



**Auditor of State
Betty Montgomery**

VILLAGE OF SARAHSVILLE
NOBLE COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Village of Sarahsville
Noble County
P.O. Box 77
Sarahsville, Ohio 43779

To the Board of Trustees:

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, 2002 and 2001. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Sarahsville, Noble County, as of December 31, 2002 and 2001, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2003 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Village of Sarahsville
Noble County
Independent Accountants' Report
Page 2

This report is intended solely for the information and use of management, the Village Council and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

November 3, 2003

**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, 2002**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$1,551	\$	\$1,551
Intergovernmental Receipts	13,937	6,822	20,759
Earnings on Investments	37	48	85
Miscellaneous	603		603
	<u>16,128</u>	<u>6,870</u>	<u>22,998</u>
Cash Disbursements:			
Current:			
Basic Utility Services	2,914		2,914
Transportation		2,509	2,509
General Government	11,147		11,147
Miscellaneous	492		492
	<u>14,553</u>	<u>2,509</u>	<u>17,062</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>1,575</u>	<u>4,361</u>	<u>5,936</u>
Fund Cash Balances, January 1	<u>2,540</u>	<u>4,171</u>	<u>6,711</u>
Fund Cash Balances, December 31	<u>\$4,115</u>	<u>\$8,532</u>	<u>\$12,647</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, 2001**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$1,578	\$	\$1,578
Intergovernmental Receipts	13,505	6,407	19,912
Earnings on Investments	43	56	99
Miscellaneous	428		428
	<u>15,554</u>	<u>6,463</u>	<u>22,017</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	3,285	200	3,485
Leisure Time Activities	210		210
Basic Utility Services	190	2,245	2,435
Transportation		5,148	5,148
General Government	11,313	184	11,497
	<u>14,998</u>	<u>7,777</u>	<u>22,775</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>556</u>	<u>(1,314)</u>	<u>(758)</u>
Fund Cash Balances, January 1	<u>1,984</u>	<u>5,485</u>	<u>7,469</u>
Fund Cash Balances, December 31	<u><u>\$2,540</u></u>	<u><u>\$4,171</u></u>	<u><u>\$6,711</u></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, 2002 AND 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Sarahsville, Noble County (the Village), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides 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 basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Fund Accounting

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Fund

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Fund:

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

D. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

**VILLAGE OF SARAHSVILLE
NOBLE COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process (Continued)

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2002 and 2001 budgetary activity appears in Note 3.

E. 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:

	2002	2001
Demand deposits	\$12,647	\$6,711
Total deposits	\$12,647	\$6,711

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

3. BUDGETARY ACTIVITY

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

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$14,621	\$16,128	\$1,507
Special Revenue	2,279	6,870	4,591
Total	\$16,900	\$22,998	\$6,098

**VILLAGE OF SARAHSVILLE
NOBLE COUNTY**

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

3. BUDGETARY ACTIVITY (Continued)

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$16,950	\$14,553	\$2,397
Special Revenue	6,450	2,509	3,941
Total	<u>\$23,400</u>	<u>\$17,062</u>	<u>\$6,338</u>

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$14,958	\$15,554	\$596
Special Revenue	4,938	6,463	1,525
Total	<u>\$19,896</u>	<u>\$22,017</u>	<u>\$2,121</u>

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$17,811	\$14,998	\$2,813
Special Revenue	8,644	7,777	867
Total	<u>\$26,455</u>	<u>\$22,775</u>	<u>\$3,680</u>

During 2002 and 2001, the Village failed to obtain the Clerk's prior certification before incurring obligations, contrary to Ohio Rev. Code 5705.41(D).

During 2002 and 2001, the Village did not distribute a portion of gasoline cents per gallon and motor vehicle license tax money to the State Highway Fund, contrary to Ohio Rev. Code Section 5705.10.

During 2002 and 2001, the Village made expenditures before passing any appropriation measures, contrary to Ohio Rev. Code Section 5705.38.

4. PROPERTY TAX

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

Public utilities are also taxed on personal and real property located within the Village. Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

**VILLAGE OF SARAHSVILLE
NOBLE COUNTY**

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

5. RETIREMENT SYSTEM

The Village's officials belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2002 and 2001, PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 2002.

6. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Village of Sarahsville
Noble County
P.O. 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, 2002 and 2001, and have issued our report thereon dated November 3, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2002-001, 2202-002 and 2002-003. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated November 3, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying Schedule of Findings as item 2002-004.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be reportable conditions and, accordingly, would not disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated November 3, 2003.

This report is intended solely for the information and use of management and the Village Council, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

November 3, 2003

**VILLAGE OF SARAHSVILLE
NOBLE COUNTY**

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

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2002-001

Finding for Adjustment

Ohio Rev. Code §5705.10 requires all revenue derived from a specific source to be credited to a special fund for the purpose for which the monies were received. Ohio Rev. Code §5735.28 requires gasoline cents per gallon taxes and motor vehicle license taxes to be credited 92.5% and 7.5% to the Street Construction, Maintenance, and Repair Fund and the State Highway Improvement Fund, respectively.

During 2002 and 2001, the Village credited the State Highway Improvement Fund, Special Revenue Fund type, with more than 7.5% of gasoline cents per gallon and motor vehicle license tax monies. As a result, the State Highway Improvement Fund, Special Revenue Fund type, received \$2,485 in excess of what it was due.

In accordance with the foregoing facts, a finding for adjustment is hereby issued against the State Highway Improvement Fund, Special Revenue Fund type, in the amount of \$2,485, in favor of the Street Construction, Maintenance, and Repair Fund, Special Revenue Fund type. Management has declined to record this adjustment at this time.

FINDING NUMBER 2002-002

Noncompliance Citation

Ohio Rev. Code Section 5705.41 (D) states that no subdivision or taxing unit shall make any contract or order any expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the same has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such a certificate shall be null and void and no warrant shall be issued in payment of any amount due thereon.

This section also provides two "exceptions" to the above requirements:

- A. Then and Now Certificate - This exception provides that, if the fiscal officer can certify that both at the time the contract or order was made and at the time that he is completing his certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any encumbrance, the taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

- B. Amounts of less than \$1,000 (which was increased to \$3,000 on April 7, 2003) may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of the "Then and Now" Certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

**VILLAGE OF SARAHSVILLE
NOBLE COUNTY**

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

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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**FINDING NUMBER 2002-002
(Continued)**

Noncompliance Citation - Ohio Rev. Code Section 5705.41 (D) (Continued)

Certain liabilities, contracts, and open purchase commitments were not certified by the Clerk-Treasurer prior to the obligation. There was no documentation that a "Then and Now" Certificate was used and subsequently approved by the Board of Trustees for expenditures in excess of \$1,000 within the aforementioned 30-day time period. For 2002 fifty-four percent and for 2001 eighty-eight percent of expenditure transactions tested were not properly certified.

We recommend the Village Clerk-Treasurer certify the availability of funds prior to the cash expenditures being made. Where prior certification is not practicable, we encourage the Clerk-Treasurer to utilize "then and now" certificates.

FINDING NUMBER 2002-003

Noncompliance Citation

Ohio Rev. Code § 5705.38 requires that, on or about the first day of each fiscal year, a appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until April 1.

The Village did not adopt an appropriation measure for fiscal years 2001 and 2002 until February 6, 2001 and April 9, 2002 respectively. Expenditures were made prior to the passage of any appropriation measure in 2002 and 2001.

We recommend the Village pass and certify to the County Auditor an appropriation measure prior to any expenditure being made.

FINDING NUMBER 2002-004

Reportable Condition - Posting of Amended Certificates and Appropriations

The Village did not have a control in place to ensure that only legislatively-approved budget amounts were posted to the accounting system.

The amended certificates, as authorized by Council were not posted to the accounting system, and amended appropriations were posted to the accounting system but not approved by Council. This resulted in incorrect amounts being posted to the accounting system. The note 3 Budgetary Activity in the Notes to the Financial Statements reflects the legislatively-approved budgeted receipts and the legislatively-approved appropriation amounts.

We recommend the Village implement procedures to ensure that only legislatively-approved estimated resources and appropriations are posted to the Village's ledgers.

**VILLAGE OF SARAHSVILLE
NOBLE COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2000-31061-001	26 U.S.C. §3102 (a), Internal Revenue Regulation, Finding for Recovery.	Yes	
2000-31061-002	Ohio Rev. Code § 5705.10 - Finding for Adjustment	No	Not corrected. Repeated as Finding 2002-001.
2000-31061-003	Ohio Rev. Code § 5705.36- Noncompliance citation	No	Not corrected; Repeated in Management Letter.
2000-31061-004	Ohio Rev. Code § 5705.39 – Noncompliance citation.	Yes	
2000-31061-005	Ohio Rev. Code § 5705.41 (B) – Noncompliance citation	Yes	
2000-31061-006	Ohio Rev. Code § 5705.41 (D) – Noncompliance citation	No	Not corrected. Repeated as Finding 2002-002.



**Auditor of State
Betty Montgomery**

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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
DECEMBER 2, 2003**