

Village of Rarden

Scioto County, Ohio

Regular Audit

For the Years Ended December 31, 2004 and 2003

BALESTRA, HARR & SCHERER, CPAs, INC.

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**Auditor of State
Betty Montgomery**

Village Council
Village of Rarden
1350 Main Street
PO Box 24
Rarden, Ohio 45671

We have reviewed the *Independent Auditor's Report* of the Village of Rarden, Scioto County, prepared by Balestra, Harr & Scherer, CPAs, 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 Rarden is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

March 20, 2006

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VILLAGE OF RARDEN
SCIOTO COUNTY

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Independent Auditor's Report

Village of Rarden
Scioto County
P. O. Box 24
Rarden, OH 45671

We have audited the accompanying financial statements of Village of Rarden, Scioto County, (the Village) as of and for the years ended December 31, 2004 and 2003. These financial statements are the responsibility of the Government'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 reasonably assure 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 described more fully in Note 1, the government 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. Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, we presume they are material.

Revisions to GAAP require the Village to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the funds accompanying financial statements presented 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 require 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 the Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts are materially misstated under 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.

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

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

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion & Analysis for the year ended December 31, 2004. The Village has not presented Management's Discussion & 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 our report dated December 31, 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. That report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. It does not opine 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*. You should read it in conjunction with this report in assessing the results of our audit.



Balestra, Harr & Scherer, CPAs, Inc.

December 31, 2005

**VILLAGE OF RARDEN
SCIOTO COUNTY**

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

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash Receipts:					
Property Tax and Other Local Taxes	\$ 1,123	\$ 14,032	\$ -	\$ -	\$ 15,155
Municipal Income Taxes	-	-	-	-	-
Intergovernmental Receipts	2,114	8,017	-	-	10,131
Rental	5,600	1,000	-	-	6,600
Charges For Services	-	59,259	-	-	59,259
Donations	17,596	3,178	-	2,637	23,411
Miscellaneous	1,258	-	-	1,286	2,544
Total Cash Receipts	<u>27,691</u>	<u>85,486</u>	<u>-</u>	<u>3,923</u>	<u>117,100</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	-	74,211	-	-	74,211
Public Health Services	830	-	-	-	830
Transportation	-	3,033	-	-	3,033
General Government	20,781	1,140	-	-	21,921
Capital Outlay	-	-	-	41,900	41,900
Debt Service:					
Redemption of Principal	16,483	-	55,058	-	71,541
Interest & Other Fiscal Charges	94	-	4,823	-	4,917
Total Cash Disbursements	<u>38,188</u>	<u>78,384</u>	<u>59,881</u>	<u>41,900</u>	<u>218,353</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(10,497)</u>	<u>7,102</u>	<u>(59,881)</u>	<u>(37,977)</u>	<u>(101,253)</u>
Other Financing Receipts/(Disbursements):					
Proceeds from Sale of Notes	18,000	-	-	27,712	45,712
Transfers In	-	-	59,881	-	59,881
Transfers Out	(6,250)	(49,331)	-	(4,300)	(59,881)
Total Other Financing Receipts/(Disbursements)	<u>11,750</u>	<u>(49,331)</u>	<u>59,881</u>	<u>23,412</u>	<u>45,712</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>1,253</u>	<u>(42,229)</u>	<u>-</u>	<u>(14,565)</u>	<u>(55,541)</u>
Fund Cash Balances, January 1	<u>1,082</u>	<u>57,176</u>	<u>750</u>	<u>14,582</u>	<u>73,590</u>
Fund Cash Balances, December 31	<u>\$ 2,335</u>	<u>\$ 14,947</u>	<u>\$ 750</u>	<u>\$ 17</u>	<u>\$ 18,049</u>

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

**VILLAGE OF RARDEN
SCIOTO COUNTY**

**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>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Property Tax and Other Local Taxes	\$ 1,206	\$ 9,025	\$ -	\$ -	\$ 10,231
Municipal Income Taxes	-	-	-	-	-
Intergovernmental Receipts	1,977	65,119	-	-	67,096
Rental	7,855	-	-	-	7,855
Charges For Services	-	29,850	-	-	29,850
Donations	2,558	25,642	-	14,405	42,605
Miscellaneous	593	1,811	-	-	2,404
Total Cash Receipts	<u>14,189</u>	<u>131,447</u>	<u>-</u>	<u>14,405</u>	<u>160,041</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	-	107,771	-	-	107,771
Public Health Services	679	1,344	-	-	2,023
Transportation	-	18,238	-	-	18,238
General Government	20,926	4,730	-	-	25,656
Capital Outlay	-	65,000	-	8,078	73,078
Debt Service:					
Redemption of Principal	-	-	7,025	-	7,025
Interest & Other Fiscal Charges	-	-	1,975	-	1,975
Total Cash Disbursements	<u>21,605</u>	<u>197,083</u>	<u>9,000</u>	<u>8,078</u>	<u>235,766</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(7,416)</u>	<u>(65,636)</u>	<u>(9,000)</u>	<u>6,327</u>	<u>(75,725)</u>
Other Financing Receipts/(Disbursements):					
Proceeds from Sale of Notes	-	65,000	-	-	65,000
Transfers In	-	-	9,000	7,220	16,220
Transfers Out	(14,720)	(1,500)	-	-	(16,220)
Advances In	-	2,600	-	-	2,600
Advances Out	(2,600)	-	-	-	(2,600)
Total Other Financing Receipts/(Disbursements)	<u>(17,320)</u>	<u>66,100</u>	<u>9,000</u>	<u>7,220</u>	<u>65,000</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>(24,736)</u>	<u>464</u>	<u>-</u>	<u>13,547</u>	<u>(10,725)</u>
Fund Cash Balances, January 1	<u>25,818</u>	<u>56,712</u>	<u>750</u>	<u>1,035</u>	<u>84,315</u>
Fund Cash Balances, December 31	<u>\$ 1,082</u>	<u>\$ 57,176</u>	<u>\$ 750</u>	<u>\$ 14,582</u>	<u>\$ 73,590</u>

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

**VILLAGE OF RARDEN
SCIOTO COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Rarden, Scioto 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 road and bridge maintenance and security of persons and property services which include fire protection and ambulance protection.

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.

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

C. Cash and Investments

The Village has one demand deposit account and no investments.

D. Fund Accounting

The Village uses fund accounting to segregate cash that is 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 Funds

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 Funds:

Volunteer Fire Fund – This fund receives property tax money to operate a volunteer fire department.

Ambulance Fund – This fund receives property tax money to operate a volunteer ambulance service.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

3. Debt Service Funds

These funds account for the accumulation of resources for the payment of note indebtedness. The Village had the following significant Debt Service Fund:

General Obligation Fund – This fund is utilized to repay outstanding debt for the paving and culvert improvement projects, park equipment and the purchase of a fire truck.

4. Capital Projects Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant Capital Projects Fund:

Capital Improvement Fund – This fund is used to account for monies for the park improvement project.

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 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.

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 re-appropriated in the subsequent year.

A summary of 2004 and 2003 budgetary activity appears in Note 4.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as capital outlay 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 and investments. The carrying amount of cash at December 31 follows:

	<u>2003</u>	<u>2004</u>
Demand Deposits	<u>\$73,590</u>	<u>\$18,049</u>

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2004 and 2003 follows:

2004 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$6,470	\$44,438	(\$37,968)
Special Revenue	106,326	127,715	(21,389)
Debt Service	23,000	59,881	(36,881)
Capital Projects	19,000	46,200	(27,200)
Total	<u>\$154,796</u>	<u>\$278,234</u>	<u>(\$123,438)</u>

2004 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$5,388	\$45,691	\$40,303
Special Revenue	49,110	85,486	36,376
Debt Service	9,000	59,881	50,881
Capital Projects	32,000	31,635	(365)
Total	<u>\$95,498</u>	<u>\$222,693</u>	<u>\$127,195</u>

2003 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$22,382	\$36,325	(\$13,943)
Special Revenue	91,196	198,583	(107,387)
Debt Service	9,000	9,000	0
Capital Projects	39,967	8,078	31,889
Total	<u>\$162,545</u>	<u>\$251,986</u>	<u>(\$89,441)</u>

4. BUDGETARY ACTIVITY (Continued)

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$4,393	\$14,189	\$9,796
Special Revenue	48,431	199,047	150,616
Debt Service	9,000	9,000	0
Capital Projects	13,000	21,625	8,625
Total	<u>\$74,824</u>	<u>\$243,861</u>	<u>\$169,037</u>

The Village had expenditures exceeding appropriations in the General Fund, Ambulance Fund, Street Lights Fund, and Capital Projects Fund in 2004 and General Fund and Fire Fund in 2003 contrary to Ohio Rev. Code Section 5705.41 (B).

The Village had appropriations in excess of available resources in the Ambulance Fund and Debt Service Fund in 2004, and in the Street Lights Fund and Capital Projects Fund in 2003 contrary to Ohio Revised Code Section 5705.39.

5. 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.

6. DEBT

Debt outstanding at December 31, 2004 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Note/Fire Truck	\$44,682	4.50%
General Obligation Note/Paving & Culvert Repair	\$14,650	5.75%

The general obligation note is for paving and culvert improvement. The original loan was for \$18,000 with monthly installments in the amount of \$737.98 which includes principal and interest. The note is uncollateralized. The other general obligation note is for the purchase of a fire truck. The original loan was for \$65,000 with semi-annual installments in the amount of \$4071.73 which includes principal and interest. The note is uncollateralized.

Amortization of the above debt, including interest, is scheduled as follows:

Year ending December 31:	
2005	\$17,000
2006	14,786
2007	8,144
2008	8,144
2009	8,144
2010-2013	<u>32,574</u>
Total	<u>\$88,792</u>

7. RETIREMENT BENEFITS

The Ohio Public Employees Retirement System (OPERS) is a state operated, cost-sharing, multiple employer public employee retirement system. OPERS provides retirement benefits to vested employees who are eligible to retire based upon years of service. OPERS also provides survivor and disability benefits to vested employees.

Contribution rates are prescribed by the Ohio Revised Code. The Village's OPERS members contributed 8.5% of their gross salaries. The Village began to remit the employer share and employee withholdings in 2003 to the Public Employees Retirement System.

8. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles.

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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 Rarden
Scioto County
P. O. Box 24
Rarden, Ohio 45671

We have audited the financial statements of Village of Rarden, Scioto County, Ohio (the Village), as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated December 31, 2005, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. 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 audits, we considered the Village's internal control over financial reporting in order to determine 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

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 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 or other matters that are required to be reported under *Governmental Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2004-001 and 2004-002.

We noted certain other matters which we have reported to management in a separate letter dated December 31, 2005.

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



Balestra, Harr & Scherer, CPAs, Inc.

December 31, 2005

**VILLAGE OF RARDEN
SCIOTO COUNTY**

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

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2004-001

Noncompliance Citation

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

The Village had expenditures that exceeded the appropriations in 2004 as follows: General Fund \$37,968, Fire Fund by \$17,992, Ambulance Fund by \$3,308, Debt Service Fund by \$36,981, and Capital Projects Fund by \$27,200. Expenditures exceeded appropriations in the 2003 as follows: General Fund by \$13,943, Fire Fund by \$126,842, and Street Lights Fund by \$1,455.

The Clerk should monitor budgetary activity more closely for the next fiscal year and ensure that it appropriates enough for each fund and if needed be amend appropriations to cover the expenses, in addition, we recommend that the Village adopt internal controls adequate to mitigate the risk of future noncompliance with the Ohio Revised Code.

The Clerk intends to monitor budgetary activity more closely in future periods.

FINDING NUMBER 2004-002

Noncompliance Citation

Ohio Rev. Code Section 5705.39 states that the total appropriation from each fund shall not exceed the total estimated revenue.

The Village had appropriations exceeding available resources in 2004 in the Debt Service Fund by \$14,000. For 2003, the Village's appropriations exceeded available resources in the Capital Projects Fund by \$20,932.

The Clerk should monitor budgetary activity more closely for the next fiscal year and ensure that appropriations do not exceed available resources, we recommend that the Village adopt internal controls adequate to mitigate the risk of future noncompliance with the Ohio Revised Code.

The Clerk intends to monitor budgetary activity more closely in future periods.

**VILLAGE OF RARDEN
SCIOTO 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; <i>Explain:</i>
2002-001	Ohio Rev. Code Section 5705.41 (B) – expenditures exceeded appropriations.	No.	Not Corrected. Reissued as Finding 2004-01.
2002-002	Ohio Rev. Code Section 5705.41 (D) – funds were not certified by Clerk.	Yes	
2002-003	Reportable Condition – Estimated Receipts exceeded actual receipts.	No.	Partially Corrected. Reissued in the management letter.
2002-004	Reportable Condition – Various receipts were posted to Capital Projects Fund that were not for capital acquisitions.	Yes.	



**Auditor of State
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VILLAGE OF RARDEN

SCIOTO 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
MARCH 30, 2006**