



**Auditor of State  
Betty Montgomery**



VILLAGE OF SCIO  
HARRISON COUNTY

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

Village of Scio  
Harrison County  
P.O. Box 307  
206 East Main Street  
Scio, Ohio 43988

To the Village Council:

We have audited the accompanying financial statements of the Village of Scio, Harrison County (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 and reserves for encumbrances of the Village of Scio, Harrison County, 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.

As more fully described in Note 7, the Village is delinquent in forwarding contributions to the Ohio Public Employees Retirement System and to the Police and Fire Pension Fund.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2004 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.

This report is intended solely for the information and use of management and 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

January 12, 2004

VILLAGE OF SCIO  
HARRISON COUNTY

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

	<u>Governmental Fund Types</u>			<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
<b>Cash Receipts:</b>					
Property Tax and Other Local Taxes	\$26,270	\$5,950		\$48,882	\$81,102
Intergovernmental Receipts	25,055	20,755	\$116,966		162,776
Charges for Services		100			100
Fines, Licenses, and Permits	4,155				4,155
Earnings on Investments	2,387	540			2,927
Miscellaneous	5,363				5,363
<b>Total Cash Receipts</b>	<u>63,230</u>	<u>27,345</u>	<u>116,966</u>	<u>48,882</u>	<u>256,423</u>
<b>Cash Disbursements:</b>					
Current:					
Security of Persons and Property	32,119	1,780			33,899
Public Health Services	444				444
Leisure Time Activities		5,405			5,405
Transportation		43,990			43,990
General Government	56,155	174		15,229	71,558
Capital Outlay			116,966		116,966
Debt Service		8,812			8,812
<b>Total Cash Disbursements</b>	<u>88,718</u>	<u>60,161</u>	<u>116,966</u>	<u>15,229</u>	<u>281,074</u>
Total Receipts Over/(Under) Disbursements	<u>(25,488)</u>	<u>(32,816)</u>		<u>33,653</u>	<u>(24,651)</u>
<b>Other Financing Receipts and (Disbursements):</b>					
Transfers-In	6,364	2,235			8,599
Transfers-Out				(8,599)	(8,599)
<b>Total Other Financing Receipts/(Disbursements)</b>	<u>6,364</u>	<u>2,235</u>		<u>(8,599)</u>	
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(19,124)	(30,581)		25,054	(24,651)
Fund Cash Balances, January 1	65,028	34,404		46,602	146,034
<b>Fund Cash Balances, December 31</b>	<u><u>\$45,904</u></u>	<u><u>\$3,823</u></u>		<u><u>\$71,656</u></u>	<u><u>\$121,383</u></u>

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

**VILLAGE OF SCIO  
HARRISON COUNTY**

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

	<b>Proprietary Fund Type</b>
	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$150,379
Miscellaneous	100
	150,479
Total Operating Cash Receipts	150,479
<b>Operating Cash Disbursements:</b>	
Personal Services	53,977
Transportation	726
Contractual Services	22,431
Supplies and Materials	66,666
	143,800
Total Operating Cash Disbursements	143,800
Operating Income/(Loss)	6,679
<b>Non-Operating Cash Receipts:</b>	
Proceeds from Notes	11,600
	11,600
Total Non-Operating Cash Receipts	11,600
<b>Non-Operating Cash Disbursements:</b>	
Debt Service	21,487
	21,487
Total Non-Operating Cash Disbursements	21,487
Net Receipts Over/(Under) Disbursements	(3,208)
Fund Cash Balances, January 1	75,234
<b>Fund Cash Balances, December 31</b>	<b>\$72,026</b>

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

**VILLAGE OF SCIO  
HARRISON COUNTY**

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

	<u>Governmental Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Expendable Trust</u>	
<b>Cash Receipts:</b>				
Property Tax and Other Local Taxes	\$26,756	\$6,083	\$45,059	\$77,898
Special Assessments		166		166
Intergovernmental Receipts	47,789	26,578		74,367
Charges for Services		130		130
Fines, Licenses, and Permits	7,330			7,330
Earnings on Investments	3,440	861		4,301
Miscellaneous	8,383	390		8,773
	<u>93,698</u>	<u>34,208</u>	<u>45,059</u>	<u>172,965</u>
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	35,218	110		35,328
Public Health Services	149			149
Leisure Time Activities		2,574		2,574
Transportation		24,548		24,548
General Government	56,130	1,212	6,039	63,381
Debt Payments		7,595		7,595
Capital Outlay			23,792	23,792
	<u>91,497</u>	<u>36,039</u>	<u>29,831</u>	<u>157,367</u>
Total Receipts Over/(Under) Disbursements	<u>2,201</u>	<u>(1,831)</u>	<u>15,228</u>	<u>15,598</u>
<b>Other Financing Receipts and (Disbursements):</b>				
Transfers-In	9,703			9,703
Advances-In	10,000	11,200		21,200
Transfers-Out			(9,703)	(9,703)
Advances-Out	(10,000)	(11,200)		(21,200)
	<u>9,703</u>	<u>(9,703)</u>	<u>(9,703)</u>	<u></u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	11,904	(1,831)	5,525	15,598
Fund Cash Balances, January 1	53,124	36,235	41,077	130,436
<b>Fund Cash Balances, December 31</b>	<b><u>\$65,028</u></b>	<b><u>\$34,404</u></b>	<b><u>\$46,602</u></b>	<b><u>\$146,034</u></b>
Reserves for Encumbrances, December 31	<u>\$50,200</u>	<u></u>	<u>\$41,077</u>	<u>\$91,277</u>

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

**VILLAGE OF SCIO  
HARRISON COUNTY**

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

	<b>Proprietary Fund Type</b>
	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$151,758
Total Operating Cash Receipts	151,758
<b>Operating Cash Disbursements:</b>	
Personal Services	45,459
Travel	359
Contractual Services	34,852
Supplies and Materials	56,843
Total Operating Cash Disbursements	137,513
Operating Income/(Loss)	14,245
<b>Non-Operating Cash Disbursements:</b>	
Debt Service	12,442
Other Non-Operating Cash Disbursements	150
Total Non-Operating Cash Disbursements	12,592
Net Receipts Over/(Under) Disbursements	1,653
Fund Cash Balances, January 1	73,581
<b>Fund Cash Balances, December 31</b>	<b>\$75,234</b>

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

**VILLAGE OF SCIO  
HARRISON 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 Scio, Harrison 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 water and sewer utilities, street maintenance and repair, and park operations. The Village contracts with the Scio Volunteer Fire Department to provide fire protection within the Village. The Village also contracts with the Harrison County Sheriff's Office to provide police protection within the Village.

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 reported as assets. 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.

Certificates of deposit are valued at cost.

**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 Funds**

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 fund:

*Street Construction, Maintenance and Repair Fund* - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village streets.

**VILLAGE OF SCIO  
HARRISON COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**3. Capital Project Funds**

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:

*Issue II Fund* - This fund receives intergovernmental receipts from the Ohio Public Works Commission for street paving and repairs.

**4. Enterprise Funds**

These funds account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges. The Village had the following significant enterprise funds:

*Water Fund* - This fund receives charges from residents to cover the cost of providing this utility.

*Sewer Fund* – This fund receives charges for services from residents to cover the cost of providing this utility.

**5. Fiduciary Funds (Trust Funds)**

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. Other trust funds are classified as expendable. The Village had the following significant fiduciary fund:

*Income Tax Expendable Trust Fund* – This fund receives local income tax revenue (1%) to be used per the income tax ordinance.

**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. Unencumbered appropriations lapse at year end.

Contrary to Ohio Revised Code § 5705.39, the Village had appropriations in excess of the total estimated available revenue in some funds.

**VILLAGE OF SCIO  
HARRISON COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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 carried over, and need not be reappropriated. The Village did not encumber all commitments required by Ohio Revised Code § 5705.41(D).

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.

**G. Unpaid Vacation and Sick Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

**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:

	<u>2002</u>	<u>2001</u>
Demand deposits	\$141,004	\$169,646
Certificates of deposit	52,405	51,622
Total deposits	<u>\$193,409</u>	<u>\$221,268</u>

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

**VILLAGE OF SCIO  
HARRISON COUNTY**

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

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2002 and December 31, 2001 follows:

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$78,448	\$69,594	(\$8,854)
Special Revenue	34,068	29,580	(4,488)
Capital Project	0	116,966	116,966
Enterprise	146,822	162,079	15,257
Fiduciary	45,000	48,882	3,882
Total	\$304,338	\$427,101	\$122,763

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$134,492	\$88,718	\$45,774
Special Revenue	92,828	60,161	32,667
Capital Project	0	116,966	(116,966)
Enterprise	308,698	165,287	143,411
Fiduciary	86,077	23,828	62,249
Total	\$622,095	\$454,960	\$167,135

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$80,511	\$103,401	\$22,890
Special Revenue	33,304	34,208	904
Enterprise	156,900	151,758	(5,142)
Fiduciary	57,724	45,059	(12,665)
Total	\$328,439	\$334,426	\$5,987

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$152,735	\$141,697	\$11,038
Special Revenue	76,358	36,039	40,319
Enterprise	230,655	150,105	80,550
Fiduciary	112,706	80,611	32,095
Total	\$572,454	\$408,452	\$164,002

**VILLAGE OF SCIO  
HARRISON COUNTY**

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

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 proceeding 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.

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. LOCAL INCOME TAX**

The Village levies a municipal income tax of one percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

**6. DEBT**

Debt outstanding at December 31, 2002 was as follows:

	Principal	Interest Rate
Ohio Public Works	\$28,648	0.00%
General Obligation Notes	36,733	4.75%-5.90%
Ohio Water Development Authority Loan - #6017	11,789	6.04%
Ohio Water Development Authority Loan - #8060	52,650	6.32%
Total	\$129,820	

The Ohio Public Works (OPW) loan was used by the water and sewer department for various improvement projects. This loan was issued on November 1, 1999 for \$34,724 and is due on July 1, 2019. The loan will be repaid in semiannual installments of \$868. The loan is collateralized by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover the debt requirements.

The four general obligation notes were used to purchase a police cruiser, a truck for the street department, another truck to be used by the Village and replacement of a lift station. The loan for the cruiser was issued on October 4, 1999 for \$9,700, is due on October 4, 2003 and will be repaid in monthly installments of \$224. The loan is collateralized by the full faith and credit of the Village.

**VILLAGE OF SCIO  
HARRISON COUNTY**

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

**6. DEBT (Continued)**

The loan used to purchase the truck for the street department was issued on September 15, 2000 for \$13,318 and is due on September 15, 2003. It will be paid in 6 semiannual installments of \$2,454 and is collateralized by the full faith and credit of the Village.

The loan used to purchase a pick-up truck was issued on May 28, 2002 for \$11,600 and is due on May 28, 2006. The loan will be paid in semiannual payments of \$1,609.21 and is collateralized by the full faith and credit of the Village.

The loan used to replace the Village lift station was issued on November 15, 1996 for \$50,000 and is due on December 31, 2007. It will be repaid in quarterly payments of \$1,250 plus interest and is collateralized by the full faith and credit of the Village.

The Ohio Water Development Authority (OWDA) loans relate to a water and sewer plant expansion project that was mandated by the Ohio Environmental Protection Agency. The loans will be repaid in semiannual installments. OWDA # 6017 loan was issued on February 29, 1996 for \$25,000 and is due on January 1, 2007. OWDA # 8060 loan was issued on January 13, 1997 for \$60,000 and is due on January 1, 2022. The loans are collateralized by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

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

Year ending December 31:	General Ogligation Notes	OWDA Loan Number 6017	OWDA Loan Number 8060
	OPW Loan		
2003	\$1,736	\$16,296	\$3,411
2004	1,736	9,266	3,411
2005	1,736	9,129	3,411
2006	1,736	7,383	3,411
2007	1,736		4,837
Subsequent	19,968		67,718
Total	\$28,648	\$42,074	\$13,644
		\$91,903	

**7. RETIREMENT SYSTEMS**

The Village's law enforcement officers belong to the Police and Fire Pension Fund (PFPF). Other full-time employees belong to the Ohio Public Employees Retirement System (OPERS) of Ohio. PFPF and OPERS are cost-sharing, multiple-employer plans. These plans provide 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, members of PFPF contributed 10% of their wages to the PFPF. The Village contributed an amount equal to 19.5% of their wages. OPERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries.

**VILLAGE OF SCIO  
HARRISON COUNTY**

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

**7. RETIREMENT SYSTEMS (Continued)**

The Village has not paid all contributions required through December 31, 2002. At December 31, 2002, the Village had not paid \$14,685 of the employer's share to the Police and Fire Pension Fund (PFPF) and accrued interest and penalties were \$92,022. At December 31, 2002, the Village had not paid \$10,612 of the employer's share to the Ohio Public Employees Retirement System (OPERS) and accrued interest and penalties were \$11,533.

**8. RISK MANAGEMENT**

The Village has obtained commercial insurance for the following risks:

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

**9. LEGAL COMPLIANCE**

Contrary to Ohio Revised Code § 733.28, the village clerk did not keep the books of the village and exhibit accurate statements of all monies received and expended by the village. Contrary to Ohio Revised Code §§ 733.43 and 733.44, the village treasurer did not keep an accurate account of all money received and all disbursement made; and the books did not provide separate accounts for each fund and appropriation.

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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 Scio  
Harrison County  
P.O. Box 307  
206 East Main Street  
Scio, Ohio 43988

To the Village Council:

We have audited the accompanying financial statements of the Village of Scio, Harrison County, (the Village) as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated January 12, 2004. 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 the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed certain 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 January 12, 2004.

**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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we 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 January 12, 2004.

Village of Scio  
Harrison County  
Independent Accountants' Report on Compliance and on Internal Control  
Required by *Government Auditing Standards*  
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This report is intended solely for the information and use of management and 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

January 12, 2004

**VILLAGE OF SCIO  
HARRISON COUNTY**

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

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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<b>Finding Number</b>	<b>2002-001</b>
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On August 2, 2002, fees were collected from water and sewer customers. The total collected on that day was \$704.60 and the total amount available for deposit was \$669.60, a shortage of \$35.00. On September 3, 2002, fees were collected from water and sewer customers. The total collected on that day was \$315.43 and the total amount available for deposit was \$215.43, a shortage of \$100.00. On January 10, 2003, both days' collections described above were found in a desk drawer with completed deposit slips and the amounts of \$669.60 (August 2, 2002) and \$215.43 (September 3, 2002) were deposited on January 11, 2003.

In accordance with the forgoing facts and pursuant to Ohio Revised Code § 117.28, a Finding for Recovery for public monies collected but not accounted for, is hereby issued against Becky Craig, Village Clerk, in the amount of \$135.00 and in favor of the Village Water and Sewer Funds.

<b>Finding Number</b>	<b>2002-002</b>
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**Ohio Revised Code § 5705.39** prohibits a political subdivision from making a fund appropriation in excess of the total estimated revenue available for expenditure from that fund as certified by the budget commission on the Amended Official Certificates of Estimated Resources.

Appropriations exceeded the amount certified as available by the budget commission in the following funds during 2002:

Fund	Appropriations	Estimated Resources	Variance
General	\$134,492	\$93,276	(\$41,216)
Street Construction, Maintenance & Repair	73,682	52,676	(21,006)
State Highway	4,496	3,543	(953)
Park Levy	7,264	5,784	(1,480)
Police Levy	7,386	6,469	(917)
Water Revenue	94,692	92,211	(2,481)
Sewer Revenue	207,006	123,395	(83,611)
Water Deposit	7,000	6,550	(450)

Appropriations exceeded the amount certified as available by the budget commission in the following funds during 2001:

Fund	Appropriations	Estimated Resources	Variance
General	\$152,735	\$133,635	(\$19,100)
State Highway	4,055	3,373	(682)
Park Levy	12,183	8,543	(3,640)
Police Levy	7,359	6,794	(565)
Sewer Revenue	163,385	151,913	(11,472)
Income Tax	112,706	98,801	(13,905)

**VILLAGE OF SCIO  
HARRISON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

Failure to limit appropriations to the amount certified by the budget commission could result in overspending and negative cash balances. The Village should compare appropriations to estimated resources and if adequate resources are available for additional appropriations, the Village should submit an amended certificate of estimated resources to the budget commission for certification. If the resources are not available to cover the appropriations, an amendment to the appropriation resolution should be passed by Village Council to reduce the appropriations.

<b>Finding Number</b>	<b>2002-003</b>
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**Ohio Revised Code § 5705.41 (D)** provides that no subdivision shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon. This section also provides two "exceptions" to the above requirement:

- A. Then and Now Certificate – If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Council may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.
- B. If the amount involved is less than one thousand dollars (\$1,000) the fiscal officer may authorize payment through a Then and Now Certificate without affirmation of the Village Council, if such expenditure is otherwise valid.

The Village did not certify or record the amount against the applicable appropriation accounts for 78% of tested expenditures for fiscal year 2002 and for 61% of tested expenditures for fiscal year 2001. The Village did not utilize the certification exceptions described above for those expenditures lacking prior or simultaneous certification.

Failure to certify the availability of funds and encumber appropriations could result in overspending and negative cash balances. The Village should obtain approved purchase orders which include the fiscal officer's certification that the amount required to meet the obligation has been lawfully appropriated and authorized prior to making the commitment.

<b>Finding Number</b>	<b>2002-004</b>
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**Ohio Revised Code § 733.28** requires the village clerk shall keep the books of the village, exhibit accurate statements of all moneys received and expended, of all property owned by the village and the income derived therefore, and of all taxes and assessments.

The Clerk failed to keep accurate records. There were errors in posting intergovernmental revenue, tax revenue, miscellaneous revenue, interest revenue, and disbursements. Three receipts were posted twice on the ledgers during 2002 and several receipts were received during 2002 but were not posted until 2003. Failure to post all financial activity to the Village ledgers resulted in several errors on the annual financial statements. As a result, the Village books were not an accurate reflection of all financial activities.

**VILLAGE OF SCIO  
HARRISON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

The Clerk should record all financial activity of the Village in the receipt ledger, appropriation ledger and the cash journal, as appropriate, so that accurate statements of all moneys received and expended can be prepared. Periodically, financial reports including all activity of the Village should be submitted to Council for review. Adjustments to properly reflect activity of all funds were made by the Village and are included in the financial statements.

<b>Finding Number</b>	<b>2002-005</b>
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**Ohio Revised Code § 733.43** states that the village treasurer must keep accurate account of all money received by her, showing the amount thereof, the time received, from whom, and on what account received and all disbursements made by her, showing the amount thereof, the time made, to whom, and on what account paid. She shall so arrange her books that the amount received and paid on account of separate funds, or specified appropriations, shall be exhibited in separate accounts.

**Ohio Revised Code § 733.44** states that the village treasurer shall demand and receive from the county treasurer, taxes levied and assessments made and certified to the county auditor by the village's council, moneys from persons authorized to collect or required to pay them, accruing to the village from any judgments, fines penalties, forfeitures, licenses and debts due the municipal corporation. Such funds shall be disbursed by the treasurer on the order of any person authorized by law or ordinance to issue orders therefore. The books must provide separate accounts for each fund and appropriation. The treasurer and the clerk should maintain the same accounts, since they must be reconciled.

There were several discrepancies between the actual transactions and the amounts posted to the ledgers. Several 2002 receipts were not deposited or posted until January 2003 and several checks were written and signed during 2002 but were not posted to the ledgers or mailed to vendors until 2003. The Treasurer could not account for the discrepancies noted as most of the Treasurer's duties, which include depositing, disbursing and recording were performed by the Village Clerk.

The powers and duties of the village treasurer have been established by statute and should be applied to the Village's procedures. The statutes provide segregation of duties between the treasurer and the clerk and state that the treasurer and the clerk should maintain the same records since they must be reconciled.

<b>Finding Number</b>	<b>2002-006</b>
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**Ohio Revised Code § 145** states that the Ohio Public Employees Retirement System (OPERS) requires payment of 13.55% for the employer's share and 8.5% for the employees' share of wages for members. **Ohio Revised Code § 742** states that the Police and Fire Pension Fund (PFPF) requires payment of 19.5% for the employer's share of wages for full-time police and 10% for the employees' share of wages for members.

Per correspondence with the PFPF, the Village Clerk had been contacted repeatedly to notify her that many of the payments for the employer and employee shares of the pension were not made during 2002 and 2001. They also stated that interest on past-due payments was already subjected to a 5% penalty, and is currently accruing interest at 8.25% annually. The Controller of the PFPF has compiled a listing of the amount in arrears that is owed by the Village. The amount owed to the PFPF as of December 31, 2002 was \$14,685 in employer contributions and \$92,022 in penalties and interest.

**VILLAGE OF SCIO  
HARRISON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

The Village also owes OPERS for past due payments. At December 31, 2002, the Village had a past due balance of \$10,612 of employer contributions. Total penalty and interest charges accrued as of December 31, 2002 are \$11,533.

The Village should submit the required payroll reports and bring all retirement funds up to date. Then, after an exact figure is presented from all amounts owed, the Village should pay this amount including all penalties and interest accrued on their account.

**VILLAGE OF SCIO  
HARRISON 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; <b><i>Explain:</i></b>
2000-31234-001	ORC § 5705.39 Appropriations exceeded total available resources	No	See finding number 2002-002
2000-31234-002	ORC § 5705.36 Actual receipts exceeded estimated resources	No	Reported in the management letter
2000-31234-003	Improper coding of receipts and disbursements recommendation	No	Reported in the management letter.

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**VILLAGE OF SCIO**

**HARRISON 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  
JUNE 17, 2004**