



**VILLAGE OF GNADENHUTTEN  
TUSCARAWAS COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998**



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



**VILLAGE OF GNADENHUTTEN  
TUSCARAWAS COUNTY  
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## REPORT OF INDEPENDENT ACCOUNTANTS

Village of Gnadenhutten  
Tuscarawas County  
131 Walnut St.  
Gnadenhutten, Ohio 44629

To Village Council:

We have audited the accompanying financial statements of the Village of Gnadenhutten, Tuscarawas County, Ohio, (the Village) as of and for the years ended December 31, 1999 and 1998. 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 audits.

We conducted our audits in accordance with generally accepted auditing standards 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village as of December 31, 1999 and 1998, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 26, 2000 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

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

A handwritten signature in black ink, appearing to read "Jim Petro", written in a cursive style.

**Jim Petro**  
Auditor of State

July 26, 2000

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND  
FOR THE YEAR ENDED DECEMBER 31, 1999**

	Governmental Fund Types			Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Expendable Trust	
<b>Cash Receipts:</b>					
Property Tax and Other Local Taxes	\$64,759	\$33,005	\$0	\$136,670	\$234,434
Intergovernmental	131,895	49,272	68,722	0	249,889
Charges for Services	860	15,079	0	0	15,939
Fines, Licenses, and Permits	5,002	0	553	0	5,555
Earnings on Investments	362	806	0	0	1,168
Miscellaneous	30,656	2,856	0	283	33,795
<b>Total Cash Receipts</b>	<b>233,534</b>	<b>101,018</b>	<b>69,275</b>	<b>136,953</b>	<b>540,780</b>
<b>Cash Disbursements:</b>					
Current:					
Security of Persons and Property	107,519	43,411	0	0	150,930
Public Health Services	760	0	0	0	760
Leisure Time Activities	3,753	0	0	0	3,753
Community Environment	600	0	0	0	600
Basic Utility Services	66,622	0	0	0	66,622
Transportation	118,695	48,778	0	0	167,473
General Government	64,408	0	0	17,065	81,473
Debt Service:					
Principal Payments	31,200	0	0	0	31,200
Interest	560	0	0	0	560
Capital Outlay	66,106	6,691	108,460	0	181,257
<b>Total Cash Disbursements</b>	<b>460,223</b>	<b>98,880</b>	<b>108,460</b>	<b>17,065</b>	<b>684,628</b>
<b>Total Receipts Over/(Under) Disbursements</b>	<b>(226,689)</b>	<b>2,138</b>	<b>(39,185)</b>	<b>119,888</b>	<b>(143,848)</b>
Other Financing Sources/(Uses)					
Proceeds of Notes	80,000	0	0	0	80,000
Sale of Fixed Assets	129	0	0	0	129
Transfers-In	94,400	0	23,600	0	118,000
Transfers-Out	0	0	0	(118,000)	(118,000)
<b>Total Other Financing Sources/(Uses)</b>	<b>174,529</b>	<b>0</b>	<b>23,600</b>	<b>(118,000)</b>	<b>129</b>
<b>Excess of Cash Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	<b>(52,160)</b>	<b>2,138</b>	<b>(15,585)</b>	<b>1,888</b>	<b>(63,719)</b>
<b>Fund Cash Balances, January 1</b>	<b>30,626</b>	<b>(7,185)</b>	<b>22,901</b>	<b>3,237</b>	<b>49,579</b>
<b>Fund Cash Balances, December 31</b>	<b>(\$21,534)</b>	<b>(\$5,047)</b>	<b>\$7,316</b>	<b>\$5,125</b>	<b>(\$14,140)</b>
<b>Reserves for Encumbrances, December 31</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

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

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$143,806	\$0	\$143,806
Interest	5,228	0	5,228
Miscellaneous	1,852	0	1,852
	<hr/>	<hr/>	<hr/>
Total Operating Cash Receipts	150,886	0	150,886
<b>Operating Cash Disbursements:</b>			
Personal Services	84,483	0	84,483
Fringe Benefits			0
Contractual Services	6,487	0	6,487
Supplies and Materials	80,634	0	80,634
Capital Outlay	17,263	0	17,263
Miscellaneous	0	0	0
	<hr/>	<hr/>	<hr/>
Total Operating Cash Disbursements	188,867	0	188,867
Operating Loss	<hr/> (37,981)	<hr/> 0	<hr/> (37,981)
Fund Cash Balances, January 1	<hr/> 168,307	<hr/> 0	<hr/> 168,307
<b>Fund Cash Balances, December 31</b>	<b><u><u>\$130,326</u></u></b>	<b><u><u>\$0</u></u></b>	<b><u><u>\$130,326</u></u></b>
Reserves for Encumbrances, December 31	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>

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



**VILLAGE OF GNADENHUTTEN  
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
 CHANGES IN FUND CASH BALANCES  
 ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND  
 FOR THE YEAR ENDED DECEMBER 31, 1998**

	Governmental Fund Types			Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Expendable Trust	
<b>Cash Receipts:</b>					
Property Tax and Other Local Taxes	\$62,687	\$32,429	\$0	\$150,716	\$245,832
Intergovernmental	72,708	40,405	0	0	113,113
Charges for Services	940	15,066	0	0	16,006
Fines, Licenses, and Permits	7,543	0	0	0	7,543
Earnings on Investments	989	1,215	1,069	0	3,273
Miscellaneous	60,258	2,971	0	473	63,702
<b>Total Cash Receipts</b>	<b>205,125</b>	<b>92,086</b>	<b>1,069</b>	<b>151,189</b>	<b>449,469</b>
<b>Cash Disbursements:</b>					
Current:					
Security of Persons and Property	74,459	35,565	0	0	110,024
Public Health Services	860	351	0	0	1,211
Leisure Time Activities	8,594	0	0	0	8,594
Community Environment	600	0	0	0	600
Basic Utility Services	55,971	0	0	0	55,971
Transportation	92,540	39,738	0	0	132,278
General Government	57,384	0	0	13,306	70,690
Debt Service:					
Principal Payments	0	12,000	0	0	12,000
Interest	0	2,030	0	0	2,030
Capital Outlay	0	5,554	17,641	0	23,195
<b>Total Cash Disbursements</b>	<b>290,408</b>	<b>95,238</b>	<b>17,641</b>	<b>13,306</b>	<b>416,593</b>
<b>Total Receipts Over/(Under) Disbursements</b>	<b>(85,283)</b>	<b>(3,152)</b>	<b>(16,572)</b>	<b>137,883</b>	<b>32,876</b>
Other Financing Sources/(Uses)					
Sale of Fixed Assets	1,794	2,100	0	0	3,894
Transfers-In	109,600	5,000	27,400	0	142,000
Transfers-Out	(5,000)	0	0	(137,000)	(142,000)
<b>Total Other Financing Sources/(Uses)</b>	<b>106,394</b>	<b>7,100</b>	<b>27,400</b>	<b>(137,000)</b>	<b>3,894</b>
<b>Excess of Cash Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	<b>21,111</b>	<b>3,948</b>	<b>10,828</b>	<b>883</b>	<b>36,770</b>
<b>Fund Cash Balances, January 1</b>	<b>9,515</b>	<b>(11,133)</b>	<b>12,073</b>	<b>2,354</b>	<b>12,809</b>
<b>Fund Cash Balances, December 31</b>	<b>\$30,626</b>	<b>(\$7,185)</b>	<b>\$22,901</b>	<b>\$3,237</b>	<b>\$49,579</b>
<b>Reserves for Encumbrances, December 31</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

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

**VILLAGE OF GNADENHUTTEN  
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
 CHANGES IN FUND CASH BALANCES  
 ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
 FOR THE YEAR ENDED DECEMBER 31, 1998**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$142,825	\$0	\$142,825
Interest	9,121	0	9,121
Miscellaneous	5,193	0	5,193
	<u>157,139</u>	<u>0</u>	<u>157,139</u>
<b>Operating Cash Disbursements:</b>			
Personal Services	87,800	0	87,800
Fringe Benefits	0	0	0
Contractual Services	0	0	0
Supplies and Materials	67,896	0	67,896
Capital Outlay	70,854	0	70,854
Miscellaneous	0	0	0
	<u>226,550</u>	<u>0</u>	<u>226,550</u>
Operating Income	<u>(69,411)</u>	<u>0</u>	<u>(69,411)</u>
Fund Cash Balances, January 1	<u>237,718</u>	<u>0</u>	<u>237,718</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$168,307</u></b>	<b><u>\$0</u></b>	<b><u>\$168,307</u></b>
Reserves for Encumbrances, December 31	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

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

**VILLAGE OF GNADENHUTTEN  
TUSCARAWAS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 1999 AND 1998**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Village of Gnadenhutten, Tuscarawas 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 general governmental services, including water and sewer service, police service and park operations (leisure time activities).

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. Cash**

Certificates of Deposit are valued at cost.

**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 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:

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

Fire Levy Fund - This fund receives tax revenues to provide basic fire and ambulance service.

**VILLAGE OF GNADENHUTTEN  
TUSCARAWAS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 1999 AND 1998  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Fund Accounting (Continued)**

**3. 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:

OPWC Fund - This fund receives revenues to pay for the construction projects of the Village.

**4. Enterprise Funds**

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

Water Fund - This fund receives charges for services from residents to cover the cost of providing water service.

Sewer Fund - This fund receives charges for services from residents to cover the cost of providing sewer service.

**5. Fiduciary Funds (Trust and Agency Funds)**

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. Other trust funds are classified as expendable. Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant fiduciary funds:

Income Tax Fund - This expendable trust fund is used to record the collection of self assessed taxes, the cost of collecting such tax and the distribution to various other funds in accordance with Village ordinances.

Mayor's Court Fund - This agency fund is used to record the collection of fines and the distribution of those funds to the various agencies as outlined in the Ohio Revised Code.

**VILLAGE OF GNADENHUTTEN  
TUSCARAWAS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 1999 AND 1998  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Budgetary Process**

The Ohio Revised Code requires that each fund be budgeted annually, with the exception of Agency Funds.

**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. Unencumbered 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. The Village did not encumber all commitments required by Ohio law.

A summary of 1999 and 1998 budgetary activity appears in Note 3.

**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.

**G. Unpaid Vacation and Sick Leave**

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the Village.

**VILLAGE OF GNADENHUTTEN  
TUSCARAWAS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 1999 AND 1998  
(Continued)**

**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 was as follows:

	<u>1999</u>	<u>1998</u>
Demand deposits	\$ 16,336	\$ 18,584
Certificates of deposit	<u>100,000</u>	<u>200,000</u>
Total deposits	<u>\$ 116,336</u>	<u>\$ 218,584</u>

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

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ended December 31, 1999 and 1998 follows:

1999 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 251,485	\$ 408,063	\$ 156,578
Special Revenue	87,200	101,018	13,818
Capital Projects	27,000	92,875	65,875
Enterprise	155,800	150,886	(4,914)
Expendable Trust	<u>150,400</u>	<u>136,953</u>	<u>(13,447)</u>
Total	<u>\$ 671,885</u>	<u>\$ 889,795</u>	<u>\$ 217,910</u>

1999 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 292,500	\$ 460,223	\$ (167,723)
Special Revenue	76,700	98,880	(22,180)
Capital Projects	121,722	108,460	13,262
Enterprise	333,000	188,867	144,133
Expendable Trust	<u>156,000</u>	<u>135,065</u>	<u>20,935</u>
Total	<u>\$ 979,922</u>	<u>\$ 991,495</u>	<u>\$ (11,573)</u>

**VILLAGE OF GNADENHUTTEN  
TUSCARAWAS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 1999 AND 1998  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

1998 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 253,356	\$ 316,519	\$ 63,163
Special Revenue	74,800	99,186	24,386
Capital Projects	32,000	28,469	(3,531)
Enterprise	114,300	157,139	42,839
Expendable Trust	140,000	151,189	11,189
Total	<u>\$ 614,456</u>	<u>\$ 752,502</u>	<u>\$ 138,046</u>

1998 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 254,000	\$ 295,408	\$ (41,408)
Special Revenue	78,000	95,238	(17,238)
Capital Projects	63,000	17,641	45,359
Enterprise	354,000	226,550	127,450
Expendable Trust	163,000	150,306	12,694
Total	<u>\$ 912,000</u>	<u>\$ 785,143</u>	<u>\$ 126,857</u>

During 1999 and 1998, certain Village expenditures were not certified by the Clerk until after incurring the obligation, which is contrary to Ohio Revised Code § 5705.41 (D).

During 1999 and 1998, expenditures exceeded appropriations in several Village funds, which is contrary to Ohio Revised Code § 5705.41(B).

During 1999 and 1998, the Fire Fund had a negative cash balance, which is contrary to Ohio Revised Code § 5705.10.

During 1999 and 1998, appropriations exceeded estimated resources, which is contrary to Ohio Revised Code § 5705.39.

**VILLAGE OF GNADENHUTTEN  
TUSCARAWAS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 1999 AND 1998  
(Continued)**

**4. PROPERTY TAX**

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

Public utilities are also taxed on personal and real property located within the Village.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

**5. DEBT**

Debt outstanding at December 31, 1999 was as follows:

	Principal	Interest Rate
Ambulance Note	\$ 15,600	6%
Real Property Note	17,800	5.5%
Total	\$ 33,400	

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

Year ending December 31:	AMBULANCE NOTE	REAL PROPERTY NOTE
2000	\$ 7,696	\$ 4,474
2001	7,696	4,474
2002	1,283	4,474
2003	0	4,474
2004	0	2,238
Total	\$ 16,675	\$ 20,134



**VILLAGE OF GNADENHUTTEN  
TUSCARAWAS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 1999 AND 1998  
(Continued)**

**6. RETIREMENT SYSTEMS**

The Village's law enforcement officers and firefighters belong to the Police and Firemen's Disability and Pension Funds (PFDPF). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. PFDPF and PERS are cost-sharing, multiple-employer plans. These plans provide 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 1999 and 1998, members of PFDPF contributed 10% of their wages to the PFDPF. The Village contributed an amount equal to 19.5% of their wages. 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, 1999.

**7. RISK MANAGEMENT**

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles
- Errors and omissions
- Inland marine

**8. CONTINGENT LIABILITIES**

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the federal government. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.

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

Village of Gnadenhutten  
Tuscarawas County  
131 Walnut St.  
Gnadenhutten, Ohio 44629

To Village Council:

We have audited the accompanying financial statements of the Village of Gnadenhutten, Tuscarawas County, Ohio, (the Village) as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated July 26, 2000. We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed four instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 1999-31279-001 through 1999-31279-004.

**Internal Control Over Financial Reporting**

In planning and performing our audits, we considered Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the County's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying Schedule of Findings as item 1999-31279-005.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is a material weakness.

We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated July 26, 2000.

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

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

**Jim Petro**  
Auditor of State

July 26, 2000

**VILLAGE OF GNADENHUTTEN  
TUSCARAWAS COUNTY  
SCHEDULE OF FINDINGS  
DECEMBER 31, 1999 AND 1998**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**Noncompliance Citations**

**FINDING NUMBER 1999-31279-001**

**Ohio Revised Code § 5705.41(B)** prohibits a subdivision from making an expenditure unless it has been properly appropriated.

Expenditures exceeded appropriations in the following funds, for 1999, by:

General Fund	\$167,723
Street Construction, Special Revenue Fund	2,870
Fire Levy, Special Revenue Fund	19,310
OPWC, Capital Projects Fund	68,722

Expenditures exceeded appropriations in the following funds, for 1998, by:

General Fund	\$41,408
Street Construction, Special Revenue Fund	372
Fire Levy, Special Revenue Fund	16,866
Water, Enterprise Fund	3,460

The Village should implement procedures, such as periodic monitoring of expenditures and appropriations, to ensure that adequate appropriations exist at the time expenditures are made. Once implemented, the Clerk should be careful to not make expenditures in excess of appropriations.

**FINDING NUMBER 1999-31279-002**

**Ohio Revised Code § 5705.41(D)** states, in part, that no subdivision or taxing unit shall make any contract or order any expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the same....has been lawfully appropriated for such purposes 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 - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, Village Council may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.
- B. If the amount involved is less than \$1,000, the Clerk may authorize payment through a Then and Now Certificate without the affirmation of Village Council, if such expenditure is otherwise valid.

**VILLAGE OF GNADENHUTTEN  
TUSCARAWAS COUNTY  
SCHEDULE OF FINDINGS  
DECEMBER 31, 1999 AND 1998**

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

**Noncompliance Citations (Continued)**

**FINDING NUMBER 1999-31279-002  
(Continued)**

Of the sixty transactions tested, forty-nine expenditures (26 in 1999 and 23 in 1998) were not certified by the Clerk prior to the invoice date of the expenditure. In those forty-nine instances, Then and Now Certificates could have been used by the Village.

Certain liabilities, contracts, and open purchase commitments incurred prior to December 31 which were not encumbered were improperly charged against the following year's appropriations. As a result, the unencumbered fund balances reported to the County Auditor for budgetary purposes were overstated.

Not properly certifying expenditures could cause the Village to overspend. The Clerk should notify all Village officials and employees of the requirements of the Ohio Revised Code. The Village should also establish policies to ensure that expenditures are properly certified and encumbered in accordance with the Ohio Revised Code.

**FINDING NUMBER 1999-31279-003**

**Ohio Revised Code § 5705.39** states that total appropriations from each fund should not exceed the total estimated revenue.

Appropriations exceeded estimated revenue in the followings funds at the end of 1999:

	Estimated Revenue	Appropriations	Variance
General	\$282,111	\$292,500	\$10,389
Permanent Improvement	49,901	53,000	3,099
Income Tax	153,637	156,000	2,363
Water	85,350	91,000	5,650
Sewer	178,541	184,000	5,459

**VILLAGE OF GNADENHUTTEN  
TUSCARAWAS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 1999 AND 1998  
(Continued)**

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

**Noncompliance Citations (Continued)**

**FINDING NUMBER 1999-31279-003  
(Continued)**

Appropriations exceeded estimated revenue in the followings funds at the end of 1998:

	Estimated Revenue	Appropriations	Variance
Street Construction	\$52,876	\$56,000	\$3,124
Fire Levy	10,791	22,000	11,209
Permanent Improvement	44,073	63,000	18,927
Water	105,597	113,000	7,403
Income Tax	142,354	163,000	20,646

Appropriating more than what is estimated to be received could result in overspending of funds. The Clerk should review the estimated revenue and compare it to the appropriations. If more revenue is received than expected, then an amended certificate should be obtained from the County Auditor.

**FINDING NUMBER 1999-31279-004**

**Ohio Revised Code § 5705.10** states that money paid into a fund must be used only for the purposes for which such fund has been established. A negative fund balance would indicate that money from one fund was used to cover the expenses of another fund.

The Fire Levy, Special Revenue Fund had negative fund balances throughout the year for both 1999 and 1998. At year end, the negative balances were \$8,194 and \$11,269 for 1999 and 1998, respectively.

To help ensure that monies are expended from the appropriate fund, the Village should consider looking into other sources of revenue. In addition, officials should review their cash flow position prior to incurring obligations.

**VILLAGE OF GNADENHUTTEN  
TUSCARAWAS COUNTY  
SCHEDULE OF FINDINGS  
DECEMBER 31, 1999 AND 1998**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**Material Weakness**

**FINDING NUMBER 1999-31279-005**

The Village was approved for a reimbursement type grant from the Ohio Department of Natural Resources for the purpose of purchasing playground equipment. At the time the equipment was purchased, adequate funds were not available in the Village's General Fund. As a result, the Village obtained a \$29,000 note to fund the purchase. The note proceeds and the grant, when received, were credited to the General Fund and used to purchase the playground equipment; however, when payment for the note was due, the Village did not have adequate monies available in the General Fund and subsequently paid the note out of the Sewer Recovery, Enterprise Fund.

Enterprise Funds are established for distinct purposes, and the use of the monies within those funds is restricted to the purpose of the fund. Consequently, an adjustment has been made to the financial statements and the Village's records so that the debt repayment is reflected in the proper fund, the General Fund. As a result of this adjustment, the General Fund has a deficit balance of \$21,534 as of December 31, 1999.

Prior to entering into any projects or issuing of debt, Village officials should project their cash flow position to ensure that monies are available to finance the projects. This will better enable management to utilize Village funds as they were intended and will improve the accuracy of records and financial statements.





**STATE OF OHIO**  
**OFFICE OF THE AUDITOR**

**JIM PETRO, AUDITOR OF STATE**

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**VILLAGE OF GNADENHUTTEN**

**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**  
**SEPTEMBER 12, 2000**