

**Village of Sarahsville
Noble County, Ohio**

* * * *

Financial Statements

December 31, 2004 and 2003



**Auditor of State
Betty Montgomery**

Members of Council
Village of Sarahsville
PO Box 77
Sarahsville, Ohio 43779

We have reviewed the *Independent Auditor's Report* of the Village of Sarahsville, Noble County, prepared by Rea & Associates, Inc. for the audit period January 1, 2003 through December 31, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State's Office (AOS). Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditor's Report* on your financial statements. While the AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditor's Report* also includes an opinion on the financial statements using the regulatory format the AOS permits.

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

A handwritten signature in black ink that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

August 4, 2006

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**VILLAGE OF SARAHSVILLE
NOBLE COUNTY, OHIO**

**FOR THE YEARS ENDED
DECEMBER 31, 2004 AND 2003**

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Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

December 9, 2005

To Members of Council
Village of Sarahsville
Noble County, Ohio

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of Village of Sarahsville, Noble County, as of and for the years ended December 31, 2004 and 2003, as listed in the table of contents. These financial statements are the responsibility of the Village of Sarahsville 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 the 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 described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 and 2003, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since this Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

Village of Sarahsville
Noble County, Ohio

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2004 or their changes in financial position for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Sarahsville, Noble County, as of December 31, 2004 and 2003, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the year ended December 31, 2004. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 9, 2005 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. The purpose of that report is 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 and opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Hea & Associates, Inc.

**VILLAGE OF SARAHSVILLE
NOBLE COUNTY, OHIO**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Governmental Fund Types</u>		<u>Total (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
CASH RECEIPTS:			
Property and other Local Taxes	\$ 1,682	\$ 0	\$ 1,682
Intergovernmental Receipts	13,119	8,665	21,784
Earnings on Investments	17	39	56
Total Cash Receipts	<u>14,818</u>	<u>8,704</u>	<u>23,522</u>
CASH DISBURSEMENTS:			
Current:			
Security of Persons and Property	3,975	0	3,975
Transportation	0	5,515	5,515
General Government	12,195	0	12,195
Capital Outlay	0	1,600	1,600
Total Cash Disbursements	<u>16,170</u>	<u>7,115</u>	<u>23,285</u>
Total Cash Receipts Over (Under) Cash Disbursements	(1,352)	1,589	237
Fund Cash Balances, Beginning of Year	<u>3,285</u>	<u>11,842</u>	<u>15,127</u>
Fund Cash Balances, End of Year	<u>\$ 1,933</u>	<u>\$ 13,431</u>	<u>\$ 15,364</u>
Reserve for Encumbrances, End of Year	<u>\$ 433</u>	<u>\$ 389</u>	<u>\$ 822</u>

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

**VILLAGE OF SARAHSVILLE
NOBLE COUNTY, OHIO**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Governmental Fund Types</u>		Total (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
CASH RECEIPTS:			
Property and Other Local Taxes	\$ 1,594	\$ 0	\$ 1,594
Intergovernmental Receipts	12,900	8,313	21,213
Earnings on Investments	32	32	64
Miscellaneous	1,231	0	1,231
Total Cash Receipts	<u>15,757</u>	<u>8,345</u>	<u>24,102</u>
CASH DISBURSEMENTS:			
Current:			
Security of Persons and Property	3,625	0	3,625
Leisure Time Activities	1,272	0	1,272
Transportation	0	5,035	5,035
General Government	11,690	0	11,690
Total Cash Disbursements	<u>16,587</u>	<u>5,035</u>	<u>21,622</u>
Total Cash Receipts Over (Under) Cash Disbursements	(830)	3,310	2,480
Fund Cash Balances, Beginning of Year	<u>4,115</u>	<u>8,532</u>	<u>12,647</u>
Fund Cash Balances, End of Year	<u>\$ 3,285</u>	<u>\$ 11,842</u>	<u>\$ 15,127</u>
Reserve for Encumbrances, End of Year	<u>\$ 423</u>	<u>\$ 139</u>	<u>\$ 562</u>

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

**VILLAGE OF SARAHSVILLE
NOBLE COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2004 AND 2003**

NOTE 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:

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.

Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from trusts) 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.

**VILLAGE OF SARAHSVILLE
NOBLE COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2004 AND 2003**

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 Council

Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2004 and 2003 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.

NOTE 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:

	2004	2003
Demand Deposits	\$ 15,364	\$ 15,127
Total Deposits	\$ 15,364	\$ 15,127

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation.

**VILLAGE OF SARAHSVILLE
NOBLE COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2004 AND 2003**

NOTE 3: Budgetary Activity

Budgetary activity for the years ended December 31, 2004 and 2003 was as follows:

	Budgeted vs. Actual Receipts					
	2004			2003		
	Budgeted Receipts	Actual Receipts	Variance	Budgeted Receipts	Actual Receipts	Variance
General	\$ 14,499	\$ 14,818	\$ 319	\$ 14,410	\$ 15,757	\$ 1,347
Special Revenue	6,842	8,704	1,862	2,529	8,345	5,816
Total	<u>\$ 21,341</u>	<u>\$ 23,522</u>	<u>\$ 2,181</u>	<u>\$ 16,939</u>	<u>\$ 24,102</u>	<u>\$ 7,163</u>

	Budgeted vs. Actual Expenditures					
	2004			2003		
	Budgeted Expenditures	Actual Expenditures	Variance	Budgeted Expenditures	Actual Expenditures	Variance
General	\$ 19,562	\$ 16,170	\$ 3,392	\$ 20,540	\$ 16,587	\$ 3,953
Special Revenue	16,343	7,115	9,228	8,855	5,035	3,820
Total	<u>\$ 35,905</u>	<u>\$ 23,285</u>	<u>\$ 12,620</u>	<u>\$ 29,395</u>	<u>\$ 21,622</u>	<u>\$ 7,773</u>

NOTE 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 taxes 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, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2004 AND 2003**

NOTE 5: Retirements Systems

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 2004 and 2003, 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, 2004.

NOTE 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.

Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

December 9, 2005

To Members of Council
Village of Sarahsville
Noble County, Ohio

**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**

We have audited the financial statements of Village of Sarahsville, Noble County, as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated December 9, 2005. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of Sarahsville'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 an opinion on the internal control over financial reporting. 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 material weaknesses. A material weakness is a reportable 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 caused by error or fraud 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. 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weakness. However, we noted matters involving the internal control over financial reporting that we have reported to management of the Village of Sarahsville in a separate letter dated December 9, 2005.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village of Sarahsville's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 item 2004-001. We also noted certain immaterial instances of noncompliance that we have reported to the Village of Sarahsville, Noble County, in a separate letter dated December 9, 2005.

Village of Sarahsville
Noble County, Ohio

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

Rea & Associates, Inc.

**VILLAGE OF SARAHSVILLE
NOBLE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003**

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

FINDING NUMBER 2004-001

Noncompliance Citation

Ohio Rev. Code Section 5705.41 (D) states that no subdivision or taxing unit shall make any contact 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 by the taxing authority.

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 Village Council.

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.

**Village of Sarahsville
Noble County**

**Schedule of Prior Audit Findings
December 31, 2004 and 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2000-31061-003	Ohio Rev. Code 5705.36 - Noncompliance citation	No	Not corrected; Repeated in Management Letter.
2002-001	Ohio Rev. Code 5705.10 - Finding for Adjustment	Yes	
2002-002	Ohio Rev. Code 5705.41 (D) - Noncompliance citation	No	Not corrected. Repeated as Finding 2004-001.
2002-003	Ohio Rev. Code 5705.38 - Noncompliance citation	Yes	
2002-004	Posting of Amended Certificates and Appropriations	Yes	



**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
AUGUST 17, 2006**