



Dave Yost • Auditor of State



VILLAGE OF SCOTT  
VAN WERT/PAULDING COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report .....	1
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2012 .....	3
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2011 .....	4
Notes to the Financial Statements .....	5
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	11
Schedule of Findings.....	13
Schedule of Prior Audit Findings.....	16

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements and related notes of the Village of Scott, Van Wert/Paulding County, (the Village) as of and for the years ended December 31, 2012 and 2011.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

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

As described in Note 1B of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03, which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1B and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2012 and 2011, or changes in financial position thereof for the years then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Village of Scott, Van Wert/Paulding County as of December 31, 2012 and 2011, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits, described in Note 1B.

***Emphasis of Matter***

As discussed in Note 2 to the financial statements, during 2011 the Village of Scott adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Our opinion is not modified with respect to this matter.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2013, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State

Columbus, Ohio

June 24, 2013

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

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts:</b>				
Property and Other Local Taxes	\$9,612	\$4,463		\$14,075
Intergovernmental	21,005	17,613		38,618
Charges for Services	5,018	52,740		57,758
Earnings on Investments	63	20		83
Miscellaneous	2,500	23,879		26,379
Total Cash Receipts	<u>38,198</u>	<u>98,715</u>		<u>136,913</u>
<b>Cash Disbursements:</b>				
<b>Current:</b>				
Security of Persons and Property	14,946	60,909		75,855
Public Health Services	291			291
Leisure Time Activities		4,141		4,141
Community Environment	98			98
Transportation		5,879		5,879
General Government	16,188	187		16,375
Capital Outlay		5,780		5,780
Total Cash Disbursements	<u>31,523</u>	<u>76,896</u>		<u>108,419</u>
Excess of Receipts Over (Under) Disbursements	<u>6,675</u>	<u>21,819</u>		<u>28,494</u>
<b>Other Financing Receipts (Disbursements):</b>				
Transfers In		9,809		9,809
Transfers Out	(9,809)			(9,809)
Advances In		18,650		18,650
Advances Out		(18,650)		(18,650)
Total Other Financing Receipts (Disbursements)	<u>(9,809)</u>	<u>9,809</u>		
Net Change in Fund Cash Balances	(3,134)	31,628		28,494
Fund Cash Balances, January 1, 2012	<u>28,677</u>	<u>101,040</u>	<u>\$536</u>	<u>130,253</u>
<b>Fund Cash Balances, December 31, 2012:</b>				
Non-spendable				
Restricted		129,075	536	129,611
Committed		3,593		3,593
Assigned				
Unassigned (Deficit)	25,543			25,543
Fund Cash Balances, December 31, 2012	<u>\$25,543</u>	<u>\$132,668</u>	<u>\$536</u>	<u>\$158,747</u>

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

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

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts:</b>				
Property and Other Local Taxes	\$9,446	\$4,409		\$13,855
Intergovernmental	28,270	117,896		146,166
Charges for Services		51,570		51,570
Earnings on Investments	12	45		57
Miscellaneous	71	5,375		5,446
Total Cash Receipts	<u>37,799</u>	<u>179,295</u>		<u>217,094</u>
<b>Cash Disbursements:</b>				
<b>Current:</b>				
Security of Persons and Property	14,372	54,165		68,537
Public Health Services	576			576
Leisure Time Activities		45,732		45,732
Community Environment		84		84
Transportation		8,645		8,645
General Government	22,809	307		23,116
Capital Outlay		65,374		65,374
<b>Debt Service:</b>				
Principal Retirement		18,079		18,079
Interest and Fiscal Charges		944		944
Total Cash Disbursements	<u>37,757</u>	<u>193,330</u>		<u>231,087</u>
Excess of Receipts Over (Under) Disbursements	<u>42</u>	<u>(14,035)</u>		<u>(13,993)</u>
<b>Other Financing Receipts (Disbursements):</b>				
Transfers In		2,000		2,000
Transfers Out	(2,000)			(2,000)
Advances In		67,431		67,431
Advances Out		(67,431)		(67,431)
Total Other Financing Receipts (Disbursements)	<u>(2,000)</u>	<u>2,000</u>		
Net Change in Fund Cash Balances	(1,958)	(12,035)		(13,993)
Fund Cash Balances, January 1, 2011	<u>30,635</u>	<u>113,075</u>	<u>\$536</u>	<u>144,246</u>
<b>Fund Cash Balances, December 31, 2011:</b>				
Non-spendable				
Restricted		88,662	536	89,198
Committed		12,378		12,378
Assigned				
Unassigned (Deficit)	28,677			28,677
Fund Cash Balances, December 31, 2011	<u>\$28,677</u>	<u>\$101,040</u>	<u>\$536</u>	<u>\$130,253</u>

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

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

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011**

**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 Scott, Van Wert and Paulding Counties, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides street lighting and street maintenance and repair, park operations, fire protection services, EMS services and police services. The Village contracts with the Van Wert and Paulding County Sheriff's department to provide security of persons and property. The Village appropriates fire fund money to support a volunteer fire department.

The Village participates in the Ohio Plan Risk Management Inc. (the "Plan"), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 750 Ohio governments ("Members").

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

**B. Accounting Basis**

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

**C. Deposits and Investments**

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

Money market mutual funds (including STAR Ohio) are recorded at share values the mutual funds report.

**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 accounts for and reports all financial resources not accounted for and reported in another fund.

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

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

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

**2. Special Revenue Funds**

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

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

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

**Parks Recreation Fund** - This fund receives grant monies for park path lighting and electric and playground upgrades.

**3. Capital Project Funds**

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant capital project fund:

**ODNR State Grant Fund** – This fund received grant monies to be used for the development of a nature trail.

**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 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 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 individual 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 law.

A summary of 2012 and 2011 budgetary activity appears in Note 4.

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

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

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

**F. Fund Balance**

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

**1. Non-spendable**

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

**2. Restricted**

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

**3. Committed**

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

**4. Assigned**

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

**5. Unassigned**

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

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

**G. Property, Plant, and Equipment**

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

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

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**2. CHANGE IN ACCOUNTING PRINCIPLE**

For fiscal year 2011, the Village implemented Governmental Accounting Standard Board (GASB) Statement No. 54. Implementing GASB Statement No. 54 did not have an effect on fund balances previously reported.

**3. EQUITY IN POOLED DEPOSITS AND INVESTMENTS**

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

	<b>2012</b>	<b>2011</b>
Demand deposits	\$112,896	\$ 84,433
STAR Ohio	45,851	45,820
Total deposits and investments	\$158,747	\$130,253

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

**Investments:** Investments in STAR Ohio and mutual funds are not evidenced by securities that exist in physical or book-entry form.

**4. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2012 and 2011 follows:

**2012 Budgeted vs. Actual Receipts**

<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$ 35,910	\$ 38,198	\$ 2,288
Special Revenue	91,115	108,524	17,409
Total	\$127,025	\$146,722	\$19,697

**2012 Budgeted vs. Actual Budgetary Basis Expenditures**

<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$ 46,988	\$ 41,332	\$ 5,656
Special Revenue	88,312	76,896	11,416
Total	\$135,300	\$118,228	\$17,072

**2011 Budgeted vs. Actual Receipts**

<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$ 34,003	\$ 37,799	\$ 3,796
Special Revenue	214,762	181,295	(33,467)
Total	\$248,765	\$219,094	(\$29,671)

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

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**4. BUDGETARY ACTIVITY (Continued)**

<b>2011 Budgeted vs. Actual Budgetary Basis Expenditures</b>			
<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$ 46,755	\$ 39,757	\$ 6,998
Special Revenue	114,458	193,330	(78,872)
Total	\$161,213	\$233,087	(\$71,874)

Contrary to Ohio law, the Village did not approve budgetary amendments made to the system for both 2012 and 2011 for the following funds: General, Street Construction Maintenance and Repair, Parks and Recreation, Fire, and EMS funds. Also the Village had expenditures exceeded appropriations in the Street Construction, Maintenance and Repair Fund, Parks and Recreation Fund, Fire Fund, and EMS Fund by \$1,952, \$4,266, \$69,186, and \$3,529 respectively in 2011.

**5. PROPERTY TAX**

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

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.

**6. RETIREMENT SYSTEMS**

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

The Ohio Revised Code also prescribes contribution rates. For 2012 and 2011, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2012.

**7. RISK MANAGEMENT**

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Risk Management Plan, (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

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

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**7. RISK MANAGEMENT (Continued)**

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retains 41.5% (41.5% effective November 1, 2011, 40% through October 31, 2011 and 17.5% through October 31, 2010) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 782 and 761 members as of December 31, 2011 and 2010 respectively.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan. Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31: 2011 and 2010 (the latest information available).

	<u>2011</u>	<u>2010</u>
Assets	\$12,501,280	\$12,036,541
Liabilities	(5,328,761)	(4,845,056)
Members' Equity	<u>\$ 7,172,519</u>	<u>\$ 7,191,485</u>

You can read the complete audited financial statements for OPRM at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).



# Dave Yost • Auditor of State

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

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

To the Village Council:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of Scott, Van Wert/Paulding County, (the Village) as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements and have issued our report thereon dated June 24, 2013 wherein we noted the Village adopted the provisions of Governmental Accounting Standards board Statement No. 54, *Fund Balance and Governmental Fund Type Definitions* for the year ended December 31, 2011. We also noted the Village followed financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit, described in Note 1(B).

### ***Internal Control Over Financial Reporting***

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. We consider findings 2012-02 and 2012-04 described in the accompanying schedule of findings to be material weaknesses.

### ***Compliance and Other Matters***

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2012-01 through 2012-03.

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[www.ohioauditor.gov](http://www.ohioauditor.gov)

***Purpose of this Report***

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

**Dave Yost**  
Auditor of State

Columbus, Ohio

June 24, 2013

VILLAGE OF SCOTT  
VAN WERT/PAULDING COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2012 AND 2011

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

FINDING NUMBER 2012-01

Noncompliance Citation

**Ohio Revised Code Section 5705.41(D)(1)** states that no orders or contracts involving the expenditure of money are to be made unless there is attached thereto a certificate of the fiscal officer certifying that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such 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 Village Council (the Council) can authorize the drawing of a warrant for the payment of the amount due. Council has thirty days from the receipt of the "then and now" certificate to approve payment by resolution. Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution 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 Council.
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 Council 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.

The Village of Scott did not properly certify the availability of funds prior to purchase commitment for 100% of expenditures tested in 2012 and 2011. Failure to properly certify the availability of funds can result in overspending funds and could lead to negative cash fund balances. 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. The Village should implement procedures to certify that the funds are or will be available prior to the obligation to improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations. When prior certification is not possible, a "then and now" certification should be used, if appropriate.

**FINDING NUMBER 2012-02**

**Noncompliance Citation/Material Weakness**

**Ohio Rev. Code Section 5705.40** provides in part that any appropriation measure may be amended or supplemented if the entity complies with the same laws used in making the original appropriation. The following variances were noted in 2012 and 2011:

<b>2012</b>			
<b>Funds</b>	<b>Approved Annual Appropriation Measure</b>	<b>Amounts per the Appropriation Status Report</b>	<b>Variance</b>
General Fund	\$46,988.41	\$50,328.15	(\$3,339.74)
Street Construction, Maintenance and Repair	\$16,063.65	\$24,163.59	(\$8,099.94)
Parks and Recreation	\$ 4,251.01	\$ 5,660.77	(\$1,409.76)
Fire Fund	\$40,482.85	\$48,007.60	(\$7,524.75)
EMS Fund	\$27,439.34	\$31,356.48	(\$3,917.14)

  

<b>2011</b>			
<b>Funds</b>	<b>Approved Annual Appropriation Measure</b>	<b>Amounts Per the Appropriation Status Report</b>	<b>Variance</b>
General Fund	\$46,755.00	\$ 50,827.08	(\$ 4,072.08)
Street Construction, Maintenance and Repair	\$10,133.00	\$ 15,067.29	(\$ 4,934.29)
Parks and Recreation	\$41,550.00	\$ 48,345.00	(\$ 6,795.00)
Fire Fund	\$43,347.19	\$122,155.95	(\$78,808.76)
EMS Fund	\$19,277.65	\$ 50,214.22	(\$30,936.57)

Failure to obtain Council approval for all amendments could result in expenditures being made that are not within the intentions of Council. The accompanying notes to the financial statements reflect the above noted adjustments.

The Village should develop policies and implement procedures to assure that all appropriation amendments are properly approved by Council prior to being posted to the Village's system and submitted to the County Budget Commission.

**FINDING NUMBER 2012-03**

**Noncompliance Citation**

**Ohio Rev. Code Section 5705.41 (B)** provides that no subdivision or taxing unit is to expend money unless it has been appropriated.

Expenditures exceeded appropriations in the Street Construction, Maintenance and Repair Fund, Parks and Recreation Fund, and EMS Fund by \$1,952, \$4,266, \$69,186, and \$3,529 respectively in 2011.

The Village should monitor budgeted appropriations and actual expenditures throughout the year to ensure that expenditures are within the appropriation that were approved by Council.

## FINDING NUMBER 2012-04

### Material Weakness

#### Classifying Revenues

The Village posted all transactions to the cash journal and revenue ledger; however, not all transactions were posted to the correct accounts. The chart of accounts is to be used for posting of revenue activity outlined in the Ohio Village Officer's Handbook and the Uniform Accounting Network (UAN) chart of accounts. The following items were not posted in accordance with the chart of accounts during 2012 and 2011:

- Homestead and rollback and personal property tax replacement were recorded as taxes in the General and Special Revenue Funds for 2012 rather than intergovernmental revenue in the amount of \$2,354 (6%) and \$791 (1%), respectively.
- Insurance payments received from the wind storm were recorded as an extraordinary item in the Special Revenue Fund in 2012 rather than miscellaneous revenue in the amount of \$12,632, a 13% variance.
- Homestead and rollback, intangible tax, personal property tax replacement, and deregulation were recorded as taxes in the General Fund for 2011 rather than intergovernmental revenue in the amount of \$3,069 (8%) variance.
- Homestead and rollback, personal property tax replacement, and deregulation were recorded as taxes in the Special Revenue Fund for 2011 rather than intergovernmental revenue in the amount of \$1,018 (1%) variance.

The failure to correctly classify financial activity in the accounting records and financial statements may impact a user's understanding of the financial operations. The accompanying financial statements have been adjusted to correct the errors identified above.

The Fiscal Officer should review the Ohio Village Officer's Handbook, UAN chart of accounts, and other resources on guidance in correctly classifying receipts. Periodically, the Village Council should perform a review of the accounting records to help identify errors and/or irregularities in a timely manner and prior to completion of the annual financial statements.

**Client's Response:** We did not receive a response from Officials to the Findings reported above.

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

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2012 AND 2011**

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>
2010-01	Noncompliance Citation – Ohio Rev. Code Section 5705.39	Yes	
2010-02	Noncompliance Citation – Ohio Rev. Code Section 5705.41(B)	No	See Finding 2012-03
2010-03	Noncompliance Citation – Ohio Rev. Code Section 5705.41(D)	No	See Finding 2012-01
2010-04	Material Weakness - Recording of Receipts and Pass-Through Monies	No	See Finding 2012-04



# Dave Yost • Auditor of State

**VILLAGE OF SCOTT**

**VAN WERT COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JULY 30, 2013**