

**VILLAGE OF SARAHSVILLE
NOBLE COUNTY
Regular Audit
December 31, 2006 and 2005**



Mary Taylor, CPA

Auditor of State

Village Council
Village of Sarahsville
P.O. Box 77
Sarahsville, Ohio 43779

We have reviewed the *Independent Accountants' Report* of the Village of Sarahsville, Noble County, prepared by Perry & Associates, Certified Public Accountants, 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 Sarahsville is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

October 24, 2007

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**VILLAGE OF SARAHSVILLE
NOBLE COUNTY**

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INDEPENDENT ACCOUNTANTS' REPORT

September 20, 2007

Village of Sarahsville
Noble County
PO Box 77
Sarahsville, Ohio 43779

To the Village Council:

We have audited the accompanying financial statements of the **Village of Sarahsville, Noble 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 it's larger (i.e. major) funds separately for 2006 and 2005. 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.

**VILLAGE OF SARAHSVILLE
NOBLE COUNTY**

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

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 and reserve for encumbrances of the Village of Sarahsville, Noble 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 September 20, 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 SARAHSVILLE
NOBLE 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>		
	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Property and other Local Taxes	\$ 1,944	\$ -	\$ 1,944
Intergovernmental	13,148	10,044	23,192
Earnings on Investments	22	63	85
Other Revenue	141	-	141
	<u>15,255</u>	<u>10,107</u>	<u>25,362</u>
Total Cash Receipts			
	<u>15,255</u>	<u>10,107</u>	<u>25,362</u>
Cash Disbursements:			
Current:			
General Government	13,759	-	13,759
Transportation	-	5,973	5,973
Security of Persons and Property	4,010	-	4,010
	<u>17,769</u>	<u>5,973</u>	<u>23,742</u>
Total Cash Disbursements			
	<u>17,769</u>	<u>5,973</u>	<u>23,742</u>
Total Receipts Over/(Under) Cash Disbursements	<u>(2,514)</u>	<u>4,134</u>	<u>1,620</u>
Other Financing Receipts/(Disbursements):			
Transfers-In	10,000	-	10,000
Transfers-Out	-	(10,000)	(10,000)
	<u>10,000</u>	<u>(10,000)</u>	<u>-</u>
Total Other Financing Receipts/(Disbursements)			
	<u>10,000</u>	<u>(10,000)</u>	<u>-</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>7,486</u>	<u>(5,866)</u>	<u>1,620</u>
Fund Cash Balances, January 1	<u>(276)</u>	<u>15,300</u>	<u>15,024</u>
Fund Cash Balances, December 31	<u><u>\$ 7,210</u></u>	<u><u>\$ 9,434</u></u>	<u><u>\$ 16,644</u></u>
Reserve for Encumbrances, December 31	<u><u>\$ 1,120</u></u>	<u><u>\$ 217</u></u>	<u><u>\$ 1,337</u></u>

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

**VILLAGE OF SARAHSVILLE
NOBLE 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>		
	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Property and other Local Taxes	\$ 1,645	\$ -	\$ 1,645
Intergovernmental	13,133	12,012	25,145
Earnings on Investments	18	59	77
 Total Cash Receipts	 <u>14,796</u>	 <u>12,071</u>	 <u>26,867</u>
Cash Disbursements:			
Current:			
General Government	12,992	-	12,992
Transportation	-	10,202	10,202
Security of Persons and Property	4,013	-	4,013
 Total Cash Disbursements	 <u>17,005</u>	 <u>10,202</u>	 <u>27,207</u>
 Total Receipts Over/(Under) Cash Disbursements	 <u>(2,209)</u>	 <u>1,869</u>	 <u>(340)</u>
 Fund Cash Balances, January 1	 <u>1,933</u>	 <u>13,431</u>	 <u>15,364</u>
 Fund Cash Balances, December 31	 <u>\$ (276)</u>	 <u>\$ 15,300</u>	 <u>\$ 15,024</u>
 Reserve for Encumbrances, December 31	 <u>\$ 773</u>	 <u>\$ 616</u>	 <u>\$ 1,389</u>

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

**VILLAGE OF SARAHSVILLE
NOBLE COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Sarahsville, Noble County, (the Village) as a body corporate and politic. A publicly-elected six-member Council governs the Village. The Village provides park operations and street maintenance.

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 accounting basis the Auditor of State prescribes or permits. 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 the Auditor of State prescribes.

C. Cash

The Village maintains its cash in a checking account.

D. Fund Accounting

The Village uses fund accounting to segregate cash 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:

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 SARAHSVILLE
NOBLE COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. 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.

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. The Village did not encumber all commitments required by Ohio law.

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.

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	\$16,644	\$15,024

Deposits are insured by the Federal Deposit Insurance Corporation.

**VILLAGE OF SARAHSVILLE
NOBLE COUNTY**

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

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	\$14,450	\$25,255	\$10,805
Special Revenue	6,800	10,107	3,307
Total	\$21,250	\$35,362	\$14,112

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$15,601	\$18,889	(\$3,288)
Special Revenue	19,283	16,190	3,093
Total	\$34,884	\$35,079	(\$195)

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$14,520	\$14,796	\$276
Special Revenue	9,742	12,071	2,329
Total	\$24,262	\$26,867	\$2,605

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$18,221	\$17,778	\$443
Special Revenue	20,582	10,818	9,764
Total	\$38,803	\$28,596	\$10,207

Contrary to Ohio Rev. Code 5705.10, at December 31, 2005, the Village's General Fund had a negative balance of \$276.

Contrary to Ohio Rev. Code Section 5705.39, the General Fund and State Highway Improvement Fund had appropriations exceeding total estimated resources during 2006 and 2005.

Contrary to Ohio Rev. Code 5705.41(B), actual disbursements exceeded appropriations in 2006 in the General Fund.

Contrary to Ohio Revised Code § 5705.41(D)(1), the Village did not properly certify the availability of funds prior to purchase commitment for 50% and 40% of the expenditures tested during 2006 and 2005.

**VILLAGE OF SARAHSVILLE
NOBLE COUNTY**

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

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which Village Council adopts rates. 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.

The property owners, who must file a list of such property to the County by each April 30, assess tangible personal property tax. The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

5. 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.

The Ohio Revised Code also prescribes contribution rates. For 2006 and 2005, members of PERS contributed 9.0% and 8.5%, respectively, of their gross salaries. The Village contributed an amount equal to 13.70% of participants' gross salaries in 2006 and 13.55% in 2005. The Village has paid all contributions required through December 31, 2006.

6. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

7. INTERFUND TRANSFERS

During 2006, \$10,000 was transferred from the Street Construction, Maintenance and Repair, Special Revenue Fund to the General Fund. Both the State Department of Taxation Tax Commissioner and the Noble County Court of Common pleas, pursuant to Ohio Revised Code Sections 5705.15 and 5705.16, properly approved the transfer.

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

September 20, 2007

Village of Sarahsville
Noble County
PO Box 77
Sarahsville, Ohio 43779

To the Village Council:

We have audited the financial statements of Village of Sarahsville, Noble County, (the Village) as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated September 20, 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 opinion 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 one deficiency in internal control over financial reporting that we consider to be a significant deficiency.

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.

Internal Control Over Financial Reporting (Continued)

We consider the deficiencies, 2006-002 through 2006-006, described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting.

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 Standards*, which are described in the accompanying schedule of findings as items 2006-001 through 2006-005.

This report is intended solely for the information and use of Village management and 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 SARAHSVILLE
NOBLE COUNTY**

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

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2006-001

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. 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 file the 2006 and 2005 annual financial reports with the Auditor of State within the 60 days of the fiscal year end. 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 prepared and filed within 60 days of the fiscal year end. 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 2006-002

Noncompliance Citation/Significant Deficiency

Ohio Rev. Code Section 5705.10 states that money paid into any fund shall be used only for the purposes for which such a fund was established. As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund.

At December 31, 2005, the Village's General Fund had a negative balance of \$276. The negative Fund balance was a result of prior period Finding For Adjustments, which were not posted to the Village's manual cash journal until June 2006.

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

FINDING NUMBER 2006-003

Noncompliance Citation/Significant Deficiency

Ohio Rev. Code Section 5705.39 requires that total appropriations from each fund not exceed total estimated fund 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.

The General Fund and State Highway Improvement Fund had appropriations exceeding total estimated resources in 2006 and 2005.

Village Council should monitor appropriations versus estimated resources to help avoid overspending.

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

**VILLAGE OF SARAHSVILLE
NOBLE COUNTY**

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

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2006-004

Noncompliance Citation/Significant Deficiency

Ohio Revised Code Section 5705.41(B) states, in part, no subdivision or taxing unit is to expend money unless it has been properly appropriated.

Actual disbursements exceeded appropriations in 2006 in the General Fund.

We recommend the Village Clerk modify appropriations with the Village 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 the necessary changes to the appropriation measure.

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

FINDING NUMBER 2006-005

Noncompliance Citation/Significant Deficiency

Ohio Revised Code Section 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any 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.

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 (Clerk) 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 (the Council) 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 Village.

**VILLAGE OF SARAHSVILLE
NOBLE COUNTY**

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

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

Ohio Revised Code § 5705.41(D) (Continued)

2. Blanket Certificate – Fiscal officers may prepare “blanket” certificates not exceeding \$5,000 against any specific line item account over a period not exceeding three months or running beyond the current 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. Blanket Certificates may not exceed an amount established by resolution or ordinance of the legislative authority, and cannot extend beyond the end of the fiscal year. Blanket certificates cannot be issued unless there has been an amount approved by the legislative authority for the blanket.

3. Super Blanket Certificate – The Village 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. Only one super blanket certificate may be outstanding at a particular time for any line-item appropriation.

The Village did not properly certify the availability of funds prior to purchase commitment for 50% of the expenditures tested during 2006 and 40% tested during 2005 and 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.

**VILLAGE OF SARAHSVILLE
NOBLE COUNTY**

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

<p>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</p>

FINDING NUMBER 2006-006

Significant Deficiency

Financial Condition

Upon performance of the audit and discussions with Village Officials, concerns have arisen as to the financial solvency of the Village. Ohio Rev. Code Section 118.021 provides that a Municipal Corporation may undergo a Fiscal Watch review to determine whether it is approaching a state of Fiscal Emergency. The review must be initiated by a written request to the Auditor of State from the Mayor of the Village or by the Presiding Officer of the Legislative Authority, when authorized by a majority of the members of Council, or initiated by the Auditor of State.

During our audit period, the Village's General Fund had a deficit fund balance and the Village has had problems meeting General Fund obligations.

We recommend the Village consider contacting the Auditor of State to determine if a Fiscal Watch review may be necessary.

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

**VILLAGE OF SARAHSVILLE
NOBLE 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>Explain</i>
2004-001	Ohio Rev. Code Section 5705.41(D) States that no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached.	No	Not Corrected, Repeated as finding 2006-004



Mary Taylor, CPA
Auditor of State

VILLAGE OF SARAHSVILLE

NOBLE 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
NOVEMBER 8, 2007**