



Dave Yost • Auditor of State

VILLAGE OF SCOTT
VAN WERT / PAULDING COUNTY

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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, Ohio, (the Village) as of and for the years ended December 31, 2014 and 2013.

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 Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; 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 1 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(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

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, 2014 and 2013, 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 the Village of Scott, Van Wert / Paulding County as of December 31, 2014 and 2013, 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(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 1, 2015, 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

July 1, 2015

**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, 2014**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:				
Property and Other Local Taxes	\$9,939	\$3,419		\$13,358
Intergovernmental	18,433	32,961		51,394
Charges for Services	5,018	74,745		79,763
Earnings on Investments	15	72		87
Miscellaneous	249	6,862		7,111
Total Cash Receipts	<u>33,654</u>	<u>118,059</u>		<u>151,713</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	6,062	64,311		70,373
Public Health Services	225			225
Leisure Time Activities		6,529		6,529
Community Environment	58			58
Basic Utility Services		467		467
Transportation		14,998		14,998
General Government	20,872	2,552		23,424
Capital Outlay		21,154		21,154
Total Cash Disbursements	<u>27,217</u>	<u>110,011</u>		<u>137,228</u>
Excess of Receipts Over Disbursements	<u>6,437</u>	<u>8,048</u>		<u>14,485</u>
Other Financing Receipts (Disbursements):				
Transfers In		5,580		5,580
Transfers Out	(5,580)			(5,580)
Total Other Financing Receipts (Disbursements)	<u>(5,580)</u>	<u>5,580</u>		<u>0</u>
Extraordinary Item	185	5,000		5,185
Net Change in Fund Cash Balances	1,042	18,628		19,670
Fund Cash Balances, January 1	<u>20,897</u>	<u>148,640</u>	<u>\$536</u>	<u>170,073</u>
Fund Cash Balances, December 31:				
Restricted		167,268	536	167,804
Unassigned	21,939			21,939
Fund Cash Balances, December 31	<u>\$21,939</u>	<u>\$167,268</u>	<u>\$536</u>	<u>\$189,743</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, 2013**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:				
Property and Other Local Taxes	\$9,622	\$4,371		\$13,993
Intergovernmental	19,200	21,076		40,276
Charges for Services	5,018	49,735		54,753
Earnings on Investments	16	65		81
Miscellaneous	2,162	10,952		13,114
Total Cash Receipts	<u>36,018</u>	<u>86,199</u>		<u>122,217</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	7,446	58,021		65,467
Leisure Time Activities		9,317		9,317
Community Environment	58			58
Basic Utility Services		100		100
Transportation		5,719		5,719
General Government	26,160	584		26,744
Capital Outlay		3,486		3,486
Total Cash Disbursements	<u>33,664</u>	<u>77,227</u>		<u>110,891</u>
Excess of Receipts Over Disbursements	<u>2,354</u>	<u>8,972</u>		<u>11,326</u>
Other Financing Receipts (Disbursements):				
Transfers In		7,000		7,000
Transfers Out	(7,000)			(7,000)
Total Other Financing Receipts (Disbursements)	<u>(7,000)</u>	<u>7,000</u>		<u>0</u>
Net Change in Fund Cash Balances	(4,646)	15,972		11,326
Fund Cash Balances, January 1	<u>25,543</u>	<u>132,668</u>	<u>\$536</u>	<u>158,747</u>
Fund Cash Balances, December 31:				
Restricted		148,640	536	149,176
Unassigned	20,897			20,897
Fund Cash Balances, December 31	<u>\$20,897</u>	<u>\$148,640</u>	<u>\$536</u>	<u>\$170,073</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, 2014 AND 2013**

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, Ohio (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 departments to provide security of persons and property. The Village appropriates fire and EMS 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 permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

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, 2014 AND 2013
(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.

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

A summary of 2014 and 2013 budgetary activity appears in Note 3.

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(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, 2014 AND 2013
(Continued)**

2. 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:

	2014	2013
Demand deposits	\$143,854	\$124,199
Certificates of deposit	45,889	45,874
Total deposits	\$189,743	\$170,073

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

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2014 and 2013 follows:

2014 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General		\$33,839	\$33,839
Special Revenue		128,639	128,639
Total		\$162,478	\$162,478

2014 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General		\$32,797	(\$32,797)
Special Revenue		110,011	(110,011)
Total		\$142,808	(\$142,808)

2013 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General		\$36,018	\$36,018
Special Revenue		93,199	93,199
Total		\$129,217	\$129,217

2013 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$50,937	\$40,664	10,273
Special Revenue	83,737	77,227	6,510
Total	\$134,674	\$117,891	\$16,783

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General and Special Revenue Funds for the year ended December 31, 2014 due to no appropriations being passed. Also, contrary to Ohio law, Estimated Receipts were not passed in either year ending December 31, 2014 or 2013 for the General Fund and Special Revenue Funds.

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

4. 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.

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 officials and employees belong to the Ohio Public Employees Retirement System (OPERS). 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 2014 and 2013, 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, 2014.

6. RISK MANAGEMENT

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Government 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.

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% (effective November 1, 2011) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2012 (and through October 2014) the plan increased its retention to 50% of the first \$250,000 casualty treaty. The Plan's property retention remained unchanged from prior years. This change was made to balance the reinsurance market conditions. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 767 and 774 members as of December 31, 2012 and 2013 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.

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

6. RISK MANAGEMENT (Continued)

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 equity at December 31, 2012 and 2013 (the latest information available).

	<u>2012</u>	<u>2013</u>
Assets	\$13,100,381	\$13,774,304
Liabilities	<u>(6,687,193)</u>	<u>(7,968,395)</u>
Members' Equity	<u>\$6,413,188</u>	<u>\$5,805,909</u>

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

7. RELATED PARTY TRANSACTIONS

A Village Council member is the spouse of the Clerk-Treasurer. The Village Council member voted to approve the hiring of the Clerk-Treasurer during the audit period, as well as her rate of pay for a two month training period. The Village paid \$400 for this training period.



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, 2014 and 2013, and the related notes to the financial statements, and have issued our report thereon dated July 1, 2015 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

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 a certain deficiency in internal control over financial reporting, that we consider a material weakness.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2014-003 described in the accompanying schedule of findings to be a material weakness.

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 2014-001 and 2014-002.

Entity's Response to Findings

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Village's responses and, accordingly, we express no opinion on them.

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 "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

July 1, 2015

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

**SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2014-001

Budgetary Requirements - Noncompliance

The Village is a legally separate entity and should comply with the applicable Ohio Revised Code sections pertaining to budgetary requirements as follows:

- **Ohio Rev. Code §5705.28 (B)(2)(a)** requires that on or before the fifteenth day of July each year, such taxing authority shall adopt an operating budget for the taxing unit for the ensuing fiscal year. The operating budget shall include an estimate of receipts from all sources, a statement of all taxing unit expenses that are anticipated to occur, and the amount required for debt charges during the fiscal year. The operating budget is not required to be filed with the county auditor or the county budget commission.
- **Ohio Rev. Code §5705.36 (A) (1)** requires that on or about the first day of each fiscal year, the fiscal officer of each subdivision and other taxing unit shall certify to the county auditor the total amount from all sources available for expenditures from each fund set up in the tax budget or, if adoption of a tax budget was waived under section 5705.281 of the Revised Code, from each fund created by or on behalf of the taxing authority. The amount certified shall include any unencumbered balances that existed at the end of the preceding year.
- **Ohio Rev. Code §5705.38 (A)** requires that on or about the first day of each fiscal year, the taxing authority of each subdivision or other taxing unit shall pass an appropriation measure, and thereafter during the year it may pass any supplemental appropriation measures as it finds necessary, based on the revised tax budget or the official certificate of estimated resources or amendments of the certificate. If it desires to postpone the passage of the annual appropriation measure until an amended certificate is received based on the actual balances, it may pass a temporary appropriation measure for meeting the ordinary expenses of the taxing unit until no later than the first day of April of the current year, and the appropriations made in the temporary measure shall be chargeable to the appropriations in the annual appropriation measure for that fiscal year when passed.
- **Ohio Rev. Code §5705.40** stipulates that any appropriation ordinance or measure may be amended or supplemented, provided that such amendment or supplement shall comply with all provisions of law governing the taxing authority in making an original appropriation and that no appropriation for any purpose shall be reduced below an amount sufficient to cover all unliquidated and outstanding contracts or obligations certified from or against the appropriation.
- **Ohio Rev. Code §5705.41** states that no subdivision or taxing unit shall: (A) Make any appropriation of money except as provided in Chapter 5705 of the Revised Code; provided, that the authorization of a bond issue shall be deemed to be an appropriation of the proceeds of the bond issue for the purpose for which such bonds were issued, but no expenditure shall be made from any bond fund until first authorized by the taxing authority; (B) Make any expenditure of money unless it has been appropriated as provided in such chapter; (C) Make any expenditure of money except by a proper warrant drawn against an appropriate fund.

**FINDING NUMBER 2014-001
(Continued)**

A budget was not timely prepared for fiscal year 2015. The Village did not certify to the county auditor the total amount from all sources available for expenditures from each fund on or about the first day of either 2013 or 2014. An appropriation measure was passed in 2013, but not until May, and an appropriation measure was not passed in 2014. Also, per review of the UAN Appropriation Status reports for 2013 and 2014, it appears amendments were made throughout each year, but the Village Council did not approve the amendments. During review of the 2013 Revenue Status report, amendments were made throughout the year, with no approval by Council or the County Budget Commission.

Failure to follow applicable budgetary laws is a violation of the Ohio Revised Code and could result in loss of local government funding, overspending of resources, deficit fund balances, and did not provide proper information for financial decision making. The Village should implement procedures to provide that all applicable budgetary laws are followed.

Officials' Response:

I was not aware I was supposed to do this and now that I have had help from another clerk I can do it right next year.

FINDING NUMBER 2014-002

Fire Contract – Finding For Recovery - Repaid Under Audit

The Village of Scott had a contract to provide fire protection services and emergency medical services (EMS) to the Village of Haviland during 2012 and 2013. The contract period was from January 1, 2012 to December 31, 2013 for an annual sum of \$4,750: \$3,500 for Fire Protection and \$1,250 for EMS calls.

The Township received payments from the Village for \$4,750 in 2012; however, no payment was received during 2013.

As a result, public funds due had not been collected in accordance with **Ohio Rev. Code §117.28**. Upon notification of the error by the Auditor of State's office, the Village notified the Village of Haviland and the Village of Haviland paid the Village of Scott \$4,750 on April 10, 2015 per receipt #55-2015.

Officials' Response:

With the change in clerks that year, I was not aware we never were paid for the contract and I will be sure to collect from all of them each year.

FINDING NUMBER 2014-003

Financial Reporting - Material Weakness

The Village posted transactions to the cash journal, appropriation ledger, and revenue ledger; however, not all transactions were posted to the correct funds and / or accounts. The chart of accounts to be used for posting of revenue and expenditure activity was 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 2014 and 2013:

- The ODNR State Grant Fund was misclassified as a Special Revenue Fund, when it should have been a Capital Projects Fund in both 2013 and 2014, for a total fund balance adjustment of \$536 in each year.

FINDING NUMBER 2014-003
(Continued)

- Emergency Medical Services began being billed in 2014 through Medicount Management. The receipts were misclassified as Miscellaneous Revenue in the EMS Fund, rather than Charges for Services Revenue; resulting in a reclassification of \$18,645 in the EMS Fund in 2014.
- In 2014, a Transfer Out of the General Fund, into the Parks and Recreation Fund, was mis-posted as a fund balance adjustment in the Parks and Recreation Fund; this resulted in a fund balance adjustment in both the General Fund (\$2,400) and the Park Fund, \$2,400.
- Bureau of Workers Compensation refunds during 2013 and 2014, were not allocated to the proper funds based on the 2011 and 2012 premium payments, respectively, which resulted in fund balance adjustments to the following; General - (\$227) in 2013, (\$157) in 2014; Street Construction Maintenance and Repair - \$21 in 2013; Fire Fund - \$368 in 2013, \$46 in 2014; and the EMS Fund (\$162) in 2013, \$111 in 2014.
- Annual Blue Creek Wind Farm receipt was misclassified as miscellaneous revenue in the General Fund rather than Charges for Services Revenue, which resulted in a reclassification of \$5,018 in each year.
- A 2013 receipt was misclassified as a Transfers-in in the General Fund rather than a Miscellaneous receipt, this resulted in a reclassification of \$195 in the General Fund.
- 2013 outstanding checks were voided in 2014, which created a fund adjustment to the beginning balance for 2014; therefore the 2013 ending balance did not agree to the 2014 beginning balance by \$358 in the General Fund: EMS Fund by \$124; Street Construction Maintenance and Repair Fund by \$350; and Fire Fund by \$842
- State and Local Government Highway Distributions were not allocated to the proper funds based on the proper allocation of 92.5% to the Street Construction Maintenance and Repair Fund and 7.5% to the State Highway Fund, and property taxes were also not properly allocated which resulted in fund balance adjustments as follows:
 - Street Construction Maintenance and Repair Fund - \$1,676 in 2014 and \$269 in 2013,
 - State Highway Fund - \$136 in 2014 and (\$269) in 2013.
 - General Fund - (\$2,372) for 2014 and (\$143) for 2013;
 - Fire Fund - \$421 for 2014 and \$108 for 2013;
 - EMS Fund - \$140 for 2014 and \$36 for 2013.

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.

Officials' Response:

Now that I have been explained where these items need to go I will try to do it correctly.

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

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2014 AND 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2012-01	Failure to properly certify the availability of funds	No	Repeated as a management letter comment.
2012-02	Failure to obtain Council approval for appropriation amendments	No	Repeated as finding 2014-001
2012-03	Expenditures in excess of appropriations	No	Repeated as finding 2014-001
2012-04	Classifying revenues	No	Repeated as finding 2014-003



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
AUGUST 4, 2015