

***VILLAGE OF GNADENHUTTEN  
TUSCARAWAS COUNTY, OHIO***

***AUDIT REPORT***

***FOR THE YEARS ENDED DECEMBER 31, 2009 & 2008***

***Charles E. Harris and Associates, Inc.***  
**Certified Public Accountants and Government Consultants**





# Mary Taylor, CPA

Auditor of State

Members of Village Council  
Village of Gnadenhutten  
131 South Walnut  
P.O. Box 129  
Gnadenhutten, Ohio 44629

We have reviewed the *Report of Independent Accountants* of the Village of Gnadenhutten, Tuscarawas County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2008 through December 31, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

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

Mary Taylor, CPA  
Auditor of State

November 10, 2010

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**VILLAGE OF GNADENHUTTEN  
TUSCARAWAS COUNTY  
For the Years Ending December 31, 2009 and 2008**

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***Charles E. Harris & Associates, Inc.***  
*Certified Public Accountants*

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## **REPORT OF INDEPENDENT ACCOUNTANTS**

Village of Gnadenhutten  
Tuscarawas County  
P.O. Box 129  
Gnadenhutten, Ohio 44629-0129

To the Village Council:

We have audited the accompanying financial statements of the Village of Gnadenhutten, Tuscarawas County, Ohio as and for the years ended December 31, 2009 and 2008. 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 that our audit provides a reasonable basis for our opinion.

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

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2009 and 2008. Instead of the combined funds the accompanying financial statements present for 2009 and 2008, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2009 and 2008. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since the Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

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, 2009 and 2008, 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, 2009 and 2008, or its changes in financial position or cash flows 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 Gnadenhutten, Tuscarawas County, as of December 31, 2009 and 2008, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the years ended December 31, 2009 and 2008. 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 August 30, 2010, 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 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.

***Charles E. Harris & Associates, Inc.***

August 30, 2010

VILLAGE OF GNADENHUTTEN  
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, 2009

	<u>Governmental Fund Types</u>			<u>Totals - (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Receipts:				
Property Taxes and Other Local Taxes	\$ 90,708	\$ 21,141	-	\$ 111,849
Municipal Income Taxes	-	270,357	-	270,357
Special Assessments	175	-	-	175
Charges for Services	69,751	31,508	-	101,259
Intergovernmental	102,937	121,994	-	224,931
Fines, Licenses and Permits	869	-	-	869
Interest	3,219	-	-	3,219
Other	38,731	931	-	39,662
<b>Total Receipts</b>	<u>306,390</u>	<u>445,931</u>	<u>-</u>	<u>752,321</u>
Disbursements:				
General Government	70,285	31,549	-	101,834
Security of Persons & Property	22,032	195,646	-	217,678
Community Environment	924	-	-	924
Basic Utilities	151,070	74,250	-	225,320
Public Health Services	682	-	-	682
Transportation	39,417	377	-	39,794
Leisure time Activities	17,115	-	-	17,115
Capital Outlay	129,517	124,100	\$ 32,360	285,977
Debt Service:				
Principal	10,330	12,626	-	22,956
Interest	3,925	2,774	-	6,699
<b>Total Disbursements</b>	<u>445,297</u>	<u>441,322</u>	<u>32,360</u>	<u>918,979</u>
Receipts over(under) disbursements	(138,907)	4,609	(32,360)	(166,658)
Other Financing Sources (Uses)				
Sale of Fixed Asset	522	-	-	522
Transfers in	127,627	79,768	31,905	239,300
Transfers out	-	(239,300)	-	(239,300)
Loan Proceeds	80,000	74,000	-	154,000
<b>Total Other Financing Sources (Uses)</b>	<u>208,149</u>	<u>(85,532)</u>	<u>31,905</u>	<u>154,522</u>
Total Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	69,242	(80,923)	(455)	(12,136)
Fund Balance 1/1/2009	<u>81,726</u>	<u>145,697</u>	<u>10,810</u>	<u>238,233</u>
Fund Balance 12/31/2009	<u>\$ 150,968</u>	<u>\$ 64,774</u>	<u>\$ 10,355</u>	<u>\$ 226,097</u>
Reserves for Encumbrances December 31	<u>\$ 68,286</u>	<u>\$ 68,110</u>	<u>\$ -</u>	<u>\$ 136,396</u>

See accompanying Notes to the Financial Statements.



VILLAGE OF GNADENHUTEN  
TUSCARAWAS COUNTY  
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND  
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2009

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$ 464,392
Miscellaneous	279
	464,671
Total Operating Cash Receipts	464,671
Operating Cash Disbursements:	
Personal Services	73,530
Contractual Services	71,883
Supplies and Materials	96,574
Capital Outlay	28,698
	270,685
Total Operating Cash Disbursements	270,685
Operating Income (Loss)	193,986
Non-Operating Cash Receipts/(Disbursements)	
Other Debt Proceeds	95,191
Debt Service:	
Principal	(191,031)
Interest and other fiscal charges	(4,540)
	(100,380)
Total Non-Operating Cash Receipts/(Disbursements)	(100,380)
Net Receipts Over/(Under) Disbursements	93,606
Fund Cash Balances, January 1	126,572
Fund Cash Balances, December 31	\$ 220,178
Reserves for Encumbrances December 31	\$ 205,289

See accompanying Notes to the Financial Statements.

VILLAGE OF GNADENHUTTEN  
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>			<b>Totals - (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Receipts:				
Property Taxes and Other Local Taxes	\$ 71,711	\$ 16,850	-	\$ 88,561
Municipal Income Taxes	-	306,419	-	306,419
Charges for Services	58,940	25,010	-	83,950
Intergovernmental	55,676	78,616	-	134,292
Fines, Licenses and Permits	2,528	-	-	2,528
Interest	9,999	-	-	9,999
Other	22,820	9,041	-	31,861
<b>Total Receipts</b>	<u>221,674</u>	<u>435,936</u>	<u>-</u>	<u>657,610</u>
Disbursements:				
General Government	84,972	38,869	-	123,841
Security of Persons & Property	30,339	144,796	-	175,135
Community Environment	924	-	-	924
Basic Utilities	164,736	8,093	-	172,829
Public Health Services	651	323	-	974
Transportation	29,942	75,993	-	105,935
Leisure time Activities	15,597	-	-	15,597
Capital Outlay	18,335	-	\$ 36,339	54,674
Debt Service:				
Principal	-	12,397	-	12,397
Interest	-	451	-	451
<b>Total Disbursements</b>	<u>345,496</u>	<u>280,922</u>	<u>36,339</u>	<u>662,757</u>
Receipts over(under) disbursements	(123,822)	155,014	(36,339)	(5,147)
Other Financing Sources (Uses)				
Sale of Fixed Asset	934	-	-	934
Transfers in	150,561	94,101	37,638	282,300
Transfers out	-	(282,300)	-	(282,300)
<b>Total Other Financing Sources (Uses)</b>	<u>151,495</u>	<u>(188,199)</u>	<u>37,638</u>	<u>934</u>
<b>Total Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses</b>	<b>27,673</b>	<b>(33,185)</b>	<b>1,299</b>	<b>(4,213)</b>
Fund Balance 1/1/2008	<u>54,053</u>	<u>178,882</u>	<u>9,511</u>	<u>242,446</u>
Fund Balance 12/31/2008	<u>\$ 81,726</u>	<u>\$ 145,697</u>	<u>\$ 10,810</u>	<u>\$ 238,233</u>

See accompanying Notes to the Financial Statements.

VILLAGE OF GNADENHUTTEN  
TUSCARAWAS COUNTY  
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS  
AND CHANGES IN FUND CASH BALANCES  
FOR THE YEAR ENDED DECEMBER 31, 2008

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$ 461,294
Interest	3,834
Miscellaneous	512
	465,640
Operating Cash Disbursements:	
Personal Services	71,502
Contractual Services	13,436
Supplies and Materials	225,007
Capital Outlay	59,945
	369,890
Operating Income (Loss)	95,750
Non-Operating Cash Receipts/(Disbursements)	
Debt Service:	
Principal	(188,372)
Interest and other fiscal charges	(4,754)
	(193,126)
Net Receipts Over/(Under) Disbursements	(97,376)
Fund Cash Balances, January 1	223,948
Fund Cash Balances, December 31	\$ 126,572

See accompanying Notes to the Financial Statements.

**VILLAGE OF GNADENHUTTEN  
TUSCARAWAS COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2009 and 2008**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

The Village of Gnadenhutten, (the Village) is a body corporate and politic established for the purpose of exercising 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, park operations (leisure time activities), and police and fire services.

The Village's management believes these financial statements included in this report represent all of the funds of the Village over which the Village has the ability to exercise direct operating control.

B. BASIS OF ACCOUNTING

The Village prepares its financial statements following the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis 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.)

The 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 maintains its accounting records in accordance with the principles of "Fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

**VILLAGE OF GNADENHUTTEN  
TUSCARAWAS COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2009 and 2008**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

D. FUND ACCOUNTING – (Continued)

Governmental Fund Types:

General Fund: The general operating fund of the Village. It is used to account for all financial resources except those required by law or contract to be accounted for in another fund.

Special Revenue Funds: These funds are used to account for proceeds from special sources (other than from trusts or for capital projects) that are restricted to expenditures for specific purposes. The Village had the following significant Special Revenue funds:

- Street Constr. Maint. & Repair fund is used to account for monies restricted for the maintenance and upkeep of Village Streets.
- Police Income Tax Levy fund uses income taxes for salaries and equipment for the police department.
- Fire Levy uses tax money for operations of the fire department.
- Municipal Income Tax fund is used to account for income tax receipts. The income tax receipts are eventually transferred to the general fund, the police income tax fund and capital improvement fund per Village ordinance.

Capital Projects Fund: This fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects. The Village has the following significant Capital Projects fund:

- Capital Improvement fund is used to account for proceeds restricted for acquisition or construction of Village projects.

Proprietary Fund Types:

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

- Water fund is used to account for the resources generated by supplying water to Village residents.
- Sewer fund is used to account for the resources generated by providing sewer services to Village residents.

**VILLAGE OF GNADENHUTTEN  
TUSCARAWAS COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2009 and 2008**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

D. FUND ACCOUNTING – (Continued)

- Waterline fund is used to account for resources to put new waterlines in the Village.
- Sewer Upgrade Fund is to account for resources used to construct a new sewage treatment.

E. BUDGETARY PROCESS

A budget of estimated cash receipts and disbursements is prepared by the Fiscal Officer, approved by the Village Council, and submitted to the county auditor, as secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

1. Estimated Resources

The county auditor calculates the estimated revenues available to the Village. He prepares a certificate of estimated resources based upon this calculation and upon the other financial information supplied in the budget sent by the Village. The certificate is approved by the county budget commission and sent to the Village Fiscal Officer by September 1.

Prior to December 31, the Village must revise its budget so that the total budgeted expenditures for a fund will not exceed the amount of stated in the certificate of estimated resources. The revised budget serves as the basis for the annual appropriation measure.

On or about January 1, the Fiscal Officer sends the county auditor a certificate to which includes the actual unencumbered balances from the preceding year. The county auditor prepares an amended certificate, submits it to the county budget commission for approval. This amended certificate may be further amended during the year if projected increases or the Fiscal Officer identifies decreases in revenue. The amounts reported in Note 6 reflect the amounts in the final amended certificates issued during 2009 and 2008.

Budgeted receipts, as shown in Note 6, do not include the unencumbered fund balances as of January 1, 2008 and 2009. However, those fund balances are available for appropriation.

**VILLAGE OF GNADENHUTTEN  
TUSCARAWAS COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2009 and 2008**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

E BUDGETARY PROCESS – (Continued)

2. Appropriations

A temporary appropriation measure to control cash expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation measure must be passed by March 31 of each year for the period January 1 to December 31. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.

3. Encumbrances

The Village is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The sum of expenditures and encumbrances may not exceed appropriated totals at any level of budgetary control. The legal level of control is the fund, function and object level.

Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year without being re-appropriated.

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. ACCUMULATED LEAVE

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

**VILLAGE OF GNADENHUTTEN  
TUSCARAWAS COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2009 and 2008**

2. EQUITY IN POOLED CASH AND CASH EQUIVALENTS

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

	<u>2009</u>	<u>2008</u>
Demand deposits	\$213,711	\$134,758
Certificates of Deposit	<u>232,564</u>	<u>230,047</u>
Total	<u>\$446,275</u>	<u>\$364,805</u>

Deposits: Deposits are either (1) insured by the Federal Deposit Insurance Corporation, or (2) collateralized by the financial institution's public entity deposit pool.

3. PROPERTY TAX

Real property taxes become a lien on all non-exempt real property located in the county on January 1. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20 of the following year. Under certain circumstances, state statute permits later payment dates to be established.

Real property owners' tax bills are further reduced by homestead and rollback deductions when applicable. The amount of these homestead and rollback reductions is reimbursed to the Village by the State of Ohio. The amounts reimbursed by the State of Ohio are reflected in the accompanying financial statements as intergovernmental receipts.

Owners of tangible personal property are required to file a list of such property including costs, by April 30 of each year. The property is assessed for tax purposes at varying statutory percentages of cost. Personal property taxes are being phased out through 2009.

The Tuscarawas County Treasurer collects property tax on behalf of all taxing Villages within the county. The Tuscarawas County Auditor periodically remits to the taxing Village their portions of the taxes collected.



**VILLAGE OF GNADENHUTTEN  
TUSCARAWAS COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2009 and 2008**

4. LOCAL INCOME TAX

The Village levies a municipal income tax of 1.5% 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 taxpayer pay estimated taxes quarterly and file a declaration annually. 53.3% of net income tax collections is designated to support general Village operations, 33.4% is designated to support the Village police department and 13.3% is designated to support capital projects of the Village.

5. DEFINED BENEFIT PENSION PLAN

The Village's elected officials and employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2009 and 2008, OPERS members contributed 10.0 percent of their wages. During 2009 and 2008 the Village contributed an amount equal to 14 percent of participants' gross wages. The Village has paid all contributions required through December 31, 2009.

6. BUDGETARY ACTIVITY

<u>2008 Budgeted vs. Actual Receipts</u>			
<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$313,964	\$ 373,169	\$ 59,205
Special Revenue	324,400	530,037	205,637
Capital Projects	30,000	37,638	7,638
Enterprise	442,000	465,640	23,640

<u>2008 Budgeted vs. Actual Budgetary Basis Expenditures</u>			
<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$354,200	\$ 345,496	\$ 8,704
Special Revenue	403,500	563,222	(159,722)
Capital Projects	35,000	36,339	(1,339)
Enterprise	416,234	563,016	(146,782)

**VILLAGE OF GNADENHUTTEN  
TUSCARAWAS COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2009 and 2008**

6. BUDGETARY ACTIVITY - (Continued)

Fund Type	<u>2009 Budgeted vs. Actual Receipts</u>		Variance
	Budgeted Receipts	Actual Receipts	
General	\$278,513	\$514,539	\$ 236,026
Special Revenue	415,507	599,699	184,192
Capital Projects	33,000	31,905	(1,095)
Enterprise	525,094	559,862	34,768

Fund Type	<u>2009 Budgeted vs. Actual Budgetary Basis Expenditures</u>		Variance
	Appropriation Authority	Budgetary Expenditures	
General	\$354,903	\$513,583	\$ (158,680)
Special Revenue	450,000	748,732	(298,732)
Capital Projects	35,000	32,360	2,640
Enterprise	443,126	671,545	(228,419)

7. DEBT

Debt outstanding at December 31, 2009 was as follow:

	<u>2009</u>	<u>Interest Rate</u>
OPWC Note (Waterline Replacement)	\$ 102,174	0.00%
Bank Note (Ambulance)	61,374	4.25%
Bank Note (Garbage Truck/Packer)	69,670	4.25%
OWDA - 3185 (Waterline Replacement)	71,996	6.13%
OWDA – 4159 (WWTP Improvements)	<u>2,721,671</u>	0.00%
Total	<u>\$3,026,885</u>	

The OPWC note was obtained to complete a waterline project. The loan is collateralized by user fees. The OWDA loans were obtained to provide water and sewer system improvements and a waterline replacement. OWDA loan #4159 includes \$6,439 of capitalized interest. The loans are all collateralized by user fees.

The bank notes were obtained to purchase an ambulance and a garbage truck/packer. The loans are secured by the ambulance and garbage truck.

**VILLAGE OF GNADENHUTTEN  
TUSCARAWAS COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2009 and 2008**

7. DEBT – (Continued)

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

Year ending December 31:	OPWC Note	OWDA Note 3185	Bank Notes
2010	\$ 10,217	\$ 7,262	\$ 34,236
2011	10,217	7,262	34,236
2012	10,217	7,262	34,236
2013	10,217	7,262	34,236
2014	10,217	7,262	-
2015 – 2019	51,085	36,310	-
2020 – 2024	-	36,310	-
2025	-	<u>4,577</u>	<u>-</u>
<b>Total</b>	<u>\$ 102,174</u>	<u>\$ 113,507</u>	<u>\$136,944</u>

OWDA has not prepared an amortization schedule for Loan # 4159.

8. RISK MANAGEMENT

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 insurance for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). 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 Coverage*

PEP retains casualty risks up to \$350,000 per occurrence, including loss adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$12,000,000, from General Reinsurance Corporation.

If losses exhaust PEP’s retained earnings, APEEP covers PEP losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

**VILLAGE OF GNADENHUTTEN  
TUSCARAWAS COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2009 and 2008**

8. RISK MANAGEMENT – (Continued)

Property Insurance

On January 1, 2005, APEEP began administering a risk-sharing property program. Under the new program, St. Paul Travelers will reinsure specific losses in excess of \$250,000 up to \$600,000,000 per occurrence. APEEP will reinsure members for specific losses in excess of \$100,000 up to \$250,000 per occurrence, subject to annual aggregate loss payment. St. Paul Travelers provides aggregate stop-loss coverage based upon the combined Members' Total Insurable Value (TIV). If the stop-loss is reached by payment of losses between \$100,000 and \$250,000, St. Paul Travelers will then reinsure specific losses in excess of \$100,000 up to their \$600,000,000 per occurrence limit.

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

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 (the latest information available):

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

At December 31, 2008 and 2007, respectively, the liabilities above include approximately \$13.7 million and \$15.9 of estimated incurred claims payable. The assets and retained earnings above 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. PEP will collect these amounts in the future annual premium billings when PEP's related liabilities are due for payment.

Based on discussion 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 each year of the membership.

**VILLAGE OF GNADENHUTTEN  
TUSCARAWAS COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2009 and 2008**

8. RISK MANAGEMENT – (Continued)

Contributions to PEP

• 2007	\$21,482
• 2008	22,524
• 2009	22,493

Members may withdraw in each anniversary of the date they joined PEP. They must provide written notice to PEP 60 days in advance of their anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contribution, minus subsequent year's premium. Also, upon withdrawal, payments of all property and casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the withdrawal.

Settled claims have not exceeded this commercial coverage in any of the last three years. There have been significant reductions in insurance coverage from last year. The Village also provides health insurance, dental, and vision coverage to full-time employees through a private carrier.

9. JOINTLY GOVERNED ORGANIZATIONS

A. Gnadenhutten-Clay Union Cemetery (Union)

The Cemetery is a jointly governed organization under Ohio Revised Code § 759.27, and is directed by an appointed three-member board. The Village of Gnadenhutten and Clay Township each appoint one member to the board. The third member is a citizen appointed by the other two members. The Village funding provides for burial services, operations and maintenance of the cemetery. The Cemetery reimburses the Village for funding provided. The Village received \$22,820 for past services provided during 2008 and \$19,034 during 2009. The Village had an account receivable from the Cemetery at December 31, 2009 in the amount of \$14,389.

B. Community Improvement Corporation of Tuscarawas County (Corporation)

The Corporation is operated by Tuscarawas County, New Philadelphia, Dover, Uhrichsville, Dennison, Strasburg, Sugar Creek and Gnadenhutten. It is controlled by 25 trustees consisting of the three County Commissioners, the mayor of each participating city and 15 self-selected trustees. The board exercises total control over the operations of the Corporation including budgeting, appropriating, contracting and designating management. Each participant's degree of control is limited to representation on the board. During 2009 and 2008, no monies were paid to the Corporation by the Village.

**VILLAGE OF GNADENHUTTEN  
TUSCARAWAS COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2009 and 2008**

9. JOINTLY GOVERNED ORGANIZATIONS – (Continued)

C. Tuscarawas County Regional Planning Commission (Commission)

The Commission is a statutorily created political subdivision of the State. The Commission is jointly governed among Tuscarawas County municipalities and townships. Each member's control over the operation of the Commission is limited to its representation on the board. The Commission makes studies, maps, plans, recommendations and reports concerning the physical, environmental, social, economical and governmental characteristics, functions and services of the county. In 2008 and 2009, \$240 was paid to the Commission by the Village for each year.

10. SUBSEQUENT EVENTS/PENDING LITIGATION

Management believes there are no pending claims or lawsuits.

11. BUDGETARY NONCOMPLIANCE

The Village had the following citations for budgetary noncompliance:

- Contrary to **Ohio Rev. Code Section 5705.41(D)**, the Village did not obtain prior certification for expenditures.
- Contrary to **Ohio Rev. Code Section 5705.41(B)**, the Village had expenditures which exceeded appropriations.
- Contrary to **Ohio Rev. Code Section 5705.10**, the Village had negative fund balances.

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***Charles E. Harris & Associates, Inc.***  
*Certified Public Accountants*

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

Village of Gnadenhutten  
Tuscarawas County  
P.O. Box 129  
Gnadenhutten, Ohio 44629-0129

To the Village Council:

We have audited the financial statements of the Village of Gnadenhutten, Tuscarawas County (the Village) as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated August 30, 2010, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls 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 auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining 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 first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency or combination of deficiencies in internal control such that there is a reasonable possibility that material financial statement misstatements will not be prevented, or detected and timely corrected. We consider finding 2009-VGTC-003 described in the accompanying schedule of findings to be a material weakness.

### 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 grants 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 such an opinion. The results of our tests disclosed several instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2009-VGTC-001, 002, 004 and 005.

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 noted certain matters that we have reported to management of the Village in a separate letter dated August 30, 2010.

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

***Charles E. Harris & Associates, Inc.***

August 30, 2010



**VILLAGE OF GNADENHUTTEN  
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2009 AND 2008**

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

**FINDING NUMBER 2009-VGTC-001  
Noncompliance Citation**

**Ohio Rev. Code § 5705.41(B)** prohibits a subdivision or taxing authority from expending money unless it has been appropriated.

We noted the following funds had expenditures plus encumbrances that exceeded appropriations at December 31, 2009:

Fund	Approved Appropriations	Budgetary Expenditures	Variance
General Fund	\$ 354,903	\$ 513,583	\$ (158,680)
Special Revenue Funds			
Street Construction, Maintenance & Repair Fund	65,000	81,254	(16,254)
Fire Protection Fund	65,000	197,567	(132,567)
Police Levy Fund	120,000	199,062	(79,062)
Municipal Income Tax Fund	200,000	270,849	(70,849)
Enterprise Funds:			
Sewer Fund	160,000	215,224	(55,224)
Water Fund	90,000	232,846	(145,846)
Waterline	17,534	20,692	(3,158)
Sewer Upgrade	175,592	199,783	(24,191)

The following funds had expenditures plus encumbrances that exceeded appropriations at December 31, 2008:

Fund	Approved Appropriations	Budgetary Expenditures	Variance
Special Revenue Funds:			
Street Construction, Maintenance & Repair Fund	49,500	84,086	(34,586)
Police Levy Fund	65,000	120,758	(55,758)
Municipal Income Tax Fund	200,000	305,891	(105,891)
Enterprise Funds:			
Sewer Fund	150,000	225,087	(75,087)
Sewer Upgrade	130,000	175,592	(45,592)
Water Fund	118,700	144,803	(26,103)
Capital Projects Fund:			
Capital Improvement	35,000	36,339	(1,339)

**VILLAGE OF GNADENHUTTEN  
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS – (Continued)  
DECEMBER 31, 2009 AND 2008**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE GAGAS – (Continued)</b>
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**FINDING NUMBER 2009-VGTC-001  
(Continued)**

The Fiscal Officer should deny payment requests exceeding appropriations, as required by Ohio Rev. Code Section 5705.41(B). We recommend Village Council and the Fiscal Officer compare expenditures to appropriations on a monthly basis. If appropriations in addition to those already adopted will be needed, then Council should take the necessary steps to adopt additional appropriations, if possible, to prevent expenditures from exceeding appropriations.

The Fiscal Officer will review budgetary requirements and implement as necessary.

**FINDING NUMBER 2009-VGTC-002  
Noncompliance Citation**

Ohio Revised Code Section 5705.41 (D), requires, in part, that no subdivision or taxing unit shall make any contract or order any expenditure unless there is attached thereto a certificate of the fiscal officer of the subdivision certifying that the amount required to meet the obligation 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 encumbrance. 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 state 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.

"Then and Now" Certificate – If the fiscal officer can certify that both at the time 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 expenditure by the Village.

**VILLAGE OF GNADENHUTTEN  
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS – (Continued)  
DECEMBER 31, 2009 AND 2008**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE GAGAS – (Continued)</b>
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**FINDING NUMBER 2009-VGTC-002  
Noncompliance Citation  
(Continued)**

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.

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 predicible 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 2009 and 2008, the Fiscal Officer did not certify any expenditure prior to incurring the obligation. It was also found that none of the three exceptions noted above were utilized for the items to be found in noncompliance.

We recommend the Village’s management implement procedures to gain fiscal control over expenditures. Purchase orders containing the required certification should be utilized to certify the availability of funds prior to commitments being incurred. Appropriations should then be encumbered and balances maintained of unencumbered appropriations. Additional purchase orders should be issued only after the fiscal officer determines that sufficient unencumbered appropriations exist in the amount of the requested purchase.

The Fiscal Officer will review budgetary requirements, including purchasing.

**VILLAGE OF GNADENHUTTEN  
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS – (Continued)  
DECEMBER 31, 2009 AND 2008**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE GAGAS – (Continued)</b>
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**FINDING NUMBER 2009-VGTC-003  
Material Weakness**

**Incorrect Accounting Transactions**

During the audit of the Village’s financial records for the years ended December 31, 2009 and 2008, we noted numerous transactions incorrectly recorded in the annual financial reports. The financial statements and Village’s records have been adjusted to present the accounting information correctly.

The Village has agreed with the required reclassifications and adjustments. Below is a listing of various erroneous accounting transactions:

- Debt Service, for 2009 and 2008, was included in Capital Outlay;
- Debt Service, for 2009 and 2008, combined principal reduction with interest and fiscal charges;
- During 2009, the Village recorded and reported the proceeds of a Bank loan as intergovernmental receipts;

We recommend that the Village closely follow the Village Officer’s Handbook and the Ohio Revised Code when recording transactions. We also recommend that the Fiscal Officer contact the Auditor of State for additional guidance as needed.

The Fiscal Officer will follow the Village Officer’s Handbook to correctly record all transactions.

**FINDING NUMBER 2009-VGTC-004  
Noncompliance Citation**

The Ohio Village Officer’s Handbook, Chapter 3, Section M, states that Income tax funds can be recorded in various fund types depending on the requirements and limitations. Accordingly, all income tax money received should be recorded in either the general fund or into a special revenue fund if the income tax money is collected for a specific purpose or into an agency fund if the money is being collected on behalf of another government.

The Village recorded all income tax money collected into an expendable trust fund before distributing the money. The Village transferred income tax money to the General, Special Revenue Police Income Tax and the Capital Improvement funds properly. The tax receipts were reclassified into the Special Revenue funds in the financial statements.

**VILLAGE OF GNADENHUTTEN  
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS – (Continued)  
DECEMBER 31, 2009 AND 2008**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE GAGAS – (Continued)</b>
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**FINDING NUMBER 2009-VGTC-004  
Noncompliance Citation  
(Continued)**

The Village should record the income tax money in the General Fund or Special Revenue fund and transfer the appropriate amount to the General Fund, Special Revenue - Police Income Tax Fund and the Capital Projects - Capital Improvement Fund.

The Fiscal Officer will record income tax receipts in the Special Revenue fund in the future.

**FINDING NUMBER 2009-VGTC-005  
Noncompliance Citation**

**Section 5705.10, Revised Code**, prohibits the Village from having negative fund balances. The Sewer Fund was found to have a negative cash fund balance at November 30, 2009, the Street, Construction, Maintenance & Repair Fund had a negative cash fund balance at December 31, 2008 and the Municipal Income Tax Fund had a negative cash fund balance at October 31, 2008.

The Fiscal Officer will closely monitor fund balances.

VILLAGE OF GNADENHUTTEN  
TUSCARAWAS COUNTY  
DECEMBER 31, 2009 AND 2008

SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING NUMBER	FUNDING SUMMARY	FULLY CORRECTED?	Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2007-VGTC-001	Contrary to Ohio Rev. Code Section 5705.41(B), expenditures exceeded appropriations both during the year and at year-end.	NO	Not Corrected: This is repeated in the Schedule of Findings as item 2009-VGTC-001.
2007-VGTC-002	Contrary to Ohio Rev. Code Section 5705.41(D), Village did not certify the availability of funds before contracting to procure goods and services.	NO	Not Corrected: This is repeated in the Schedule of Findings as item 2009-VGTC-002
2007-VGTC-003	The Village did not record the receipts and expenditures made on its behalf by the Ohio Water Development Authority.	YES	
2007-VGTC-004	Contrary to the Ohio Village Officer's Handbook, Chapter 3, Section M, the Village recorded municipal income tax into an expendable trust fund	NO	Not Corrected: This is repeated in the Schedule of Findings as item 2009-VGTC-004.
2007-VGTC-005	Contrary to Ohio Rev. Code Section 5705.39, appropriations exceeded total estimated resources.	YES	



**Mary Taylor, CPA**  
Auditor of State

**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  
NOVEMBER 23, 2010**