



Mary Taylor, CPA
Auditor of State

VILLAGE OF TUSCARAWAS
TUSCARAWAS COUNTY

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Mary Taylor, CPA
Auditor of State

Village of Tuscarawas
Tuscarawas County
522 E. Cherry Street
P.O. Box 388
Tuscarawas, Ohio 44682

To the Honorable Mayor and Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While 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. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

November 20, 2009

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Tuscarawas
Tuscarawas County
522 E. Cherry Street
P.O. Box 388
Tuscarawas, Ohio 44682

To the Honorable Mayor and Village Council:

We have audited the accompanying financial statements of the Village of Tuscarawas, Tuscarawas County, Ohio, (the Village) as of and for the years ended December 31, 2008 and 2007. 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 the Comptroller General of the United States' *Government Auditing Standards*. 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. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audits provide 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.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. 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 GAAP presentation requirements. The Auditor of State permits, but does not require Villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. 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.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2008 and 2007 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 November 20, 2009, or its 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 the Village of Tuscarawas, Tuscarawas County, as of December 31, 2008 and 2007, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As disclosed in Note 1, during 2007 the Village changed its financial statement presentation method to conform to presentation methods the Auditor of State prescribes or permits.

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 our report dated November 20, 2009, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. 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.



Mary Taylor, CPA
Auditor of State

November 20, 2009

**VILLAGE OF TUSCARAWAS
TUSCARAWAS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Local Taxes	\$60,323	\$35,129	\$95,452
Municipal Income Tax	69,233		69,233
Intergovernmental	34,400	55,783	90,183
Charges for Services	58,928		58,928
Fines, Licenses and Permits	1,572		1,572
Earnings on Investments	11,640	613	12,253
Miscellaneous	4,803		4,803
	<u>240,899</u>	<u>91,525</u>	<u>332,424</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	46,294		46,294
Public Health Services	465		465
Leisure Time Activities		18,095	18,095
Community Environment	6,833		6,833
Basic Utility Service	35,992		35,992
Transportation		39,291	39,291
General Government	85,167		85,167
Capital Outlay	7,842		7,842
	<u>182,593</u>	<u>57,386</u>	<u>239,979</u>
Total Receipts Over Disbursements	<u>58,306</u>	<u>34,139</u>	<u>92,445</u>
Other Financing Receipts/(Disbursements):			
Transfers In		500	500
Transfers Out	(500)		(500)
Other Financing Uses	(4,025)		(4,025)
	<u>(4,525)</u>	<u>500</u>	<u>(4,025)</u>
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	53,781	34,639	88,420
Fund Cash Balances, January 1	<u>111,310</u>	<u>192,451</u>	<u>303,761</u>
Fund Cash Balances, December 31	<u>\$165,091</u>	<u>\$227,090</u>	<u>\$392,181</u>

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

**VILLAGE OF TUSCARAWAS
TUSCARAWAS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Local Taxes	\$51,234	\$37,529	\$88,763
Municipal Income Tax	86,370		86,370
Intergovernmental	38,234	62,611	100,845
Charges for Services	57,047		57,047
Fines, Licenses and Permits	2,491		2,491
Earnings on Investments	13,474	709	14,183
Miscellaneous	1,782		1,782
	<u>250,632</u>	<u>100,849</u>	<u>351,481</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	51,326		51,326
Public Health Services	230		230
Leisure Time Activities		4,155	4,155
Community Environment	6,052		6,052
Basic Utility Service	34,267		34,267
Transportation		31,392	31,392
General Government	90,741		90,741
Capital Outlay	24,461		24,461
	<u>207,077</u>	<u>35,547</u>	<u>242,624</u>
Total Receipts Over/(Under) Disbursements	<u>43,555</u>	<u>65,302</u>	<u>108,857</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	43,555	65,302	108,857
Fund Cash Balances, January 1	<u>67,755</u>	<u>127,149</u>	<u>194,904</u>
Fund Cash Balances, December 31	<u>\$111,310</u>	<u>\$192,451</u>	<u>\$303,761</u>

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

**VILLAGE OF TUSCARAWAS
TUSCARAWAS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ENTERPRISE FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

	2008	2007
Operating Cash Receipts:		
Charges for Services	\$243,883	\$259,649
Total Operating Cash Receipts	243,883	259,649
Operating Cash Disbursements:		
Personal Services	86,698	72,062
Employee Fringe Benefits	26,898	21,087
Contractual Services	26,630	24,992
Supplies and Materials	48,065	38,444
Other	681	681
Total Operating Cash Disbursements	188,291	157,266
Operating Income/(Loss)	55,592	102,383
Non-Operating Cash Disbursements:		
Capital Outlay	78,331	2,442
Redemption of Principal	14,650	20,762
Interest and Other Fiscal Charges	2,543	4,800
Total Non-Operating Cash Disbursements	95,524	28,004
Income/(Loss)	(39,932)	74,379
Fund Cash Balances, January 1	290,417	216,038
Fund Cash Balances, December 31	\$250,485	\$290,417

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

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**VILLAGE OF TUSCARAWAS
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Tuscarawas, Tuscarawas County, Ohio, (the Village) as a body corporate and politic. The Village is directed by a six-member Council elected at large for four-year terms. The Mayor is elected to a four-year term, serves as the President of Council and votes only to break a tie.

The Village provides general government services, water and sewer utilities, maintenance of Village roads and bridges, park operations, and police services. The Village also provides joint fire protection services with Warwick Village Volunteer Fire Department.

The Village is associated with certain organizations which are defined as Jointly Governed Organizations under Governmental accounting Standards Board (GASB) No. 14, Reporting Entity. These organizations are presented in Note 9 and include:

- Tuscarawas County Regional Planning Commission
- Tuscarawas County Tax Incentive Review Council

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. 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).

In the prior year, the Village presented financial statements on a comprehensive basis of accounting other than generally accepted accounting principles. For 2007, the Village has prepared their financial statements on an accounting basis the Auditor of State prescribes or permits. This change did not result in any changes to fund balances as previously presented.

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Cash 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.

**VILLAGE OF TUSCARAWAS
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting

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

1. General Fund

The general fund 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 proceeds from specific sources (other than for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

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

3. Enterprise Funds

These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Funds:

Water Fund – This fund accounts for the provision of water to the residents and commercial users located within the Village.

Sewer Fund – This fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

E. Budgetary Process

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

1. Appropriations

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

**VILLAGE OF TUSCARAWAS
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

E. Budgetary Process (Continued)

2. Estimated Resources

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

A summary of 2008 and 2007 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

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

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. Equity in Pooled Cash

The Village maintains a cash pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash at December 31 was as follows:

	<u>2008</u>	<u>2007</u>
Demand deposits	\$196,747	\$594,178
Repurchase Agreement	445,919	0
Total deposits	<u>\$642,666</u>	<u>\$594,178</u>

Deposits: Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

**VILLAGE OF TUSCARAWAS
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

3. Budgetary Activity

Budgetary activity for the years ended December 31, 2008 and 2007 follows:

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$246,700	\$240,899	(\$5,801)
Special Revenue	246,500	92,025	(154,475)
Enterprise	240,000	243,883	3,883
Total	\$733,200	\$576,807	(\$156,393)

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$361,475	\$186,618	\$174,857
Special Revenue	435,445	57,386	378,059
Enterprise	530,410	283,815	246,595
Total	\$1,327,330	\$527,819	\$799,511

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$249,600	\$250,632	\$1,032
Special Revenue	95,440	100,849	5,409
Enterprise	266,150	259,649	(6,501)
Total	\$611,190	\$611,130	(\$60)

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$320,500	\$207,077	\$113,423
Special Revenue	201,435	35,547	165,888
Enterprise	441,000	185,270	255,730
Total	\$962,935	\$427,894	\$535,041

Contrary to Ohio Rev. Code Section 5705.41(D), the Village did not always certify the availability of funds for certain expenditures during 2008 and 2007.

4. Compliance

Contrary to Ohio Rev. Code Section 135.14, the Village had an overnight repurchase agreement in which the market value of securities did not always exceed the principal value by 2%.

**VILLAGE OF TUSCARAWAS
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

5. Income Taxes

The Village levies a one percent income tax whose proceeds are placed into the General Fund. The Village levies and collects the tax on all income earned within the Village as well as on incomes of residents earned outside the Village. In the latter case, the Village allows a credit of the lesser of actual taxes paid to another city or one percent of the taxable income. Employers within the Village are required to withhold income tax on employee earnings and remit the tax to the Village at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually.

6. Property Tax

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees 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.

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.

7. Debt

The Village's long-term debt activity for the years ended December 31, 2008 and 2007 was as follows:

The Utility Revenue Note was issued for the purpose of providing for the general operations of the Village's water and sewer departments. The Village will repay the note in monthly installments of \$2,121, including interest over the next 5 years.

The following is a summary of the Village's future annual debt service requirements:

Year	Utility Revenue Notes	
	<u>Principal</u>	<u>Interest</u>
2009	22,345	3,109
2010	23,489	1,965
2011	24,691	766
2012	1,684	8
Totals	<u>\$72,209</u>	<u>\$5,848</u>

**VILLAGE OF TUSCARAWAS
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

8. Risk Management

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

The Village insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2008, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Assets	\$35,769,535	\$37,560,071
Liabilities	<u>(15,310,206)</u>	<u>(17,340,825)</u>
Net Assets	<u>\$20,459,329</u>	<u>\$20,219,246</u>

At December 31, 2008 and 2007, respectively, the liabilities above include approximately \$13.8 million and \$15.9 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$12.9 million and \$15.0 million of unpaid claims to be billed to approximately 445 member governments in the future, as of December 31, 2008, and 2007, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Village's share of these unpaid claims collectible in future years is approximately \$14,000.

**VILLAGE OF TUSCARAWAS
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

8. Risk Management (Continued)

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

Contributions to PEP

2008	\$14,738
2007	15,955

After completing one year of membership, members may withdraw on each anniversary of the date they joined PEP provided they provide written notice to PEP 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

9. Jointly Governed Organizations

The Village participates in the Tuscarawas County Regional Planning Commission (Commission) which is a statutorily created political subdivision of the State. The Commission is jointly governed by Tuscarawas County and other cities, villages and Villages within the County. The principle aim of the Commission is to provide comprehensive planning, both long and short-term, dealing with the economic and physical environment of Tuscarawas County. The board exercises total authority for the day-to-day operations of the Commission. These include budgeting, appropriating, contracting and designating management. The Village has no financial responsibility for any of the Commission's liabilities. Complete financial statements can be obtained from the Tuscarawas County Regional Planning Commission, Tuscarawas County, Ohio.

The Village also participates in the Tuscarawas County Tax Incentive Review Council (Council), which is a jointly governed organization, created as a regional council of governments pursuant to State statutes. The Council has 22 members, consisting of three members appointed by the County Commissioners, four members appointed by municipal corporations, six members appointed by Village trustees, one member from the County Auditor's Office and eight members appointed by boards of education located within the County. The Council review and evaluates the performance of each enterprise zone agreement. This body is advisory in nature and cannot directly impact an existing enterprise zone agreement; however, the Council can make written recommendations to the legislative authority.

VILLAGE OF TUSCARAWAS
TUSCARAWAS COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)

10. Related Party Transactions

The Village purchased items/services from local businesses owned by officials' of the Village during fiscal years 2008 and 2007 which would be considered related party transactions as seen below.

<u>Vendor</u>	<u>2008</u>	<u>2007</u>
Lock 15 Water Supply	\$166	\$147
Nick Myers Electric Service	1,736	4,266
P&R Marine	325	199



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Village of Tuscarawas
Tuscarawas County
522 E. Cherry Street
P.O. Box 388
Tuscarawas, Ohio 44682

To the Honorable Mayor and Village Council:

We have audited the financial statements of the Village of Tuscarawas, Tuscarawas County, Ohio, (the Village) as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated November 20, 2009 wherein we noted the Village changed its financial statement presentation to follow accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We also noted the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

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We consider Finding Number 2008-003 described in the accompanying Schedule of Findings to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. The significant deficiency described above, Finding Number 2008-003, is also a material weakness.

We noted a certain matter that we reported to the Village's management in a separate letter dated November 20, 2009.

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, providing an opinion 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 2008-001 and 2008-002.

We also noted certain noncompliance or other matters that we reported to the Village's management in a separate letter dated November 20, 2009.

We intend this report solely for the information and use of management and the Village Council. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

November 20, 2009

VILLAGE OF TUSCARAWAS
TUSCARAWAS COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2008 and 2007

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

FINDING NUMBER 2008-001

Noncompliance

Ohio Rev. Code Section 5705.41(D) requires no subdivision or taxing unit make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation 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. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. **"Then and Now" Certificate** – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.

2. **Blanket Certificate** – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. **Super Blanket Certificate** – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

FINDING NUMBER 2008-001 (Continued)

During 2008 and 2007, 32% (8 out of 25) of expenditures tested were not certified as to the availability of funds by the Village prior to incurring the obligations. Additionally, the Village has not established by resolution or ordinance an amount for blanket certificates. The Village has implemented the use of so called Then and Now Certificates and Blanket Certificates as further permitted by Ohio Rev. Code Section 5705.41. However, none of the exceptions permitted were used in these 8 instances.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend the Fiscal Officer certify the funds are or will be available prior to the obligation by the Village. When prior certification is not possible "then and now" certification should be used.

The Village should certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification prior to the Village incurring a commitment, and only when the requirements of 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation. The Village should also obtain a resolution or ordinance from Council for those expenditures over \$3,000 needing a "Then and Now" certificate.

FINDING NUMBER 2008-002

Noncompliance

Ohio Rev. Code Section 135.14 requires the market value of securities subject to an overnight repurchase agreement must exceed the cash invested subject to the repurchase agreement by 2%.

During 2008, the market value of securities did not exceed the principal value by 2% in 8 out of 10 (80%) months reviewed ranging from .24% to 1.98%.

The Village should review the sweep account and work with their financial institution to ensure the market value of securities exceeds the cash invested by 2 percent. This will help ensure the Village is complying with the Revised Code Section requirement.

FINDING NUMBER 2008-003

Material Weakness

Financial Reporting

As a result of the audit procedures performed, errors were noted in the financial statements that required audit adjustments.

In 2008, \$5,200 of Homestead and Rollback Intergovernmental receipts were recorded in the General Fund and should have been posted to the Special Revenue Park Levy (\$2,242) and Street Levy (\$2,958) Funds. In addition, during 2008, \$5,024 in General Fund, \$1,027 Special Revenue Park Levy and \$1,313 Special Revenue Street Levy Funds Homestead and Rollback receipts were classified as taxes instead of intergovernmental. In 2007, \$3,482 of Homestead and Rollback Intergovernmental receipts were recorded in the General Fund and should have been posted to the Special Revenue Funds Park Levy (\$1,551) and Street Levy (\$1,931). In addition, during 2007, \$1,504 General Fund Homestead and Rollback receipts were classified as taxes instead of intergovernmental. Also during 2007, \$791 of taxes were recorded in the Special Revenue Permissive Fund instead of State Highway Fund.

The Village has agreed to and posted these adjustments which are also reflected in the financial statements.

Sound financial reporting is the responsibility of the Fiscal Officer and Council and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

To help ensure the Village's financial statements and notes to the financial statements are complete and accurate, the Village should adopt policies and procedures, including a final review of the statements and notes by the Fiscal Officer and Council, to identify and correct errors and omissions. The Fiscal Officer should also review the UAN chart of accounts and the Village Handbook's chart of accounts to ensure that all accounts are being properly posted to the financial statements.

Official's Response: The Officials' elected not to respond to the above findings.

**VILLAGE OF TUSCARAWAS
TUSCARAWAS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2008 AND 2007**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2006-001	Financial Reporting – There were numerous errors that required audit adjustments and reclassifications.	No	Not corrected. Refer to Finding Number 2008-003.
2006-002	Ohio Rev. Code Section 5705.41(B) - Expenditures plus encumbrances exceeded total appropriation authority at the legal level of control in several line item accounts.	Yes	Fully Corrected.
2006-003	Ohio Rev. Code Section 5705.41(D) – Expenditures not certified prior to incurring the obligation.	No	Not corrected. Refer to Finding 2008-001.



Mary Taylor, CPA
Auditor of State

VILLAGE OF TUSCARAWAS

TUSCARAWAS 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
JANUARY 14, 2010**