohio Revised 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 2006 and 2005

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.

Client Response:

The Village will appropriately follow the auditor's recommendation and certify the certificate to the county auditor.

FINDING NUMBER 2006-002

Noncompliance Citation

The Ohio Revised 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 certificate

In FY05, appropriations for the EMS fund exceeded its estimated resources by \$25,000. And in FY06, appropriations for the Parks and Recreation fund exceeded its estimated resources by \$ 7,000.

Client Response:

The Village will appropriately follow the auditor's recommendation and monitor appropriations and available resources

FINDING NUMBER 2006-003

Noncompliance Citation

The Ohio Revised Code Section 5705.41 (B) states that no subdivision or taxing unit is to expend money unless it has been appropriated. Furthermore, appropriations must be filed with the County Budget Commission to be legally approved.

While the Village did adopt appropriations during 2005 and 2006, the appropriations were not filed with the County auditor, and therefore were not legally approved.

The Village should approve appropriations amounts and obtain certification from the County Auditor in a timely manner

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

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2006 AND 2005**

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

FINDING NUMBER 2006-003 (Continued)

Client Response:

The Village will appropriately follow the auditor's recommendation and file the appropriation certificate with the County Budget Commission.

FINDING NUMBER 2006-004

Noncompliance Citation - Certification of Expenditures

Ohio Revised Code Section 5705.41 (D), states that no order or contract involving the expenditure of money is to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract 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 encumbrances.

An exception to this basic requirement provides that, if the fiscal officer can certify that both at the time that the contract or order was made and at the time that the certification is being completed, 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 taxing authority can authorize the drawing of the warrant ("Then and Now"). The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district. Amounts of less than \$1,000 (\$3,000 after April 7, 2003), may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

Prior certification was not obtained from the clerk for the expenditure of Village funds for 75% of the transactions during the audit period. The lack of proper certifications could result in the Village obligating funds in excess of fund balances resulting in a deficit spending situation. Certification that funds are available should be obtained prior to purchasing goods and services to prevent possible overspending of resources and/or the obligation of amounts in excess of specific line item appropriations.

The Village should establish procedures for obtaining certification prior to incurring an obligation, and/or for subsequent certification and approval as provided by the exception noted above.

Client Response:

The Village will ensure that certification of expenditures are issued prior to contracting or ordering goods and services.

Village of Scott
Van Wert/Paulding County, Ohio
Schedule of Prior Audit Findings
For the Fiscal Years Ended December 31, 2006 and 2005

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2004-001	ORC Section – 733.28 – Record Keeping and updating of accounting books	Yes	
2004-002	Non-compliance citation ORC section 117.38 – Filing of annual report with 60 days	Yes	
2004-003	Non-compliance citation ORC section 5705.41(D) – Purchase Orders not utilized during audit period	No	Reissued under 2006-004. Purchase orders are utilized by Purchase order is issued after receipt of invoice.
2004-004	Non-compliance citation ORC Section 5705.41(B) – Appropriations in excess of expenditures	No	Reissued under 2006-003
2004-005	Non-compliance citation ORC Section 5705.36 – Total amount from all sources available for expenditures was not certified to the County Auditor	No	2005 was not certified. Will be reissued under 2006-001
2004-006	Non-compliance citation ORC Section 5705.39 Obtaining amended certificates and amending appropriations	No	Will reissue under 2006-002
2004-007	Non-compliance Citation ORC Section 149.351(A) Record passation between official	Yes	
2004-008	Monitoring of Financial Reports and Budget	Yes	
2004-009	Bank Reconciliations	Yes	



Mary Taylor, CPA
Auditor of State

VILLAGE OF SCOTT

VAN WERT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JULY 26, 2007