

**VILLAGE OF RARDEN  
SCIOTO COUNTY  
Regular Audit  
December 31, 2006 and 2005**





# Mary Taylor, CPA

Auditor of State

Members of Council  
Village of Rarden  
1350 Main Street  
PO Box 24  
Rarden, Ohio 45671

We have reviewed the *Independent Accountants' Report* of the Village of Rarden, Scioto County, prepared by Perry & Associates, CPA's, A.C., for the audit period January 1, 2005 through December 31, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

June 25, 2007

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**VILLAGE OF RARDEN  
SCIOTO COUNTY**

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**INDEPENDENT ACCOUNTANTS' REPORT**

May 8, 2007

Village of Rarden  
Scioto County  
1350 Main Street  
P.O. Box 24  
Rarden, OH 45671

To the Village Council:

We have audited the accompanying financial statements of **Village of Rarden, Scioto County, Ohio**, (the Village) as of and for the years ended December 31, 2006 and 2005. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2006 and 2005. Instead of the combined funds the accompanying financial statements present for 2006 and 2005, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately beginning in 2004. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since the Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2006 and 2005 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2006 and 2005 or their changes in financial position for the year then ended.

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

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the years ended December 31, 2006 and 2005. The Government has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 8, 2007 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Respectfully Submitted,

**Perry and Associates**  
Certified Public Accountants, A.C.

**VILLAGE OF RARDEN  
SCIOTO COUNTY**

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

	<u>Governmental Fund Types</u>				<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>					
Property Tax and Other Local Taxes	\$ 1,261	\$ 16,348	\$ -	\$ -	\$ 17,609
Intergovernmental	4,884	7,597	-	-	12,481
Charges for Services	9,000	99,172	-	-	108,172
Miscellaneous	22,816	8,357	-	9,128	40,301
	<u>37,961</u>	<u>131,474</u>	<u>-</u>	<u>9,128</u>	<u>178,563</u>
<b>Cash Disbursements:</b>					
Current:					
Security of Persons and Property	-	55,857	-	-	55,857
Public Health Services	656	-	-	-	656
Leisure Time Activities	-	1,396	-	-	1,396
Transportation	-	8,094	-	-	8,094
General Government	22,943	285	-	-	23,228
Redemption of Principal	-	-	25,690	-	25,690
Interest and Fiscal Charges	-	-	794	-	794
Capital Outlay	-	-	-	3,779	3,779
	<u>23,599</u>	<u>65,632</u>	<u>26,484</u>	<u>3,779</u>	<u>119,494</u>
Total Cash Disbursements	<u>23,599</u>	<u>65,632</u>	<u>26,484</u>	<u>3,779</u>	<u>119,494</u>
Total Cash Receipts Over/(Under) Disbursements	<u>14,362</u>	<u>65,842</u>	<u>(26,484)</u>	<u>5,349</u>	<u>59,069</u>
<b>Other Financing Receipts and (Disbursements):</b>					
Transfer-In	-	-	26,484	-	26,484
Transfer-Out	(5,250)	(21,234)	-	-	(26,484)
	<u>(5,250)</u>	<u>(21,234)</u>	<u>26,484</u>	<u>-</u>	<u>-</u>
Total Other Financing Receipts/(Disbursements)	<u>(5,250)</u>	<u>(21,234)</u>	<u>26,484</u>	<u>-</u>	<u>-</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	9,112	44,608	-	5,349	59,069
Fund Cash Balances, January 1	<u>9,653</u>	<u>53,290</u>	<u>750</u>	<u>778</u>	<u>64,471</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$ 18,765</b></u>	<u><b>\$ 97,898</b></u>	<u><b>\$ 750</b></u>	<u><b>\$ 6,127</b></u>	<u><b>\$ 123,540</b></u>

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

**VILLAGE OF RARDEN  
SCIOTO COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Governmental Fund Types</u>				<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>					
Property Tax and Other Local Taxes	\$ 1,335	\$ 16,504	\$ -	\$ -	\$ 17,839
Intergovernmental	9,398	34,999	-	3,341	47,738
Charges for Services	7,900	60,000	-	-	67,900
Miscellaneous	11,714	26,807	-	10,202	48,723
Total Cash Receipts	<u>30,347</u>	<u>138,310</u>	<u>-</u>	<u>13,543</u>	<u>182,200</u>
<b>Cash Disbursements:</b>					
Current:					
Security of Persons and Property	-	71,888	-	-	71,888
Public Health Services	520	359	-	-	879
Leisure Time Activities	-	1,346	-	-	1,346
Transportation	-	6,997	-	-	6,997
General Government	13,474	734	-	-	14,208
Redemption of Principal	-	-	24,315	-	24,315
Interest and Fiscal Charges	-	-	3,363	-	3,363
Capital Outlay	-	-	-	12,782	12,782
Total Cash Disbursements	<u>13,994</u>	<u>81,324</u>	<u>27,678</u>	<u>12,782</u>	<u>135,778</u>
Total Cash Receipts Over/(Under) Disbursements	<u>16,353</u>	<u>56,986</u>	<u>(27,678)</u>	<u>761</u>	<u>46,422</u>
<b>Other Financing Receipts and (Disbursements):</b>					
Transfer-In	-	-	27,678	-	27,678
Transfer-Out	(9,035)	(18,643)	-	-	(27,678)
Total Other Financing Receipts/(Disbursements)	<u>(9,035)</u>	<u>(18,643)</u>	<u>27,678</u>	<u>-</u>	<u>-</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	7,318	38,343	-	761	46,422
Fund Cash Balances, January 1	<u>2,335</u>	<u>14,947</u>	<u>750</u>	<u>17</u>	<u>18,049</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$ 9,653</u></b>	<b><u>\$ 53,290</u></b>	<b><u>\$ 750</u></b>	<b><u>\$ 778</u></b>	<b><u>\$ 64,471</u></b>

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

**VILLAGE OF RARDEN  
SCIOTO COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

Village of Rarden, Scioto 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 road and bridge maintenance and security of person and property services which include fire protection and ambulance protection.

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**

The Village has one demand deposit account and no investments.

**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 that are restricted to expenditure for specific purposes. The Village has the following significant Special Revenue Funds:

**VILLAGE OF RARDEN  
SCIOTO COUNTY**

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

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

**D. Fund Accounting (Continued)**

**2. Special Revenue Funds (Continued)**

Volunteer Fire Fund – This fund receives property tax money to operate a volunteer fire department.

Ambulance Fund – This fund receives property tax money to operate a volunteer ambulance service.

**3. Debt Service Funds**

These funds account for the accumulation of resources for the payment of note indebtedness. The Village had following significant Debt Service Fund:

General Obligation Fund – This fund is utilized to repay outstanding debt for the paving and culvert improvement projects, park equipment and the purchase of 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 Projects Fund:

Capital Improvement Fund – This fund is used to account for monies for the park improvement project.

**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, and object level of control and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year-end.

**VILLAGE OF RARDEN  
SCIOTO COUNTY**

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

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

**E. Budgetary Process (Continued)**

**2. Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must also approve estimated resources.

**3. Encumbrances**

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated in the subsequent year.

A summary of 2006 and 2005 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. Accumulated 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**

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

	<u>2006</u>	<u>2005</u>
Demand Deposits	<u>\$ 123,540</u>	<u>\$ 64,471</u>

Deposits are either (1) insured by the Federal Deposit Insurance Corporation or (2) collateralized by securities specifically pledged by the financial institution to the Village, or (3) collateralized by the financial institution's public entity deposit pool.

**VILLAGE OF RARDEN  
SCIOTO COUNTY**

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

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ended December 31, 2006 and 2005 follows:

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 38,578	\$ 37,961	\$ (617)
Special Revenue	131,968	131,474	(494)
Capital Projects	9,127	9,128	1
Debt Service	23,484	26,484	3,000
Total	\$ 203,157	\$ 205,047	\$ 1,890

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 22,972	\$ 28,849	\$ (5,877)
Special Revenue	133,669	86,866	46,803
Capital Projects	3,799	3,779	20
Debt Service	29,000	26,484	2,516
Total	\$ 189,440	\$ 145,978	\$ 43,462

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 8,000	\$ 30,347	\$ 22,347
Special Revenue	84,700	138,310	53,610
Capital Projects	1,000	13,543	12,543
Debt Service	23,000	27,678	4,678
Total	\$ 116,700	\$ 209,878	\$ 93,178

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 10,241	\$ 23,029	\$ (12,788)
Special Revenue	123,291	99,967	23,324
Capital Projects	4,900	12,782	(7,882)
Debt Service	23,000	27,678	(4,678)
Total	\$ 161,432	\$ 163,456	\$ (2,024)

**VILLAGE OF RARDEN  
SCIOTO COUNTY**

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

**3. BUDGETARY ACTIVITY (Continued)**

Contrary to Ohio Rev. Code Section 5705.39, appropriations exceeded the total estimated resources in 2006 for the Street Construction Fund, the Debt Service Fund, and the Capital Project fund and Capital Projects in 2005.

Contrary to Ohio Rev. Code Section 5705.41(D), The Village did not properly certify the availability of funds prior to purchase commitment for 74% and 84% of the expenditures tested during 2006 and 2005.

Contrary to Ohio Rev Code Section 5705.41 (B), expenditures exceeded appropriations for the General Fund in 2006 and the General Fund, the Debt Service Fund, and the Capital Projects fund in 2005.

**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 payment, 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.

**VILLAGE OF RARDEN  
SCIOTO COUNTY**

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

**5. DEBT**

Debt Outstanding at December 31, 2006 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Note/Fire Truck	\$9,327	4.50%

The general obligation note is for the purchase of a fire truck. The original loan was for \$65,000 with semi-annual installments in the amount of \$4072, which includes principal and interest. The other general obligation note during the audit period was for paving and culvert improvement. It was paid off in September 2006.

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

<u>Year Ended December 31</u>	
2007	\$9,362

**6. RETIREMENT SYSTEMS**

The Village's elected officials and employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multi-employer plan. This plan provides retirement benefits, including post retirement 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 2006 and 2005, members of PERS contributed 9.00% and 8.5% of their gross salaries. The Village contributed an amount equal to 13.70 and 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 2006.

**7. RISK MANAGEMENT**

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles

**8. INTERFUND TRANSFERS**

The Village transferred receipts collected in the General and Special revenue Fire funds to the Debt Service Fund for loan payments. These funds met all applicable requirements of the FEMA grant agreement, but the Village did not comply with Ohio Rev. Code section 5705.14 relating to Board approval of transfers.

***Perry & Associates***  
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**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

May 8, 2007

Village of Rarden  
Scioto County  
1350 Main Street  
P.O. Box 24  
Rarden, OH 45671

To the Village Council:

We have audited the financial statements of the **Village of Rarden, Scioto County, Ohio** (the Village) as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated May 8, 2007, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be considered significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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

Village of Rarden  
Morgan County  
Independent Accountants' Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Required by *Government Auditing* Page 2

### **Internal Control Over Financial Reporting (Continued)**

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2006-007 and 2006-008.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe none of the significant deficiencies described above are 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, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standard*, which are described in the accompanying schedule of findings as items 2006-001 through 2006-006.

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.

Respectfully Submitted,

**Perry and Associates**  
Certified Public Accountants, A.C.

**VILLAGE OF RARDEN  
SCIOTO COUNTY**

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

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2006-001**

**Noncompliance Citation**

**Ohio Revised Code § 5705.41(D)** requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. The 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.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" certificate - If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.
2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket Certificate – The entity may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line-item appropriation.

**VILLAGE OF RARDEN  
SCIOTO COUNTY**

**SCHEDULE OF AUDIT FINDINGS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2006-001 (Continued)**

**Ohio Revised Code § 5705.41(D) (Continued)**

The Village did not properly certify the availability of funds prior to purchase commitment for 74% and 84% of the expenditures tested during 2006 and 2005, respectively. In addition there was no evidence that the Village followed the aforementioned exceptions. Without these certifications, the management of the Village lost budgetary control over expenditures.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend that the Clerk certify that the funds are or will be available prior to an obligation being incurred by the Village. When prior certification is not possible, "then and now" certification should be used.

**Management's Response** – We did not receive a response from officials to this finding.

**FINDING NUMBER 2006-002**

**Noncompliance Citation**

**Ohio Rev. Code Section 5705.39** requires that total appropriations from each fund not exceed total estimated resources from each fund. This section also requires the Village to obtain a County Auditor's certificate that total appropriations from each fund do not exceed the total official estimate or amended official estimate when amending estimated resources.

During 2006, total appropriations exceeded the total estimated resources for the Street Construction Fund, the Debt Service Fund, and the Capital Project fund and in 2005 the Capital Projects Fund. The Village should monitor appropriations versus estimated resources to help avoid overspending. We recommend the Village implement procedures to ensure appropriations and estimated receipts are accurately posted to the accounting system and reconciled to the amounts approved by the budget commission after each amendment.

**Management's Response** – We did not receive a response from officials to this finding.

**VILLAGE OF RARDEN  
SCIOTO COUNTY**

**SCHEDULE OF AUDIT FINDINGS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2006-003**

**Noncompliance Citation**

**Ohio Rev. Code Section 5705.41 (B)** states that no subdivision or taxing unit shall make any expenditure of money unless the same has been properly appropriated. Expenditures exceeded appropriations for the General Fund in 2006 and the General Fund, the Debt Service Fund, and the Capital Projects fund in 2005.

We recommend the Village Clerk modify appropriations with the Council and County Budget Commission before incurring obligations that would cause expenditures to exceed appropriations. The Village Clerk should deny any payments until the legislative authority has passed changes to the appropriation measure.

**Management's Response** – We did not receive a response from officials to this finding.

**FINDING NUMBER 2006-004**

**Noncompliance Citation**

**Ohio Rev. Code Section 5705.36** allows all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources.

During 2005 and 2006, the Village did not obtain a reduced or increased amended certificate for several funds when the actual receipts were greater or less than the budgeted receipts.

The Village should perform a comparison of the estimated resources and the actual receipts periodically in order to determine whether an amended certificate of estimated resources needs to be obtained.

**Management's Response** – We did not receive a response from officials to this finding.

**FINDING NUMBER 2006-005**

**Noncompliance Citation**

**Ohio Rev. Code Section 117.38** states, in part, cash-basis entities must file annual reports with the Auditor of State within 60 days of the fiscal year end. The Auditor of State may prescribe by rule or guidelines the forms for these reports. However, if the Auditor of State has not prescribed a reporting form, the public office shall submit its report on the form used by the public office.

**VILLAGE OF RARDEN  
SCIOTO COUNTY**

**SCHEDULE OF AUDIT FINDINGS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2006-005 (Continued)**

**Ohio Rev. Code Section 117.38 (Continued)**

The report shall contain the amount of: (A) receipts, and amounts due from each source; (B) expenditures for each purpose; (C) income of any public service industry that the entity owns or operates, as well as the costs of ownership or operation; and D) 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 filed the Annual Financial Report with the Auditor of State's office but the amounts in the report did not agree with the amounts per the Village's manual accounting system. In addition, no evidence was presented for audit to indicate the Village published a notice in a local newspaper stating the financial report is available for public inspection.

We recommend the Annual Financial Report be compiled from the Village's manual accounting system and be reconciled. In addition, the Village should publish notice in a local newspaper that the financial report is available for public inspection.

**Management's Response** – We did not receive a response from officials to this finding.

**FINDING NUMBER 2006-006**

**Noncompliance Citation**

**Ohio Revised Code § 5705.14** states, in part, that money may be transferred from the general fund to any other fund of the subdivision by resolution of the taxing authority. The Village made a transfer during the audit period; however, no approval from the Village Council was noted in the minutes.

We recommend the Village Council approve all transfers made between funds. This approval should document the amounts to be transferred and the funds in which the transfer will occur, and should be documented in Village's minutes.

**Management's Response** – We did not receive a response from officials to this finding.

**FINDING NUMBER 2006-007**

**Significant Deficiency**

**Posting Estimated Revenues**

The Village did not have a control procedure in place to ensure that estimated receipts, as authorized by the Village Council and approved by the County Budget Commission, were reconciled to the estimated receipts posted to the accounting system.

**VILLAGE OF RARDEN  
SCIOTO COUNTY**

**SCHEDULE OF AUDIT FINDINGS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2006-007 (Continued)**

**Posting Estimated Revenues (Continued)**

This resulted in incorrect amounts posted to the accounting system. Adjustments were made to the budgetary activity reported in Note 3 to the financial statements in order to accurately present estimated receipts as Certified by the County Budget Commission.

As a result, information available to Village officials to monitor year-to-date total comparison of budgeted amounts versus actual amounts was not accurate.

**Management's Response** – We did not receive a response from officials to this finding.

**FINDING NUMBER 2006-008**

**Significant Deficiency**

**Posting Revenue and Expenditures**

During test-work of the Village's records we noted revenues and expenditures were not being posted to proper line items.

The Village Clerk should ensure that each revenue and expense be recorded in the proper line item and be referring to the Village handbook provided by the state online when not sure which function to use.

The Village failed to report revenues and expenses in the correct line items causing several re-classes being made during the audit of the Village records.

Not reporting revenues and expenses in the correct line items could lead to material misstatements of the Villages financial statements. The Village's financial statements could be misleading and misrepresented to all users who are viewing the financial statements.

We recommend that the Village monitor budgetary activity more closely for the next fiscal year and properly classify all revenues and expenditures and review the Village Handbook provided by the state when necessary, in addition, we recommend that the Village adopt internal controls adequate to mitigate the risk of future misstatements and misrepresentation.

**Management's Response** – We did not receive a response from officials to this finding.

**VILLAGE OF RARDEN  
SCIOTO COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2006 AND 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i><b>Explain</b></i>
2004-001	ORC § 5705.41 (B) – Expenditures exceeded appropriations	No	Not Corrected; See Finding Number 2006-003
2004-002	ORC § 5705.39 – Total appropriations exceeded estimated resources.	No	Not Corrected; See Finding Number 2006-002



Mary Taylor, CPA  
Auditor of State

**VILLAGE OF RARDEN**

**SCIOTO COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JULY 5, 2007**