

VILLAGE OF SCOTT

Van Wert/Paulding County

Regular Audit

January 1, 2009 through December 31, 2010

Fiscal Years Audited Under GAGAS: 2009 and 2010



Caudill & Associates, CPA

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Dave Yost • 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, CPAs, for the audit period January 1, 2009 through December 31, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

July 26, 2011

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

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INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Scott, Van Wert/Paulding County, (the Village) as of and for the years ended December 31, 2010 and 2009. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *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.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2010 and 2009 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2010 and 2009, or its changes in financial position for the years then ended.

Village of Scott
Van Wert/Paulding County
Independent Auditor's Report (Continued)

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 of Scott, Van Wert/Paulding County, as of December 31, 2010 and 2009, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2011, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Caudill & Associates, CPA

Caudill & Associates, CPA
June 28, 2011

**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, 2010**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property and Local Taxes	\$ 12,818	\$ 14,291	\$ -	\$ 27,109
Intergovernmental	23,166	20,177	7,087	50,430
Charges for Services	-	49,478	-	49,478
Earnings on Investments	17	69	-	86
Miscellaneous	-	8,206	-	8,206
	<u>36,001</u>	<u>92,221</u>	<u>7,087</u>	<u>135,309</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
Security of Persons and Property	12,942	40,032	-	52,974
Public Health Services	1,102	-	-	1,102
Leisure Time Activities	215	2,288	7,087	9,590
Community Environment	328	-	-	328
Basic Utility Service	-	580	-	580
Transportation	-	33,970	-	33,970
General Government	15,835	-	-	15,835
Capital Outlay	-	112	-	112
Debt Service:				
Redemption of Principal	-	17,182	-	17,182
Interest and Fiscal Charges	-	1,840	-	1,840
	<u>30,422</u>	<u>96,004</u>	<u>7,087</u>	<u>133,513</u>
Total Cash Disbursements				
Total Cash Receipts Over/(Under) Cash Disbursements	<u>5,579</u>	<u>(3,783)</u>	<u>-</u>	<u>1,796</u>
Fund Cash Balances, January 1	<u>25,056</u>	<u>116,861</u>	<u>536</u>	<u>142,453</u>
Fund Cash Balances, December 31	<u>\$ 30,635</u>	<u>\$ 113,078</u>	<u>\$ 536</u>	<u>\$ 144,249</u>
Reserve for Encumbrances, December 31	<u>\$ 418</u>	<u>\$ 8,697</u>	<u>\$ -</u>	<u>\$ 9,115</u>

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, 2009**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property and Local Taxes	\$ 12,641	\$ 6,564	\$ -	\$ 19,205
Intergovernmental	23,714	22,715	753,368	799,797
Charges for Services	40	48,632	-	48,672
Earnings on Investments	92	429	-	521
Miscellaneous	-	17,549	-	17,549
	<u>36,487</u>	<u>95,889</u>	<u>753,368</u>	<u>885,744</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	9,969	41,227	-	51,196
Public Health Services	1,176	-	-	1,176
Leisure Time Activities	-	10,222	-	10,222
Community Environment	411	-	-	411
Basic Utility Service	-	40	-	40
Transportation	-	31,604	-	31,604
General Government	23,366	113	-	23,479
Capital Outlay	-	10,750	753,368	764,118
Debt Service:				
Redemption of Principal	-	16,330	-	16,330
Interest and Fiscal Charges	-	2,693	-	2,693
	<u>34,922</u>	<u>112,979</u>	<u>753,368</u>	<u>901,269</u>
Total Cash Disbursements	<u>34,922</u>	<u>112,979</u>	<u>753,368</u>	<u>901,269</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>1,565</u>	<u>(17,090)</u>	<u>-</u>	<u>(15,525)</u>
Other Financing Receipts / (Disbursements):				
Transfers-In	-	5,000	-	5,000
Transfers-Out	(5,000)	-	-	(5,000)
	<u>(5,000)</u>	<u>5,000</u>	<u>-</u>	<u>-</u>
Total Other Financing Receipts / (Disbursements)	<u>(5,000)</u>	<u>5,000</u>	<u>-</u>	<u>-</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(3,435)	(12,090)	-	(15,525)
Fund Cash Balances, January 1	<u>28,491</u>	<u>128,951</u>	<u>536</u>	<u>157,978</u>
Fund Cash Balances, December 31	<u>\$ 25,056</u>	<u>\$ 116,861</u>	<u>\$ 536</u>	<u>\$ 142,453</u>
Reserve for Encumbrances, December 31	<u>\$ 402</u>	<u>\$ 248</u>	<u>\$ -</u>	<u>\$ 650</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, 2010 AND 2009**

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 directs the Village. The Village provides general government services including street lighting, 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. Accounting Basis

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. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Deposits 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 private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

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

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

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.

3. Capital Projects Fund

This fund accounts 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 Projects Fund:

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

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) 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. 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 unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. A summary of 2010 and 2009 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

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

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

2. Equity in Pooled Deposits and Investments

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

	2010	2009
Demand deposits	\$63,473	\$51,267
Total deposits	63,473	51,267
 STAR Ohio	 80,776	 91,186
Total investments	80,776	91,186
Total deposits and investments	\$144,249	\$142,453

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, 2010 and 2009 follows:

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$33,983	\$36,001	\$2,018
Special Revenue	116,871	92,221	(24,650)
Capital Projects	0	7,087	7,087
Total	\$150,854	\$135,309	(\$15,545)

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$33,805	\$30,840	\$2,965
Special Revenue	88,242	104,701	(16,459)
Capital Projects	0	7,087	(7,087)
Total	\$122,047	\$142,628	(\$20,581)

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

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

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 41,183	\$ 36,487	\$ (4,696)
Special Revenue	86,022	100,889	14,867
Capital Projects	-	753,368	753,368
Total	<u>\$ 127,205</u>	<u>\$ 890,744</u>	<u>\$ 763,539</u>

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 59,923	\$ 40,324	\$ 19,599
Special Revenue	180,291	113,227	67,064
Capital Projects	-	753,368	(753,368)
Total	<u>\$ 240,214</u>	<u>\$ 906,919</u>	<u>\$ (666,705)</u>

4. Property Tax

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted 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 financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, 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 personal 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, 2010 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Fire Truck Lease	\$18,181	5.22%
Total	<u>\$18,181</u>	

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.

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

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

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

	Fire Truck
Year ending December 31:	Lease
2011	\$19,023
Total	\$19,023

6. Retirement Systems

The Village’s officials and employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans’ benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2010 and 2009, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equal to 14% of participants’ gross salaries. The Village has paid all contributions required through December 31, 2010.

7. Risk Management

Through December 31, 2008, the Village belongs to the Ohio Plan Risk Management, Inc. (the “Plan”), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management programs and other administrative services to Ohio governments (members). The Plan was legally separate from its member governments.

On January 1, 2009 through an internal reorganization, the Plan created three separate non-profit corporations including:

- Ohio Plan Risk Management Inc. (OPRM) – formally known as the Ohio Risk Management Plan
- Ohio Plan Healthcare Consortium Inc. (OPHC) – formally known as the Ohio Healthcare Consortium; and
- Ohio Plan Inc. – mirrors the oversight function previously performed by the Board of Directors. The Board of Trustees consists of eleven members that include appointed and elected officials from member organizations.

Pursuant to Ohio Revised Code Sec. 2744.081, the Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio. These coverage programs, referred to as Ohio Risk Plan management (“OPRM”), are developed specific to each member’s risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member’s exposure to loss, except OPRM retain 17.5% (15% through October 31, 2009) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 725 members as of December 31, 2009. The Village participates in this coverage.

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

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

The Plan formed the Ohio Plan Healthcare Consortium (OPHC), as authorized by section 9.833 of the Ohio Revised Code. The OPHC was established to provide cost effective employee benefit programs for Ohio political subdivisions and is a self funded, group purchasing consortium that offers medical, dental, vision and prescription drug coverage well as life insurance for its members. The OPHC is sold through seventeen appointed independent agents in the State of Ohio. Coverage programs are developed specific to each member's healthcare needs and the related premiums for coverage are determined through the application of uniform underwriting criteria. Variable plan options are available to members. These plans vary primarily by deductibles, coinsurance levels, office visit co-pays and out of pocket maximums. OPHC had 60 members as of December 31, 2009. The Village does not participate in this coverage.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2009 and 2008, the latest information available:

	<u>OPRM</u>	2009 <u>OPHC</u>	<u>Total</u>	<u>2008</u>
Assets	\$11,176,186	\$11,176,186	\$11,176,186	\$10,471,114
Liabilities	<u>(4,852,485)</u>	<u>(4,852,485)</u>	<u>(4,852,485)</u>	<u>(5,286,781)</u>
Members Equity	<u>\$6,323,701</u>	<u>\$6,323,701</u>	<u>\$6,323,701</u>	<u>\$5,184,333</u>

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan's website, www.ohioplan.org. Settlement amounts did not exceed insurance coverage for the past three fiscal years.

8. Miscellaneous Receipts

During 2009 and 2010, the Village reported \$17,549 and \$8,206 in miscellaneous receipts within the Special Revenue Funds, respectively. These receipts were primarily comprised of donations to the Village EMS and fire protection services. In 2009, the Village also received monies related to an insurance claim to replace fire protection equipment.

9. Compliance

Contrary to Ohio Rev. Code Section 5705.39, appropriations in the Parks and Recreation Fund and Fire Levy Fund exceeded estimated resources by \$6,318 and \$5,888, respectively during 2009. Appropriations in the Permissive Motor Vehicle License Tax Fund exceeded estimated resources by \$7.668 during 2010.

Contrary to Ohio Rev. Code Section 5705.41(B), expenditures exceeded appropriations in the Capital Projects Fund by \$753,368 during 2009. Expenditures exceeded appropriations in the Street Construction, Maintenance and Repair Fund, Permissive Motor Vehicle License Tax Fund and ODNR State Grant Fund by \$6,817, \$8,604 and \$7,087, respectively during 2010.

Contrary to Ohio Rev. Code Section 5705.41(D), the Village did not properly certify the availability of funds prior to obligation for 16% and 15% disbursements tested in 2009 and 2010, respectively.



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

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

To the Village Council:

We have audited the financial statements of the Village of Scott, Van Wert/Paulding County, (the Village) as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated June 28, 2011, 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 as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings and responses we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2010-04 described in the accompanying schedule of findings and responses to be a material weakness.

Village of Scott
Van Wert/Paulding County
Independent Auditor's Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards* (Continued)

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 three instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings and responses as items 2010-01, 2010-02 and 2010-03.

We noted certain noncompliance or other matters that we reported to the Village's management in a separate letter dated June 28, 2011.

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

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

Caudill & Associates, CPA

Caudill & Associates, CPA
June 28, 2011

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

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

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2010-01

Noncompliance Citation – Ohio Rev. Code Section 5705.39

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.

Appropriations in the Parks and Recreation Fund and Fire Levy Fund exceeded estimated resources by \$6,318 and \$5,888, respectively during 2009. Appropriations in the Permissive Motor Vehicle License Tax Fund exceeded estimated resources by \$7.668 during 2010.

We recommend the Village document in the minutes the passage of annual appropriation measures and certificates of estimated resources available for expenditure, and retain supporting documentation that the amounts were certified by the County Auditor. Furthermore, the Village Clerk and Council should monitor these amounts to ensure appropriations do not exceed estimated resources available for expenditure.

Village Response:

No response.

FINDING NUMBER 2010-02

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

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.

Expenditures exceeded appropriations in the Capital Projects Fund by \$753,368 during 2009. Expenditures exceeded appropriations in the Street Construction, Maintenance and Repair Fund, Permissive Motor Vehicle License Tax Fund and ODNR State Grant Fund by \$6,817, \$8,604 and \$7,087, respectively during 2010.

We recommend the Village review appropriations and expenditures periodically to ensure only money that has been appropriated is expended.

Village Response:

No response.

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

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2010 AND 2009
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2010-03

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

Ohio Rev. Code Section 5705.41(D)(1) states no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer attached 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.

The following exceptions to this basic requirement are provided by the Ohio Rev. Code Section 5705.41 (D) (1):

Then and Now Certificate: If the fiscal officer can certify that both at the time the contract or order was made and at the time that he is completing his certification, 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 a warrant for the payment of the amount due. The taxing authority has 30 days from the receipt of the “then and now” 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 \$100 for counties, or less than \$3,000 for other political subdivisions, 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.

The Village did not properly certify the availability of funds prior to obligation for 16% and 15% disbursements tested in 2009 and 2010, respectively.

We recommend the Village implement policies to ensure that all purchases first have monies certified by the fiscal officer before purchasing or ordering an item. We also recommend the use of a “then and now” certificate in instances of emergency or absence of proper authority.

Village Response:

No response.

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

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2010 AND 2009
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2010-04

Material Weakness - Recording of Receipts and Pass-Through Monies

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

During 2009 and 2010, the Village erroneously posted receipts to the incorrect line item. Also in 2009, the Village failed to post receipts and disbursements related to an Ohio Public Works Commission pass-through grant to fund a street project. The Village did not post the grant award receipts and subsequent disbursements made directly to the contractors by the County on behalf of the Village. Adjustments were required to properly record the activity of the Village.

We recommend the Village implement control procedures related to financial reporting that enable management to identify, prevent, detect, and correct potential misstatements in the financial statements and footnotes. We also recommend the Village follow guidance from the Auditor of State Bulletin 2000-008 regarding on-behalf-of grants.

Village Response:

No response.

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

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2010 AND 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2008-01	Noncompliance citation – ORC 5705.36	No	Partially corrected, reissued as a management letter comment.
2008-02	Noncompliance citation – ORC 5705.39	No	Reissued as finding 2010-01.
2008-03	Noncompliance citation – ORC 5705.41(B)	No	Reissued as finding 2010-02.



Dave Yost • 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
AUGUST 9, 2011