



**Auditor of State
Betty Montgomery**

VILLAGE OF SCOTT
VAN WERT COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Village of Scott
Van Wert County
P.O. Box 111
Scott, Ohio 45886

To the Village Council:

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2003 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Village of Scott
Van Wert County
Independent Accountants' Report
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This report is intended solely for the information and use of management, Village Council and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

October 28, 2003

**VILLAGE OF SCOTT
VAN WERT COUNTY**

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

	<u>Governmental Fund Types</u>				<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Property Tax and Other Local Taxes	\$9,808	\$3,454			\$13,262
Intergovernmental Receipts	29,719	17,038			46,757
Charges for Services		38,150			38,150
Earnings on Investments	1,045	600			1,645
Miscellaneous		3,517			3,517
Total Cash Receipts	<u>40,572</u>	<u>62,759</u>			<u>103,331</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	8,864	34,199			43,063
Public Health Services	940				940
Leisure Time Activities	6,520	393			6,913
Community Environment	71				71
Transportation		8,094			8,094
General Government	14,177	115			14,292
Debt Service:					
Principal Payments			9,525		9,525
Interest Payments			725		725
Capital Outlay		134,093			134,093
Total Cash Disbursements	<u>30,572</u>	<u>176,894</u>	<u>10,250</u>		<u>217,716</u>
Total Receipts Over/(Under) Disbursements	<u>10,000</u>	<u>(114,135)</u>	<u>(10,250)</u>		<u>(114,385)</u>
Other Financing Receipts and (Disbursements):					
Sale of Lease		133,900			133,900
Sale of Fixed Assets	200				200
Transfers-In		500	10,250		10,750
Transfers-Out	(500)	(10,250)			(10,750)
Total Other Financing Receipts/(Disbursements)	<u>(300)</u>	<u>124,150</u>	<u>10,250</u>		<u>134,100</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	9,700	10,015	0	0	19,715
Fund Cash Balances, January 1	<u>47,596</u>	<u>73,524</u>	<u>0</u>	<u>536</u>	<u>121,656</u>
Fund Cash Balances, December 31	<u><u>\$57,296</u></u>	<u><u>\$83,539</u></u>	<u><u>\$0</u></u>	<u><u>\$536</u></u>	<u><u>\$141,371</u></u>

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

**VILLAGE OF SCOTT
VAN WERT COUNTY**

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

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Property Tax and Other Local Taxes	\$8,054	\$3,302			\$11,356
Intergovernmental Receipts	31,690	19,072		8,000	58,762
Charges for Services		41,733			41,733
Fines, Licenses, and Permits	35				35
Earnings on Investments	1,847	1,108			2,955
Miscellaneous	2,232	9,293			11,525
	<u>43,858</u>	<u>74,508</u>		<u>8,000</u>	<u>126,366</u>
Total Cash Receipts					
Cash Disbursements:					
Current:					
Security of Persons and Property	19,443	44,697			64,140
Public Health Services	831				831
Leisure Time Activities		524			524
Community Environment	71				71
Transportation		5,953			5,953
General Government	16,824	106			16,930
Debt Service:					
Principal Payments			8,851		8,851
Interest Payments			1,399		1,399
Capital Outlay		4,035		8,001	12,036
	<u>37,169</u>	<u>55,315</u>	<u>10,250</u>	<u>8,001</u>	<u>110,735</u>
Total Cash Disbursements					
Total Receipts Over/(Under) Disbursements	<u>6,689</u>	<u>19,193</u>	<u>(10,250)</u>	<u>(1)</u>	<u>15,631</u>
Other Financing Receipts and (Disbursements):					
Transfers-In		500	10,250		10,750
Transfers-Out	(500)	(10,250)			(10,750)
	<u>(500)</u>	<u>(9,750)</u>	<u>10,250</u>		
Total Other Financing Receipts/(Disbursements)					
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	6,189	9,443	0	(1)	15,631
Fund Cash Balances, January 1	41,407	64,081	0	537	106,025
Fund Cash Balances, December 31	<u>\$47,596</u>	<u>\$73,524</u>	<u>\$0</u>	<u>\$536</u>	<u>\$121,656</u>

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

**VILLAGE OF SCOTT
VAN WERT COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Scott, Van Wert County and Paulding County, (the Village), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general government services, including 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 basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

C. Cash and Investments

Investments are included in fund cash balances. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

The investment in STAR Ohio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer.

D. Fund Accounting

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

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Fund

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

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

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

VILLAGE OF SCOTT
VAN WERT COUNTY

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Debt Service Fund

These funds are used to accumulate resources for the payment of bond and note indebtedness. 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 lease-to-own payment on a fire truck.

4. Capital Projects Fund

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project fund:

Volunteer Fire Department Grant Fund – This fund receives grant monies to be used for the purchase of equipment.

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. The 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 commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Village did not properly use the encumbrance method of accounting for 2001 and 2002.

A summary of 2002 and 2001 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

**VILLAGE OF SCOTT
VAN WERT COUNTY**

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2002	2001
Demand deposits	\$85,318	\$66,598
STAR Ohio	56,053	55,058
Total deposits and investments	\$141,371	\$121,656

Deposits: Deposits are either insured by the Federal Depository Insurance Corporation.

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, 2002 and 2001 follows:

Fund Type	Receipts	Receipts	Variance
General	\$0	\$40,772	\$40,772
Special Revenue	0	197,159	197,159
Debt Service	0	10,250	10,250
Capital Projects	0	0	0
Total	\$0	\$248,181	\$248,181

2002 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$43,930	\$31,072	\$12,858
Special Revenue	229,300	187,144	42,156
Debt Service	10,250	10,250	0
Capital Projects	535	0	535
Total	\$284,015	\$228,466	\$55,549

2001 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$0	\$43,858	\$43,858
Special Revenue	0	75,008	75,008
Debt Service	0	10,250	10,250
Capital Projects	0	8,000	8,000
Total	\$0	\$137,116	\$137,116

**VILLAGE OF SCOTT
VAN WERT COUNTY**

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

3. BUDGETARY ACTIVITY (Continued)

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$47,510	\$37,669	\$9,841
Special Revenue	109,500	65,565	43,935
Debt Service	10,250	10,250	0
Capital Projects	8,500	8,001	499
Total	\$175,760	\$121,485	\$54,275

During 2002 and 2001, all fund appropriations exceeded estimated resources and all expenditures exceeded appropriations as a result of the Village's failure to file the certification of available balances, file the appropriations, and obtain a certificate of estimated resources.

4. PROPERTY TAX

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

Public utilities are also taxed on personal and real property located within the Village. Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

5. DEBT

Debt outstanding at December 31, 2002 was as follows:

	Principal	Interest Rate
Fire Truck Lease	\$133,900	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.

**VILLAGE OF SCOTT
VAN WERT COUNTY**

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

5. DEBT (Continued)

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

	Fire Truck Lease
Year ending December 31:	
2003	\$19,023
2004	19,024
2005	19,023
2006	19,024
2007	19,023
2008-2012	76,094
Total	\$171,211

6. RETIREMENT SYSTEMS

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

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

7. RISK MANAGEMENT

Risk Pool Membership

The Village belongs to the Ohio Government Risk Management Plan (the "Plan"), an unincorporated non-profit association with approximately 600 governmental entity members providing a formalized, jointly administered self-insurance risk management program and other administrative services.

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is deemed 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 coverage, 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 uses conventional insurance coverages and reinsures these coverages. Effective September 1, 2002, the Plan retains 5% of the premium and losses on the first \$500,000 casualty treaty (up to \$25,000 of a loss) and 5% of the first \$1,000,000 property treaty (up to \$50,000 of a loss). The Plan also participates in a loss corridor in its first \$500,000 casualty reinsurance. The corridor includes losses paid between 55% and 65% of premiums earned under this treaty. (Reinsurance coverage would resume after a paid loss ratio of 65% is exceeded.) The individual members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

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**Auditor of State
Betty Montgomery**

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

Village of Scott
Van Wert County
Post Office Box 111
Scott, Ohio 45886

To the Village Council:

We have audited the accompanying financial statements of the Village of Scott, Van Wert County and Paulding County, (the Village), as of and for the years ended December 31, 2002 and December 31, 2001, and have issued our report thereon dated October 28, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2002-001 through 2002-006. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated October 28, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that in our judgement, could adversely affect the Village's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 2002-007.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly would not necessarily disclose all reportable conditions described above to be material weaknesses. We believe the reportable condition described above is not a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated October 28, 2003.

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

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

Betty Montgomery
Auditor of State

October 28, 2003

VILLAGE OF SCOTT
VAN WERT COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001

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

FINDING NUMBER 2002-001

Ohio Rev. Code Section 117.38 states that cash-basis entities must file annual reports with the Auditor of State within 60 days of the fiscal year end. These reports must be filed on forms prescribed by the Auditor of State. Any public office which does not file the report by the required date shall pay a penalty of twenty-five dollars for each day the report remains unfiled, not to exceed seven hundred fifty dollars.

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

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

The Village did not prepare and file the 2002 nor the 2001 annual financial statements by the required date and did not file the reports with the Auditor of State. The 2002 annual report was completed September 2003 and the 2001 annual report was completed October 2003. The Village was declared as unauditible by the Auditor of State in June 2003 due to the failure to prepare financial reports and the lack of adequate records. In addition, the Village did not publish notice that the financial statements were completed and available for public inspection.

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

FINDING NUMBER 2002-002

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

The Village clerk did not maintain the books of the village during the audit period. The Village was declared as unauditible by the Auditor of State during June 2003 due to the failure to prepare financial reports and the lack of adequate records. The books were completed by September 2003 for 2001 and October 2003 for 2002.

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

FINDING NUMBER 2002-003

Ohio Rev. Code Section 5705.41(D) states that no subdivision shall make any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to of an appropriated fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certification should be considered null and void. If no certificate is issued at the time the contract or order is entered into, the fiscal officer may later certify that there were funds properly appropriated and in the treasury or in the process of collection and such funds are free from previous encumbrance both at the time the contract or order was entered into and at the time of payment. After certifying this, the fiscal officer may proceed to pay for such order or contract. If the amount involved is over \$1,000 (\$3,000 after April 7, 2003), the taxing authority must approve of such payment within 30 days of the date of the fiscal officer's certification.

Prior certification was not obtained prior to expenditure of the Village funds for all transactions during 2001 and 2002. There was evidence that the Clerk and Village Council approved the expenditure within thirty days, however, the certificates were not marked "Then and Now."

The Village should require that all employees and officials obtain the required certification prior to incurring the obligations. The Clerk should sign the required certification. If prior certification is not obtained and the Village does approve the expenditure by formal resolution, the blanket certificate or purchase order should be stamped "Then and Now" to indicate that funds were available then and now.

FINDING NUMBER 2002-004

Ohio Rev. Code Section 5705.36 states 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 2002 and 2001.

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

FINDING NUMBER 2002-005

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

The Village did not file a certificate of available balances, obtain a certificate of estimated revenue, nor file an appropriation resolution for 2001 and 2002; therefore, the Village did not receive a certificate from the county auditor.

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

FINDING NUMBER 2002-006

Ohio Rev. Code Section 5705.41(B) states that no subdivision or taxing unit is to expend money unless it has been appropriated. While the Village Council did adopt appropriations during 2002 and 2001, these appropriations were not filed with the County Budget Commission and not legally approved.

Therefore, expenditures exceeded appropriations for all funds during 2001 and 2002 as a result of the Village's failure to file their appropriations with the County Budget Commission and obtain the required certification by the County Auditor. Failure to limit expenditures by approving appropriations and obtaining certificate by the County Auditor could result in deficit spending and deficit fund balances.

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

FINDING NUMBER 2002-007

Monitoring Financial Reports and Budget

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

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

Inquiries Relevant to Overall Village's Operations:

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

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

**VILLAGE OF SCOTT
VAN WERT COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2000-30281-001	Ohio Revised Code 5705.39 – Appropriations in Excess of Estimated Revenue	No	See finding # 2002-004



**Auditor of State
Betty Montgomery**

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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
DECEMBER 9, 2003**