



Certified Public Accountants, A.C.

Village of Scott
Van Wert / Paulding Counties
Regular Audit
For the Year Ended December 31, 2018

313 Second St.
Marietta, OH 45750
740 373 0056

1907 Grand Central Ave.
Vienna, WV 26105
304 422 2203

150 W. Main St., #A
St. Clairsville, OH 43950
740 695 1569

1310 Market St., #300
Wheeling, WV 26003
304 232 1358

749 Wheeling Ave., #300
Cambridge, OH 43725
740 435 3417

OHIO AUDITOR OF STATE
KEITH FABER



88 East Broad Street
Columbus, Ohio 43215
IPAReport@ohioauditor.gov
(800) 282-0370

Village Council
Village of Scott
PO Box 155
Scott, Ohio 45886

We have reviewed the *Independent Auditor's Report* of the Village of Scott, Van Wert and Paulding County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2018 through December 31, 2018. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

September 12, 2019

This page intentionally left blank.

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

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor’s Report.....	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances (Cash Basis) - Governmental Fund Types - For the Year Ended December 31, 2018.....	3
Notes to the Financial Statements 2018.....	4
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	11
Schedule of Findings.....	13
Summary Schedule of Prior Audit Findings	16

This page intentionally left blank.

313 Second St.
Marietta, OH 45750
740 373 0056

1907 Grand Central Ave.
Vienna, WV 26105
304 422 2203

150 W. Main St., Suite A
St. Clairsville, OH 43950
740 695 1569

1310 Market St., Suite 300
Wheeling, WV 26003
304 232 1358

749 Wheeling Ave., Suite 300
Cambridge, OH 43725
740 435 3417



INDEPENDENT AUDITOR'S REPORT

Village of Scott
PO Box 155
Scott, Ohio 45886

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type of the Village of Scott, Van Wert/Paulding County (the Village), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise Village of Scott, Van Wert/Paulding County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of 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 includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

As described in Note 2 of the financial statements, the 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, 2018, and the respective 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 cash balances, receipts and disbursements by fund type, and related notes of Village of Scott, Van Wert County as of December 31, 2018, for the 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 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2019, on our consideration of the Village's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village's 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.



Perry & Associates, CPAs A.C.
Marietta, Ohio

June 28, 2019

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

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property and Other Local Taxes	\$ 9,706	\$ 4,579	\$ -	\$ 14,285
Intergovernmental	24,662	167,454	-	192,116
Charges for Services	5,018	79,790	-	84,808
Earnings on Investments	188	864	-	1,052
Miscellaneous	9	11,865	-	11,874
	<u>39,583</u>	<u>264,552</u>	<u>-</u>	<u>304,135</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
General Government	19,978	9,514	-	29,492
Security of Persons and Property	1,494	148,558	-	150,052
Public Health Services	3,156	-	-	3,156
Leisure Time Activities	1,098	3,083	-	4,181
Community Environment	293	-	-	293
Basic Utility Services	-	1,300	-	1,300
Transportation	1,068	18,016	-	19,084
Capital Outlay	-	116,684	-	116,684
	<u>27,087</u>	<u>297,155</u>	<u>-</u>	<u>324,242</u>
Total Cash Disbursements				
Total Receipts Over/(Under) Disbursements	<u>12,496</u>	<u>(32,603)</u>	<u>-</u>	<u>(20,107)</u>
Other Financing Receipts/(Disbursements):				
Transfers In	-	4,000	-	4,000
Transfers Out	(4,000)	-	-	(4,000)
	<u>(4,000)</u>	<u>4,000</u>	<u>-</u>	<u>-</u>
Total Other Financing Receipts/(Disbursements)				
<i>Net Change in Fund Cash Balances</i>	8,496	(28,603)	-	(20,107)
Fund Cash Balances, January 1	<u>\$34,461</u>	<u>\$270,713</u>	<u>\$536</u>	<u>305,710</u>
Fund Cash Balances, December 31				
Non-Spendable	-	-	-	-
Restricted	-	242,110	536	242,646
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	42,957	-	-	42,957
	<u>42,957</u>	<u>-</u>	<u>-</u>	<u>42,957</u>
<i>Total Fund Cash Balances, December 31</i>	<u><u>\$42,957</u></u>	<u><u>\$242,110</u></u>	<u><u>\$536</u></u>	<u><u>\$285,603</u></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
FOR THE YEAR ENDED DECEMBER 31, 2018**

1. REPORTING ENTITY

The Village of Scott (the Village), Van Wert / Paulding County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly elected six-member Council directs the Village. The Village provides street maintenance and repair, park operations, fire protection services, EMS services, and police services. The Village appropriates fire and EMS fund money to support a volunteer fire department.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types.

B. Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

1. General Fund

The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

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 - The Fire 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 - The EMS 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.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 funds:

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

C. Basis of Accounting

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 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

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 Village Council must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year-end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must 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 canceled, and reappropriated in the subsequent year.

A summary of 2018 budgetary activity appears in Note 3.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. 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.

F. Capital Assets

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

G. 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:

Nonspendable The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

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.

Committed Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless 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.

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.

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.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

3. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 35,045	\$ 39,583	\$ 4,538
Special Revenue	125,995	268,552	142,557
Capital Projects	-	-	-
Total	\$161,040	\$308,135	\$147,095

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ -	\$ 31,087	\$ (31,087)
Special Revenue	-	297,155	(297,155)
Capital Projects	-	-	-
Total	\$ -	\$328,242	(\$328,242)

In accordance with Ohio Revised Code Section 5705.41(B), the Village did not appropriate for the Ohio Public Works Commission Cooperative Agreement Grant for Road Paving in the SCMR Fund in 2018.

4. DEPOSITS AND INVESTMENTS

The Village maintains a deposits 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:

	2018
Demand deposits	\$ 238,005
STAR Ohio	47,598
Total Deposits and Investments	\$ 285,603

Deposits

Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the securities specifically pledged by the financial institution of the Village.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

5. PROPERTY TAXES

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.

6. RISK MANAGEMENT

A. Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

B. Risk Pool Membership

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) (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. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% 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 764 members as of December 31, 2017 (the latest information available).

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
FOR THE YEAR ENDED DECEMBER 31, 2018**

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, 2017 (the latest information available).

	2017
Assets	<u>\$14,853,620</u>
Liabilities	<u>(9,561,108)</u>
Members' Equity	<u><u>\$5,292,512</u></u>

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

7. DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. 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, 2018.

B. Social Security

One of the Village’s employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participant.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants’ gross salaries. The Village has paid all contributions required through December 31, 2018.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

8. POST-EMPLOYMENT BENEFITS

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2018. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2018.

9. COMPLIANCE

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in all funds by \$228,242 for the year ended December 31, 2018.

10. CONTINGENT LIABILITIES

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

11. JOINT VENTURE

The Village entered into a cooperative agreement with the Villages of Convoy and Wren for the purpose of creating a joint village paving project, and improving various streets throughout the Village. Through the agreement, the Ohio Public Works Commission (OPWC) awarded a \$300,000 grant to be split equally amongst the three Villages. For 2018, the Village recorded \$100,000 in intergovernmental receipts and capital outlay in the street, construction, maintenance and repair fund to record this transaction.



313 Second St.
Marietta, OH 45750
740 373 0056

1907 Grand Central Ave.
Vienna, WV 26105
304 422 2203

150 W. Main St., Suite A
St. Clairsville, OH 43950
740 695 1569

1310 Market St., Suite 300
Wheeling, WV 26003
304 232 1358

749 Wheeling Ave., Suite 300
Cambridge, OH 43725
740 435 3417

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Village of Scott
PO Box 155
Scott, Ohio 45886

To the Village Council:

We have audited, in accordance with the 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, the financial statements of the cash balances, receipts, and disbursements by fund type of Village of Scott, Van Wert/Paulding County (the Village) as of and for the years ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements, and have issued our report thereon dated June 28, 2019, 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

In planning and performing our audit of the financial statements, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

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 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 '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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider the deficiencies described in the accompanying schedule of findings as items 2018-001 and 2018-002 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 2018-001 and 2018-002.

Village'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 subject the Village's responses to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



PERRY & ASSOCIATES, CPAs A.C.
Marietta, Ohio

June 28, 2019

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

**SCHEDULE OF FINDINGS
DECEMBER 31, 2018**

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

FINDING NUMBER 2018-001

NONCOMPLIANCE AND MATERIAL WEAKNESS

Ohio Rev. Code Section 5705.36 (A)(2) states that upon determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be greater or less than the amount included in an official certificate, the fiscal officer may certify the amount of the deficiency or excess of the commission, and if the commission determines that the fiscal officer's certification is reasonable, the commission shall certify the amended official certificate reflecting the deficiency or excess.

Ohio Rev. Code Section 5705.38 requires that on or about the first day of each fiscal year, an appropriation measure be passed. The village may pass a temporary appropriation measure to meet their ordinary expenses until April 1, at which time a permanent appropriation measure must be passed.

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

Ohio Rev. Code Section 5705.40 provides that any appropriation measure may be amended or supplemented provided that such amendment or supplement complies with all provisions of law governing the tax authority in making the original appropriation.

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

Ohio Rev. Code Section 5705.42 states, in part, when the state or any department, division, agency authority or unit thereof makes a grant or loan of money to any political subdivision of this state to aid in paying the cost of any program, activity or function of such subdivision, the amount is deemed appropriated and shall be recorded by the subdivision.

For the year ended December 31, 2018 the Village did not pass an appropriation measure. As a result, expenditures exceeded appropriations in all funds.

During 2018, the fiscal officer recorded changes to appropriation amendments that were not approved by Council. These amendments were not considered legally effective and resulted in expenditures exceeding appropriations in all funds.

The Council's review of budget versus actual information is a significant internal control in monitoring performance of the Village and helps to identify unexpected fluctuations in the budget. The Village utilizes the Uniform Accounting Network (UAN), which has the capabilities of producing budget versus actual reports for individual funds. There was no indication in the minutes that the Council reviewed budget versus actual receipts and disbursements reports for the UAN during 2018.

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

**SCHEDULE OF FINDINGS
DECEMBER 31, 2018**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (continued)
--

FINDING NUMBER 2018-001 (continued)

During 2018, the Village was the beneficiary of an Ohio Public Works Commission Grant of \$100,000 through a Cooperative Agreement with two neighboring Villages for road paving that was entered into in 2016 and 2017.

On behalf of the Village, OPWC paid \$100,000 directly to vendors in 2018. The Village did not record the receipt and expenditure transactions relating to these OPWC on-behalf payment. The Villages financial statements have been adjusted to reflect these changes.

Auditor of State Bulletins 2000-008 and 2002-004 provide guidance for local governments participating in on-behalf programs with other governments as to the application of Statement No. 24 of the Governmental Accounting Standards Board. In general, when a local government enters into an on-behalf program agreement with another local government of the State (or the federal government, if applicable), whereby the local government or its residents are the beneficiaries under the agreement, the cash value benefit of the program received under the agreement should be recorded as memorandum receipts and disbursements in the year on-behalf disbursements are made. Per Auditor of State Bulletin 2002-004, the Village should record a receipt and expenditure transaction to account for any payments made on its behalf in the proper fund established for OPWC transactions.

Failure to follow applicable budgetary laws is a violation of the Ohio Revised Code and could result in overspending of resources and deficit fund balances.

The Village should implement procedures to ensure that all applicable budgetary laws are followed. The Village should approve an annual appropriation measure to be filed with the county auditor for certification.

The Fiscal Officer should reference applicable guidance from the Auditor of State, such as UAN manuals when posting receipts and processing unusual transactions.

Council should review budgetary information to assure that expenditures are made in accordance with the approved budget, receipts are received in accordance with the Certificate of Estimated Resources, and that overspending does not occur.

Official's Response: We did not receive a response from Officials to this finding.

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

**SCHEDULE OF FINDINGS
DECEMBER 31, 2018**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (continued)
--

FINDING NUMBER 2018-002

NONCOMPLIANCE AND MATERIAL WEAKNESS

Ohio Rev. Code §733.28 requires a fiscal officer in lieu of an elected village clerk to maintain the books of the Village and exhibit accurate statements of all monies received and expended.

Governmental Accounting Standards Board (GASB) Statement No. 54 – *Fund Balance Reporting and Governmental Fund Type Definitions* established criteria for reporting governmental fund balances based up constraints placed upon the use of the resources reported in governmental funds. The five classifications are non-spendable, restricted, committed, assigned, and unassigned.

For the years ended December 31, 2018, the Fiscal Officer made certain posting errors resulting in audit adjustments as follows:

- Homestead and Rollback receipts from the county were classified as property tax receipts rather than as intergovernmental. As a result, property and other local taxes of \$2,370 were reclassified as intergovernmental receipts.
- Real Estate Property taxes from the county were posted to the EMS Fund and should have been posed to the Fire Fund As a result, an adjustment of \$1,291 was made to reclassify the receipts from the EMS Fund d to the Fire Fund. This resulted in an increase in the Fire Fund by \$1,291.
- The annual Blue Creek Wind Farm receipt in the amount of \$5,018 was recorded as a miscellaneous receipt in the General Fund and was reclassified as charges for services in the General Fund.

The misstatement noted above are reflected on the accompanying financial statements and have been posted to the Village’s accounting records.

The failure to correctly classify financial activity in the accounting records and financial statements may impact the users’ understanding of the financial operations, the Village Council’s and management’s ability to make sound financial decisions or comply with budgetary laws, and could result in materially misstated reports.

Official’s Response: We did not receive a response from Officials to this finding.

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

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2018**

Finding Number	Finding Summary	Status	Additional Information
2017-001	Budgetary Requirements- Noncompliance	Not Corrected	Repeated as Finding 2018-001
2017-002	Financial Reporting – Material Weakness	Not Corrected	Repeated as Finding 2018-002

OHIO AUDITOR OF STATE
KEITH FABER



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
SEPTEMBER 26, 2019