



Dave Yost • Auditor of State

**VILLAGE OF SCOTT
VAN WERT / PAULDING COUNTY
DECEMBER 31, 2016 AND 2015**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Scott, Van Wert / Paulding County, Ohio (the Village) as of and for the years ended December 31, 2016 and 2015.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 2 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2016 and 2015, and the respective changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Village of Scott, Van Wert / Paulding County as of December 31, 2016 and 2015, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 6, 2018, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

March 6, 2018

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

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:				
Property and Other Local Taxes	\$10,149	\$4,720		\$14,869
Intergovernmental	26,698	17,919		44,617
Charges for Services	5,018	81,466		86,484
Earnings on Investments	49	283		332
Miscellaneous		24,879		24,879
Total Cash Receipts	<u>41,914</u>	<u>129,267</u>		<u>171,181</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	5,936	82,086		88,022
Public Health Services	945			945
Leisure Time Activities	511	3,389		3,900
Community Environment	100			100
Basic Utility Services		4,121		4,121
Transportation	268	23,879		24,147
General Government	20,495	4,397		24,892
Capital Outlay		28,824		28,824
Total Cash Disbursements	<u>28,255</u>	<u>146,696</u>		<u>174,951</u>
Excess of Receipts Over Disbursements	<u>13,659</u>	<u>(17,429)</u>		<u>(3,770)</u>
Other Financing Receipts (Disbursements):				
Transfers In		6,500		6,500
Transfers Out	(6,500)			(6,500)
Other Financing Sources	842			842
Total Other Financing Receipts (Disbursements)	<u>(5,658)</u>	<u>6,500</u>		<u>842</u>
Extraordinary Item	<u>403</u>			<u>403</u>
Net Change in Fund Cash Balances	8,404	(10,929)		(2,525)
Fund Cash Balances, January 1	<u>19,376</u>	<u>193,070</u>	<u>\$536</u>	<u>212,982</u>
Fund Cash Balances, December 31:				
Restricted		182,141	536	182,677
Assigned	9,110			9,110
Unassigned	18,670			18,670
Fund Cash Balances, December 31	<u>\$27,780</u>	<u>\$182,141</u>	<u>\$536</u>	<u>\$210,457</u>

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

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

1. REPORTING ENTITY

The Village of Scott (the Village), Van Wert / Paulding County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides street maintenance and repair, park operations, fire protection services, EMS services, and police services. The Village appropriates fire and EMS fund money to support a volunteer fire department.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types.

B. Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

1. General Fund

The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

Fire Fund - This fund receives tax levy monies, grant monies, donations and charges for services to provide fire protection to the Village and other area Townships and Villages.

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

3. Capital Project Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. 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.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Council 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

D. 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. The Village Council must annually approve appropriation measures and subsequent amendments. Unencumbered 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 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 re-appropriated.

A summary of 2016 budgetary activity appears in Note 4.

E. Deposits and Investments

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

F. Capital Assets

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
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

Non-spendable The Village classifies assets as *non-spendable* when legally or contractually required to maintain the amounts intact.

Restricted Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Committed - Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

Unassigned Un-assigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

3. COMPLIANCE

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in all funds by \$64,801 for the year ended December 31, 2016.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

4. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$24,736	\$43,159	\$18,423
Special Revenue	81,908	135,767	53,859
Total	\$106,644	\$178,926	\$72,282

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$27,388	\$35,726	(\$8,338)
Special Revenue	91,164	147,627	(56,463)
Total	\$118,552	\$183,353	(\$64,801)

5. DEPOSITS AND INVESTMENTS

The Village maintains a deposit and investments 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:

	2016
Demand deposits	\$164,273
STAR Ohio	46,184
Total deposits and investments	\$210,457

A. Deposits

Deposits are insured by the Federal Deposit Insurance Corporation.

B. Investments

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

6. TAXES

Property Taxes

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.

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

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

7. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

8. DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System

Fourteen employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2016.

B. Social Security

One of the Village's employees contributed to social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2016.

9. POST-EMPLOYMENT BENEFITS

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent of the employer contribution to fund these benefits.

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

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:				
Property and Other Local Taxes	\$10,104	\$5,011		\$15,115
Intergovernmental	19,218	46,576		65,794
Charges for Services	5,018	80,702		85,720
Earnings on Investments	20	105		125
Miscellaneous		8,021		8,021
Total Cash Receipts	<u>34,360</u>	<u>140,415</u>		<u>174,775</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	3,768	77,875		81,643
Public Health Services	837			837
Leisure Time Activities	624	3,584		4,208
Community Environment	96			96
Basic Utility Services		500		500
Transportation		4,554		4,554
General Government	26,694	4,259		30,953
Capital Outlay		28,841		28,841
Total Cash Disbursements	<u>32,019</u>	<u>119,613</u>		<u>151,632</u>
Excess of Receipts Over Disbursements	<u>2,341</u>	<u>20,802</u>		<u>23,143</u>
Other Financing Receipts (Disbursements):				
Transfers In		5,000		5,000
Transfers Out	(5,000)			(5,000)
Other Financing Uses	(23)			(23)
Total Other Financing Receipts (Disbursements)	<u>(5,023)</u>	<u>5,000</u>		<u>(23)</u>
Extraordinary Item	<u>119</u>			<u>119</u>
Net Change in Fund Cash Balances	(2,563)	25,802		23,239
Fund Cash Balances, January 1	<u>21,939</u>	<u>167,268</u>	<u>536</u>	<u>189,743</u>
Fund Cash Balances, December 31:				
Restricted		192,044	536	192,580
Committed		1,026		1,026
Assigned	2,165			2,165
Unassigned	17,211			17,211
Fund Cash Balances, December 31	<u>\$19,376</u>	<u>\$193,070</u>	<u>\$536</u>	<u>\$212,982</u>

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

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

1 REPORTING ENTITY

The Village of Scott (the Village), Van Wert / Paulding County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides street maintenance and repair, park operations, fire protection services, EMS services, and police services. The Village appropriates fire and EMS fund money to support a volunteer fire department.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types.

B. Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

1. General Fund

The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

Fire Fund - This fund receives tax levy monies, grant monies, donations and charges for services to provide fire protection to the Village and other area Townships and Villages.

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

3. Capital Project Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. 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.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Council 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

D. 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. The Village Council must annually approve appropriation measures and subsequent amendments. Unencumbered 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 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 re-appropriated.

A summary of 2015 budgetary activity appears in Note 4.

E. Deposits and Investments

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

F. Capital Assets

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
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

Non-spendable - The Village classifies assets as *non-spendable* when legally or contractually required to maintain the amounts intact.

Restricted - Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Committed - Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned - Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

Unassigned - Un-assigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

3. COMPLIANCE

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in all funds by \$157,207 as the Village did not pass an appropriation measure for the year ending December 31, 2015.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

4. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2015 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$26,107	\$34,479	\$8,372
Special Revenue	103,770	145,415	41,645
Total	\$129,877	\$179,894	\$50,017

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General		\$37,530	(\$37,530)
Special Revenue		119,677	(119,677)
Total	\$0	\$157,207	(\$157,207)

5. DEPOSITS AND INVESTMENTS

The Village maintains a deposit and investments 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:

	2015
Demand deposits	\$167,042
STAR Ohio	45,940
Total deposits and investments	\$212,982

A. Deposits

Deposits are insured by the Federal Depository Insurance Corporation.

B. Investments

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

6. TAXES

Property Taxes

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.

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

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

7. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

8. DEFINED BENEFIT PENSION PLANS

Ohio Public Employees Retirement System

Fifteen employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2015.

9. POST-EMPLOYMENT BENEFITS

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent of the employer contribution to fund these benefits.

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Dave Yost • Auditor of State

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 in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Village of Scott, Van Wert / Paulding County, (the Village) as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements and have issued our report thereon dated March 6, 2018 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

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 combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider finding 2016-001 and 2016-002 to be material weaknesses.

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, opining 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 finding as items 2016-001 and 2016-002.

Village's Response to Findings

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

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

March 6, 2018

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

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2016-001

Noncompliance and Material Weakness

Ohio Rev. Code § 5705.36 (A) (2) states that upon determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be greater or less than the amount included in an official certificate, the fiscal officer may certify the amount of the deficiency or excess to the commission, and if the commission determines that the fiscal officer's certification is reasonable, the commission shall certify an amended official certificate reflecting the deficiency or excess.

Ohio Rev. Code § 5705.38 (A) states, in part, that on or about the first day of each fiscal year, the taxing authority of each subdivision or other taxing unit shall pass an appropriation measure, and thereafter during the year it may pass any supplemental appropriation measures as it finds necessary, based on the revised tax budget or the official certificate of estimated resources or amendments of the certificate.

Ohio Rev. Code § 5705.39 states, in part, that no appropriation measure shall become effective until the county auditor files with the appropriating agency a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed such official estimate or amended official estimate.

Ohio Rev. Code § 5705.40 stipulates that any appropriation ordinance or measure may be amended or supplemented, provided that such amendment or supplement shall comply with all provisions of law governing the taxing authority in making an original appropriation and that no appropriation for any purpose shall be reduced below an amount sufficient to cover all unliquidated and outstanding contracts or obligations certified from or against the appropriation.

Ohio Rev. Code § 5705.41 (B) prohibits a subdivision or taxing unit from expending money unless it has been appropriated.

For the year ended December 31, 2015, the Village did not pass an appropriation measure. As a result, expenditures exceeded appropriations in all funds.

During 2015 and 2016, the fiscal officer recorded changes to estimated receipts in the accounting system that were not certified by the county budget commission. During 2016, appropriation amendments were recorded in the accounting system that were not approved by Council or certified by the county auditor. These amendments were not considered to be legally effective and resulted in expenditures exceeding appropriations in all funds.

Furthermore, Council's review of budget versus actual information is a significant internal control in monitoring performance of the Village and helps to identify unexpected fluctuations in the budget. The Village utilizes the Uniform Accounting Network (UAN), which has the capabilities of producing budget versus actual reports for individual funds. The Council did not review budget versus actual receipts and disbursements reports from the accounting system during 2015 and 2016.

Failure to follow applicable budgetary laws is a violation of the Ohio Revised Code and could result in overspending of resources and deficit fund balances.

FINDING NUMBER 2016-001
(Continued)

The Village should implement procedures to ensure that all applicable budgetary laws are followed. The Village should approve an annual appropriation measure to be filed with the county auditor for certification. Additionally, the Village should properly record appropriations and estimated receipts for all funds in the accounting system in order to produce accurate budget versus actual reports for receipts and disbursements. Council should review budgetary information to assure that expenditures are made in accordance with the approved budget, receipts are received in accordance with the Certificate of Estimated Resources, and that overspending does not occur.

Officials' Response:

I forgot to do this for these years and I will remember to do it in the future.

FINDING NUMBER 2016-002

Noncompliance and Material Weakness

Ohio Rev. Code § 733.28 requires a fiscal officer in lieu of an elected village clerk to maintain the books of the Village and exhibit accurate statements of all monies received and expended.

Governmental Accounting Standards Board (GASB) Statement No. 54 - *Fund Balance Reporting and Governmental Fund Type Definitions* established criteria for reporting governmental fund balances based upon constraints placed upon the use of the resources reported in the governmental funds. The five classifications are non-spendable, restricted, committed, assigned, and unassigned.

The following misstatements occurred on the Village's financial statements and accounting records:

- The ODNR State Grant Fund was classified as a Special Revenue Fund on the Village's financial statements instead of capital projects. An adjustment was made to the financial statements to reclassify the fund as a capital projects fund in 2016 and 2015;
- Emergency Medical Services billing receipts totaling \$7,672 were recorded as miscellaneous receipts in the EMS Fund in 2015 and were reclassified as charges for services;
- The annual Blue Creek Wind Farm receipt in the amount of \$5,018 was recorded as a miscellaneous receipt in the Street Fund in 2016 and was reclassified as charges for services in the General fund;
- In 2015, property tax and homestead/rollback receipts were not correctly allocated to the funds, which resulted in an adjustment to increase the General and EMS fund balances by \$1,828 and \$249, respectively, and to decrease the Street Construction Maintenance and Repair, State Highway, and Fire fund balances by \$1,149, \$93, and \$835, respectively;
- In 2016, homestead/rollback receipts were not correctly allocated to the funds, which resulted in an adjustment to increase the General fund balance by \$699 and to decrease the EMS, Fire, and Street Construction Maintenance and Repair fund balances by \$60, \$613, and \$26, respectively;
- In 2015, the Park Fund balance of \$1,026 was classified as restricted and was reclassified as committed; and
- The amount by which subsequent year appropriations exceeded estimated receipts was not classified as assigned fund balance in the General fund and resulted in reclassifications from unassigned fund balance in the amounts of \$9,110 and \$2,165 for 2016 and 2015, respectively.

FINDING NUMBER 2016-002
(Continued)

The misstatements noted above are reflected on the accompanying financial statements and have been posted to the Village's accounting records. In addition to the adjustments and reclassifications listed above, we also identified additional misstatements ranging from \$82 to \$971, which we have brought to the Village's attention.

The failure to correctly classify financial activity in the accounting records and financial statements may impact the users' understanding of the financial operations, the Village Council's and management's ability to make sound financial decisions or comply with budgetary laws, and could result in materially misstated reports.

The Village should implement policies and procedures to provide for accurate and complete recording of financial activity and balances in the accounting records and financial statements to assist in the effective management and reporting of financial resources.

Officials' Response

Now that I know what items went into the wrong funds I will try to do them in the correct funds in the future.

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

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2016 AND 2015**

Finding Number	Finding Summary	Status	Additional Information
2014-001	Budgetary Requirements – Noncompliance	Not Corrected	Repeated as Finding 2016-001
2014-002	Fire Contract – Finding for Recovery – Repaid Under Audit	Fully Corrected	
2014-003	Financial Reporting - Material Weakness	Not Corrected	Repeated as Finding 2016-002



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
MARCH 27, 2018