



**VILLAGE OF SUGARCREEK  
TUSCARAWAS COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**



**Mary Taylor, CPA**  
Auditor of State



VILLAGE OF SUGARCREEK  
TUSCARAWAS COUNTY

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**Mary Taylor, CPA**  
Auditor of State

Village of Sugarcreek  
Tuscarawas County  
410 S. Broadway  
Sugarcreek, Ohio 44681

To the 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.

*Mary Taylor*

**Mary Taylor, CPA**  
Auditor of State

September 24, 2008

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Village of Sugarcreek  
Tuscarawas County  
410 S. Broadway  
Sugarcreek, Ohio 44681

To the Village Council:

We have audited the accompanying financial statements of the Village of Sugarcreek, Tuscarawas County, Ohio, (the Village) as of and for the years ended December 31, 2007 and 2006. 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. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Also, as more fully described in Note 2, the Village reclassified its Swimming Pool Trust Fund and re-allocated interest posted to certain Enterprise Funds. As a result, the January 1, 2006 cash fund balances were restated accordingly.

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.

101 Central Plaza South / 700 Chase Tower / Canton, OH 44702-1509  
Telephone: (330) 438-0617 (800) 443-9272 Fax: (330) 471-0001  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

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, 2007 and 2006 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2007 and 2006, or its changes in financial position or cash flows, where applicable 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 and reserves for encumbrances of the Village of Sugarcreek, Tuscarawas County, Ohio, as of December 31, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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 September 24, 2008, 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

September 24, 2008

**VILLAGE OF SUGARCREEK  
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**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
<b>Cash Receipts:</b>				
Property and Local Taxes	\$262,552	\$137,185	\$0	\$399,737
Municipal Income Tax	498,227	256,604		754,831
Intergovernmental	107,380	160,433		267,813
Charges for Services	62,342			62,342
Fines, Licenses and Permits	4,344			4,344
Earnings on Investments	115,570	9,073		124,643
Miscellaneous	46,714			46,714
<b>Total Cash Receipts</b>	<b>1,097,129</b>	<b>563,295</b>	<b>0</b>	<b>1,660,424</b>
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	352,159	39,054		391,213
Public Health Services	2,676			2,676
Leisure Time Activities	13,258			13,258
Community Environment	9,060			9,060
Basic Utility Service	96,694			96,694
Transportation	4,323	237,158		241,481
General Government	336,457	2,735		339,192
Debt Service:				
Redemption of Principal		237,808		237,808
Interest and Fiscal Charges		12,619		12,619
Capital Outlay	117,221	237,963	16,460	371,644
<b>Total Cash Disbursements</b>	<b>931,848</b>	<b>767,337</b>	<b>16,460</b>	<b>1,715,645</b>
<b>Total Receipts Over/(Under) Disbursements</b>	<b>165,281</b>	<b>(204,042)</b>	<b>(16,460)</b>	<b>(55,221)</b>
<b>Other Financing Receipts / (Disbursements):</b>				
Proceeds from Sale of Notes		189,000		189,000
Sale of Fixed Assets	7,963			7,963
Transfers-Out	(35,000)			(35,000)
Other Financing Uses	(29,445)			(29,445)
<b>Total Other Financing Receipts / (Disbursements)</b>	<b>(56,482)</b>	<b>189,000</b>	<b>0</b>	<b>132,518</b>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	108,799	(15,042)	(16,460)	77,297
Fund Cash Balances, January 1	685,863	394,123	21,660	1,101,646
<b>Fund Cash Balances, December 31</b>	<b>\$794,662</b>	<b>\$379,081</b>	<b>\$5,200</b>	<b>\$1,178,943</b>
Reserve for Encumbrances, December 31	\$1,875	\$11,703	\$0	\$13,578

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

**VILLAGE OF SUGARCREEK  
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, 2006**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
<b>Cash Receipts:</b>				
Property and Local Taxes	\$258,445	\$151,717	\$0	\$410,162
Municipal Income Tax	487,563	249,970		737,533
Intergovernmental	174,305	173,130		347,435
Charges for Services	60,304			60,304
Fines, Licenses and Permits	36,381	25		36,406
Earnings on Investments	109,619	9,449		119,068
Miscellaneous	33,650			33,650
<b>Total Cash Receipts</b>	<b>1,160,267</b>	<b>584,291</b>	<b>0</b>	<b>1,744,558</b>
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	340,896	35,218		376,114
Public Health Services	2,641			2,641
Leisure Time Activities	21,141			21,141
Community Environment	36,324	14		36,338
Basic Utility Service	95,040			95,040
Transportation	3,789	250,197		253,986
General Government	341,745	2,667		344,412
Debt Service:				
Redemption of Principal		264,124		264,124
Interest and Fiscal Charges		12,169		12,169
Capital Outlay	144,623	239,602	1,565	385,790
<b>Total Cash Disbursements</b>	<b>986,199</b>	<b>803,991</b>	<b>1,565</b>	<b>1,791,755</b>
<b>Total Receipts Over/(Under) Disbursements</b>	<b>174,068</b>	<b>(219,700)</b>	<b>(1,565)</b>	<b>(47,197)</b>
<b>Other Financing Receipts / (Disbursements):</b>				
Proceeds from Sale of Notes		219,000		219,000
Sale of Fixed Assets	650			650
Other Financing Sources		236		236
Other Financing Uses	(15,872)			(15,872)
<b>Total Other Financing Receipts / (Disbursements)</b>	<b>(15,222)</b>	<b>219,236</b>	<b>0</b>	<b>204,014</b>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	158,846	(464)	(1,565)	156,817
Fund Cash Balances, January 1 (Restated - see Note 2)	527,017	394,587	23,225	944,829
<b>Fund Cash Balances, December 31</b>	<b>\$685,863</b>	<b>\$394,123</b>	<b>\$21,660</b>	<b>\$1,101,646</b>
Reserve for Encumbrances, December 31	\$21,844	\$3,128	\$0	\$24,972

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

**VILLAGE OF SUGARCREEK  
TUSCARAWAS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY FUND TYPES  
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

	<b>2007</b>	<b>2006</b>
<b>Operating Cash Receipts:</b>		
Charges for Services	\$592,351	\$620,897
Fines, Licenses and Permits	7,975	9,613
Miscellaneous	1,809	4,032
Total Operating Cash Receipts	602,135	634,542
<b>Operating Cash Disbursements:</b>		
Personal Services	237,033	223,838
Employee Fringe Benefits	725	1,577
Contractual Services	71,651	71,600
Supplies and Materials	269,606	184,224
Capital Outlay	36,589	106,638
Total Operating Cash Disbursements	615,604	587,877
Operating Income/(Loss)	(13,469)	46,665
<b>Non-Operating Cash Receipts:</b>		
Municipal Income Taxes	377,504	367,641
Sale of Notes	150,000	180,000
Total Non-Operating Cash Receipts	527,504	547,641
<b>Non-Operating Cash Disbursements:</b>		
Capital Outlay		
Redemption of Principal	510,133	523,972
Interest and Other Fiscal Charges	126,172	179,655
Total Non-Operating Cash Disbursements	636,305	703,627
Excess of Receipts (Under) Disbursements Before Interfund Transfers and Advances	(122,270)	(109,321)
Transfers-In	35,000	
Net Receipts (Under) Disbursements	(87,270)	(109,321)
Fund Cash Balances, January 1 (Restated - see Note 2)	1,578,714	1,688,035
<b>Fund Cash Balances, December 31</b>	<b>\$1,491,444</b>	<b>\$1,578,714</b>
Reserve for Encumbrances, December 31	\$4,575	\$27,390

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

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**VILLAGE OF SUGARCREEK  
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006**

**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 Sugarcreek, Tuscarawas County, Ohio, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, park operations, and police services. The Village appropriates general fund money to support a volunteer fire department.

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

**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).

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.

The Village values certificates of deposit 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 reports all financial resources except those required to be accounted for in another fund.

**VILLAGE OF SUGARCREEK  
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006**

**D. Fund Accounting (Continued)**

**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.

Fire and Emergency Medical Services Levy Fund – This fund is used to account for tax proceeds used to fund Village emergency medical response services.

**3. Capital Project Funds**

This fund accounts for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise funds). The Village had the following significant capital project fund:

Traffic Light Fund – This fund receives grant monies and contributions for the design and installation of a traffic light at one of the Village busiest intersections.

**4. 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 receives charges for services from residents to cover water service costs.

Sewer Fund - This fund receives charges for services from residents to cover sewer service costs.

Sewer Debt Service Fund - This fund is used to account for income tax receipts used to pay OWDA debt related to the sewer improvement projects.

**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 SUGARCREEK  
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(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 carried over, and need not be reappropriated. The Village did not encumber all commitments required by Ohio Law.

A summary of 2007 and 2006 budgetary activity appears in Note 4.

**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. Restatement of Fund Balance**

The Village was required to reclassify its Swimming Pool Trust Fund, previously reported as an Expendable Trust Fund, to a Special Revenue Fund. Also, the General Fund and Enterprise Sewer Debt Fund have been restated due to interest being incorrectly posted to the Sewer Debt Fund. As a result of the reclassification of the Swimming Pool Fund and correcting the interest allocation, the fund cash balances have been restated as follows:

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Expendable Trust Fund</u>	<u>Enterprise Funds</u>
Previously Reported Fund Cash Balance, December 31, 2005	\$373,298	\$265,708	\$128,879	\$1,841,754
Reclassification of Swimming Pool Fund		128,879	(128,879)	
Correction of Interest Allocation	<u>153,719</u>			<u>(153,719)</u>
Restated Fund Balance, January 1, 2006	<u><u>\$527,017</u></u>	<u><u>\$394,587</u></u>	<u><u>\$0</u></u>	<u><u>\$1,688,035</u></u>

**VILLAGE OF SUGARCREEK  
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**3. Equity in Pooled Cash and Investments**

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

	2007	2006
Demand deposits	\$829,411	\$941,597
Certificates of deposit	1,785,969	1,699,462
Total deposits	2,615,380	2,641,059
Repurchase agreement	55,007	39,301
Total deposits and investments	\$2,670,387	\$2,680,360

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

**Investments:** The Village has a repurchase agreement. Market values of securities held in the repurchase agreement must exceed the par value of the securities by more than two percent.

**4. Budgetary Activity**

Budgetary activity for the years ending December 31, 2007 and 2006 follows:

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,058,278	\$1,105,092	\$46,814
Special Revenue	752,000	752,295	295
Capital Projects	0	0	0
Enterprise	1,230,000	1,164,639	(65,361)
Total	\$3,040,278	\$3,022,026	(\$18,252)

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,471,608	\$998,168	\$473,440
Special Revenue	1,157,472	779,040	378,432
Capital Projects	21,660	16,460	5,200
Enterprise	3,616,771	1,256,484	2,360,287
Total	\$6,267,511	\$3,050,152	\$3,217,359

**VILLAGE OF SUGARCREEK  
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006**

**4. Budgetary Activity (Continued)**

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,131,087	\$1,160,917	\$29,830
Special Revenue	747,866	803,527	55,661
Capital Projects	0	0	0
Enterprise	1,890,000	1,182,183	(707,817)
Total	<u>\$3,768,953</u>	<u>\$3,146,627</u>	<u>(\$622,326)</u>

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,465,481	\$1,023,915	\$441,566
Special Revenue	1,013,575	807,119	206,456
Capital Projects	23,225	1,565	21,660
Enterprise	3,572,543	1,318,894	2,253,649
Total	<u>\$6,074,824</u>	<u>\$3,151,493</u>	<u>\$2,923,331</u>

Contrary to Ohio Rev. Code Section 5705.10, the Enterprise Water Fund had a negative fund cash balance of \$169,902 at December 31, 2007.

Contrary to Ohio Rev. Code Section 5705.36, the Enterprise Water Fund had estimated revenues exceeding actual revenues and a reduced amended certificate was not obtained resulting in the Enterprise Water Fund being overspent.

Contrary to Ohio Rev. Code Section 5705.39, appropriation authority exceeded the available fund resources in the Special Revenue Street Construction Fund, the Special Revenue OMVI Enforcement Fund, the Enterprise Water Fund, the Enterprise Sewer Fund and the Enterprise Sewer Debt Fund by \$181,570, \$241, \$191,464, \$659,725, \$25,355, respectively, for the year ended December 31, 2007.

Contrary to Ohio Rev. Code Section 5705.41(D), certain expenditures were not properly certified.

**5. Property Tax**

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

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.

**VILLAGE OF SUGARCREEK  
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006**

**5. Property Tax (Continued)**

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

**6. Local Income Tax**

The Village levies a municipal income tax of one and one-half percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

**7. Debt**

Debt outstanding at December 31, 2007 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan #1163	\$153,500	5.50%
Ohio Water Development Authority Loan #2524	1,845,189	3.85%
Ohio Water Development Authority Loan #3461	212,368	3.40%
OPWC Ohio Small Government Loan	298,030	0.00%
Various Purpose Improvement Bonds, Series 1998	220,000	8.00%
Water and Sewer Improvement Bonds, Series 1993	630,000	5.83%
Water System Refunding Bonds, Series 1999	529,645	5.75%
Various Purpose Note	339,000	4.57%
Total	<u><u>\$4,227,732</u></u>	

The Ohio Water Development Authority (OWDA) loans were issued to finance water and sewer system improvement projects, including the construction of the wastewater treatment plant. The Various Improvement Bond proceeds were used to finance water and sewer system improvements and purchase road equipment. The Water and Sewer System Improvement Bond proceeds were used to make improvements to the Village's water and sewer systems. The Water System Refunding Bonds were used to refund water system improvement bonds. The OPWC Ohio Small Government Loan from the Ohio Public Works Commission was used for construction of the Shanesville Water Tank. The Various Purpose Note proceeds were used to purchase and renovate a new Village Hall, to make improvements to the sewer system and for improvements to the salt storage building. The Various Purpose Note was originally issued in 2003 and the note is a one year note that the Village rolls over each year.

The Village's taxing authority collateralizes the bonds.

**VILLAGE OF SUGARCREEK  
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006**

**7. Debt (Continued)**

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

Year ending December 31:	OWDA Loan #1163	OWDA Loan #2524	OWDA Loan #3461	OPWC Small Government Loan	Various Purpose Impr. Bonds, Ser. 1998	Water and Sewer System Bonds, Ser. 1993	Water System Refunding Bonds, Ser. 1999
2008	\$27,008	\$233,754	\$19,168	\$19,228	\$35,980	\$76,225	\$74,485
2009	27,008	233,754	19,168	19,228	34,755	78,925	72,010
2010	27,008	233,754	19,168	19,228	34,250	76,338	69,480
2011	27,008	233,754	19,168	19,228	32,305	78,750	66,895
2012	27,008	233,754	19,168	19,228	26,080	75,875	69,255
2013-2017	54,017	1,051,893	95,838	96,140	115,300	404,351	334,630
2018-2022			57,503	96,140		79,313	130,000
2023-2027				9,610			
Total	<u>\$189,057</u>	<u>\$2,220,663</u>	<u>\$249,181</u>	<u>\$298,030</u>	<u>\$278,670</u>	<u>\$869,777</u>	<u>\$816,755</u>

**8. Capital Lease**

The Village entered into an agreement with Banc One Leasing Corporation on June 25, 2003 to lease, with the option to purchase at the conclusion of the lease, an aerial platform truck to be used in the Fire Department. The termination value of the lease at December 31, 2007 was \$470,726. Lease payments, including interest, are scheduled as follows:

Year ending December 31:	Aerial Fire Truck Lease
2008	\$88,253
2009	86,886
2010	85,495
2011	84,077
2012	82,633
2013	81,163
Total	<u>\$508,507</u>

**9. Retirement Systems**

The Village's Police Officers belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

**VILLAGE OF SUGARCREEK  
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006**

**9. Retirement Systems (Continued)**

The Ohio Revised Code also prescribes contribution rates. For 2007 and 2006, OP&F participants contributed 10% of their wages. For 2007 and 2006, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2007 and 2006, OPERS members contributed 9.5% and 9%, respectively, of their gross salaries and the Village contributed an amount equaling 13.85% and 13.70%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2007.

**10. Risk Management**

**Commercial Insurance**

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles;
- Public official's liability;
- Commercial inland marine;
- Employer's liability; and
- Employee benefits liability.

**11. Subsequent Events**

On January 14, 2008, Village Council approved Ordinance Number 2008-1876 providing for the issuance and sale of \$296,000 notes. The proceeds of the notes will be used to pay off the Various Purpose Note.



# 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 Sugarcreek  
Tuscarawas County  
410 S. Broadway  
Sugarcreek, Ohio 44681

To the Village Council:

We have audited the financial statements of the Village of Sugarcreek, Tuscarawas County, Ohio, (the Village) as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated September 24, 2008, 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 also noted the Village reclassified its Swimming Pool Trust Fund and re-allocated interest posted to certain Enterprise Funds which resulted in a restatement of January 1, 2006 fund balances. 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 opinions 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 certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

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.

We consider Finding Numbers 2007-001 and 2007-002 described in the accompanying Schedule of Findings to be significant deficiencies 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 the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, of the significant deficiencies described above, we believe Finding Number 2007-001 is also a material weakness.

We also noted certain matters that we reported to the Village's management in a separate letter dated September 24, 2008.

#### **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 that we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as Finding Number 2007-003 through Finding Number 2007-006.

We also noted a certain noncompliance or other matter that we reported to the Village's management in a separate letter dated September 24, 2008.

The Village's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. We did not audit the Village's responses and, accordingly, we express no opinion on them.

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

September 24, 2008

**VILLAGE OF SUGARCREEK  
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2007 AND 2006**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2007-001**

**Material Weakness**

**Financial Reporting**

As a result of the audit procedures performed, errors were noted in the financial statements that required audit adjustments and reclassifications as follows:

- Certain police officer salaries were incorrectly paid out of the Sewer Fund in January, February and March 2007. While the error was detected in 2007, the entry to correct the mistake was double booked. A reclassification of \$32,338 from the General Fund to the Sewer Fund was required to correct this error.
- Local government revenue assistance payments and gas tax payments were improperly recorded with income tax daily receipts and were allocated to the General Fund, Special Revenue Street Fund and Enterprise Water Fund based on the approved income tax allocations. Reclassifications totaling \$17,658 in 2007 and \$4,583 in 2006 were required to reduce income tax receipts and allocate the monies to the appropriate funds.
- A correction of a prior year cumulative interest allocation error was reported in the financial statements as a transfer. A reclassification of \$161,754 was required to properly report this correction as a change in beginning balance.
- The rollover of notes payable was not reported in the 2006 financial statements. An adjustment to record \$399,000 of debt proceeds and debt payments was required to report the note rollover properly.

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

To 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 Village Council, to identify and correct errors and omissions. The Fiscal Officer should also review the Village Handbook to ensure receipts and expenditures are posted to the proper fund and line item.

**Official's Response:** Police salaries was a clerical error and was corrected the right way by my support. I will watch all mail given to the Village tax administrator so nothing gets posted to her accounts instead of mine. This also has been corrected.

## FINDING NUMBER 2007-002

### Significant Deficiency

#### Law Enforcement Support Office Inventory

The Village's Police Department participates in the Law Enforcement Support Office (LESO) 1033 program which enables the Police Departments to receive excess Department of Defense property. This property is obtained with no charge to the Village; however, shipping charges and/or travel expenses to pick up the equipment are incurred.

The Village's Police Department made several trips to pick up LESO equipment without Village Council approval. Some of the travel was conducted during normal hours of operation and employees were paid for regular and overtime hours while traveling to pick up this equipment. In addition, some travel expenses were reimbursed to employees for travel related to obtaining LESO equipment without prior Village Council approval.

In addition, we noted the Village Police Department submitted disposal forms for equipment received through the LESO program. The disposal of this equipment was approved by the Department of Public Safety; however, we noted a pickup truck and certain other equipment items were transferred to the Sugarcreek Police Auxiliary without prior Village Council approval. The truck was subsequently sold by the Police Auxiliary and the proceeds of the sale were deposited into the Police Auxiliary bank account.

Village Council should develop formal policies and procedures regarding the Police Department's involvement in the LESO program, including:

- Approval process for travel to obtain LESO equipment;
- Determination on whether travel expenses to obtain LESO equipment will be reimbursed;
- Determination on whether hours traveling to obtain LESO equipment will be considered normal or overtime working hours;
- Approval process for the disposal or transfer of LESO equipment by the Police Department.

Development of a formal policy regarding the use of the LESO program will strengthen Village Council's monitoring controls and will help ensure all travel and other expenses related to LESO equipment benefits the Village.

**Official's Response:** Village Council has already taken steps to correct this issue.

## FINDING NUMBER 2007-003

### Noncompliance Citation

**Ohio Rev. Code Section 5705.10(H)** requires that monies paid into any fund be used only for the purposes for which such fund is established. The Village had negative cash fund balances in the Water Fund beginning in December 2006 and throughout 2007 ranging from \$30,911 at December 31, 2006 to \$169,902 at December 31, 2007.

Negative cash fund balances are an indication that revenues from other sources were used to pay obligations of these funds. Additionally, money spent for purposes other than specified in grant agreements could result in the loss of future grant awards. Fund activity should be monitored to prevent future expenditures in excess of available resources. In those cases where additional funds are required, the resources should either be transferred or advanced to the fund in accordance with the Ohio Rev. Code.

**Official's Response:** The Fiscal Officer has advised Village Council of this issue as a result Village Council is conducting a study to determine the amounts by which water rates should increase. Also, the Village has transferred money in 2008 to help reduce the negative balance.

**FINDING NUMBER 2007-004**

**Noncompliance Citation**

**Ohio Rev. Code Section 5705.36(A)(4)** requires that a fiscal officer obtain a decreased amended certificate upon determination that the amount of revenue collected will be less than the amount in the official certificate of estimated resources.

As a result of the Village not obtaining a reduced amended certificate and requesting a reduction of appropriations for the Water Fund for 2006 and 2007; the Village expended more than the total resources available, which is contrary to Ohio Revised Code 5705.10. The Fiscal Officer should obtain an Amended Certificate of Estimated Resources from the County Auditor upon determining the amount of revenue collected will be significantly less than the amount in the Official Certificate of Estimated Resources.

**Official's Response:** The Fiscal Officer and Village Council will monitor estimated resources to ensure a reduced Amended Certificate of Estimated Resources is obtained when necessary.

**FINDING NUMBER 2007-005**

**Noncompliance Citation**

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

During 2007, the Village reported improper beginning balances to the County Auditor on the Certificate of the Total Amount Available for Expenditures, and Balances. The Fiscal Officer corrected the beginning 2007 balances with the County Auditor; however, the appropriations were not reduced at or below the corrected amended certificate available resources. As a result, the Village had appropriations in excess of available resources at December 31, 2007 in the following funds:

<u>Fund</u>	<u>Available Resources</u>	<u>Appropriations</u>	<u>Variance</u>
Special Revenue Street Construction Fund	\$681,297	\$862,867	\$181,570
Special Revenue OMVI Enforcement Fund	491	732	241
Enterprise Water Fund	304,113	495,577	191,464
Enterprise Sewer Fund	888,841	1,548,566	659,725
Enterprise Sewer Debt Fund	1,519,884	1,545,239	25,355

The Village should monitor appropriations versus estimated resources to help avoid overspending.

**Official's Response:** The Fiscal Officer and Village Council will monitor appropriations and estimated resources more closely to help ensure this violation does not occur in the future.

## FINDING NUMBER 2007-006

### Noncompliance Citation

**Ohio Rev. Code Section 5705.41(D)** requires that no subdivision or taxing unit shall 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 expenditures 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 that 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.

During 2007 and 2006, 22 of the 71 (31%) expenditures tested were not certified by the Fiscal Officer prior to incurring the obligation. It was found that none of the three exceptions above were utilized for the items found to be in noncompliance. Eight of the transactions not properly certified were for recurring expenditures and debt payments.

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 disbursement and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend that the Fiscal Officer certify that the funds are or will be available prior to obligation by the Village. When prior certification is not possible, "then and now" certification should be used.

**FINDING NUMBER 2007-006**  
**(Continued)**

We recommend the Fiscal Officer 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 Village Fiscal Officer should also sign the certification at the time the Village incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The Village Fiscal Officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

**Official's Response:** The Village started issuing purchase orders for all utilities, loan payments, benefits for employees, etc. in August, 2008.





**Mary Taylor, CPA**  
Auditor of State

**VILLAGE OF SUGARCREEK**

**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  
NOVEMBER 6, 2008**