



Dave Yost • Auditor of State

VILLAGE OF ROSWELL
TUSCARAWAS COUNTY

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Dave Yost • Auditor of State

Village of Roswell
Tuscarawas County
5198 Main Street
New Philadelphia, Ohio 44663

To the Honorable Mayor and Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

April 13, 2011

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Roswell
Tuscarawas County
5198 Main Street
New Philadelphia, Ohio 44663

To the Honorable Mayor and Village Council:

We have audited the accompanying financial statements of the Village of Roswell, 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.

Except as noted below, 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.

We were unable to obtain sufficient evidential matter supporting the amounts recorded as municipal income taxes and utility revenues for the years ended December 31, 2007 and 2006. Municipal income taxes consisted of \$19,663 and \$20,949, which is 43.2 percent and 43.3 percent, respectively, of General Fund revenue for the years ended December 31, 2007 and 2006. Utility revenues consisted of \$43,225 and \$36,320, which is 100 percent, respectively, of total Enterprise Fund operating revenue for the years ended December 31, 2007 and 2006. We were unable to determine the validity of municipal income taxes and utility receipts through alternative procedures.

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

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 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, except for the effects of not providing supporting documentation for the amounts recorded as income tax for the General Fund and utility revenue for the Enterprise Fund as described in a previous paragraph the financial statements referred to above present fairly, in all material respects, the respective financial position of the General Fund and Enterprise Fund of the Village of Roswell, Tuscarawas County, Ohio as of December 31, 2007 and 2006, and the respective cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

In addition, in our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the special revenue funds for the Village of Roswell, Tuscarawas County, Ohio as of December 31, 2007 and 2006, and the respective cash receipts and disbursements for the year then ended on the accounting basis Note 1 describes.

As further described in Note 2, the January 1, 2006 fund balances were restated to account for a correction of certain prior period cash adjustments.

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 April 13, 2011, 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.



Dave Yost
Auditor of State

April 13, 2011

**VILLAGE OF ROSWELL
TUSCARAWAS COUNTY**

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

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Local Taxes	\$11,225	\$7,705	\$18,930
Municipal Income Tax	19,663		19,663
Intergovernmental	12,141	13,419	25,560
Charges for Services	240		240
Fines, Licenses and Permits	407		407
Earnings on Investments	219		219
Miscellaneous	2,175		2,175
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	46,070	21,124	67,194
	<hr/>	<hr/>	<hr/>
Cash Disbursements:			
Current:			
Security of Persons and Property	19,920	2,200	22,120
Public Health Services	147		147
Leisure Time Activities	4,117		4,117
Basic Utility Service	2,854	5,275	8,129
Transportation		15,951	15,951
General Government	33,123	171	33,294
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	60,161	23,597	83,758
	<hr/>	<hr/>	<hr/>
Total Receipts (Under) Disbursements	(14,091)	(2,473)	(16,564)
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	26,185	13,986	40,171
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	<u>\$12,094</u>	<u>\$11,513</u>	<u>\$23,607</u>

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

VILLAGE OF ROSWELL
TUSCARAWAS COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ENTERPRISE FUND
FOR THE YEAR ENDED DECEMBER 31, 2007

Operating Cash Receipts:	
Charges for Services	\$43,225
	<hr/>
Total Operating Cash Receipts	43,225
	<hr/>
Operating Cash Disbursements:	
Personal Services	8,717
Contractual Services	12,296
Supplies and Materials	424
Other	2,282
	<hr/>
Total Operating Cash Disbursements	23,719
	<hr/>
Operating Income	19,506
	<hr/>
Non-Operating Cash Receipts:	
Miscellaneous Receipts	5,000
	<hr/>
Non-Operating Cash Disbursements:	
Interest and Other Fiscal Charges	86
	<hr/>
Net Receipts Over Disbursements	24,420
	<hr/>
Fund Cash Balances, January 1	14,810
	<hr/>
Fund Cash Balances, December 31	\$39,230
	<hr/> <hr/>

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

**VILLAGE OF ROSWELL
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**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Local Taxes	\$12,092	\$8,473	\$20,565
Municipal Income Tax	20,949		20,949
Intergovernmental	10,272	10,516	20,788
Charges for Services	613		613
Fines, Licenses and Permits	90		90
Earnings on Investments	0		0
Miscellaneous	4,477		4,477
	<u>48,493</u>	<u>18,989</u>	<u>67,482</u>
Total Cash Receipts			
	<u>48,493</u>	<u>18,989</u>	<u>67,482</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	24,502	2,200	26,702
Public Health Services	147		147
Leisure Time Activities	7,485		7,485
Community Environment	61		61
Basic Utility Service	2,509	4,873	7,382
Transportation	12,000	12,698	24,698
General Government	24,990	180	25,170
	<u>71,694</u>	<u>19,951</u>	<u>91,645</u>
Total Cash Disbursements			
	<u>71,694</u>	<u>19,951</u>	<u>91,645</u>
Total Receipts (Under) Disbursements	(23,201)	(962)	(24,163)
Fund Cash Balances, January 1 (Restated)	49,386	14,948	64,334
	<u>49,386</u>	<u>14,948</u>	<u>64,334</u>
Fund Cash Balances, December 31	<u>\$26,185</u>	<u>\$13,986</u>	<u>\$40,171</u>

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

VILLAGE OF ROSWELL
TUSCARAWAS COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ENTERPRISE FUND
FOR THE YEAR ENDED DECEMBER 31, 2006

Operating Cash Receipts:	
Charges for Services	\$36,320
	<hr/>
Total Operating Cash Receipts	36,320
	<hr/>
Operating Cash Disbursements:	
Personal Services	8,211
Contractual Services	20,120
Supplies and Materials	942
Other	4,626
	<hr/>
Total Operating Cash Disbursements	33,899
	<hr/>
Operating Income	2,421
	<hr/>
Non-Operating Cash Receipts:	
Intergovernmental	30,453
	<hr/>
Non-Operating Cash Disbursements:	
Capital Outlay	34,175
	<hr/>
Net Receipts (Under) Disbursements	(1,301)
	<hr/>
Fund Cash Balances, January 1 (Restated)	16,111
	<hr/>
Fund Cash Balances, December 31	\$14,810
	<hr/> <hr/>

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

**VILLAGE OF ROSWELL
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 Roswell, Tuscarawas County, (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 contracts with Village of Sherrodsville to receive fire protection services.

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. Deposits 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.

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.

2. Special Revenue Funds

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

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

Refuse Collection Levy Fund – This fund receives tangible personal property tax money to fund refuse collection services.

**VILLAGE OF ROSWELL
TUSCARAWAS COUNTY**

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

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

3. Enterprise Funds

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

Water Fund - This fund receives charges for services from residents to cover water service costs.

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 legal 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.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) 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. The Village did not use the encumbrance method of accounting.

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.

**VILLAGE OF ROSWELL
TUSCARAWAS COUNTY**

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

2. Restatement of Fund Balances

As of January 1, 2006 the Village restated fund balances to account for a correction of prior period cash adjustments. These adjustments had the following effect on the cash fund balances previously reported:

<u>Cash Fund Balance</u>	<u>General</u>	<u>Enterprise</u>
December 31, 2005	\$52,121	\$48,266
Adjustments	<u>(2,735)</u>	<u>(32,155)</u>
January 1, 2006 (Restated)	<u><u>\$49,386</u></u>	<u><u>\$16,111</u></u>

3. Equity in Pooled Deposits

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

	<u>2007</u>	<u>2006</u>
Demand deposits	<u><u>\$61,362</u></u>	<u><u>\$53,506</u></u>

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

4. Budgetary Activity

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

<u>2007 Budgeted vs. Actual Receipts</u>			
<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$53,900	\$45,494	(\$8,406)
Special Revenue	18,900	21,700	2,800
Enterprise	39,700	48,225	8,525
Total	<u><u>\$112,500</u></u>	<u><u>\$115,419</u></u>	<u><u>\$2,919</u></u>

<u>2007 Budgeted vs. Actual Budgetary Basis Expenditures</u>			
<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$72,434	\$60,161	\$12,273
Special Revenue	23,669	23,597	72
Enterprise	25,936	23,805	2,131
Total	<u><u>\$122,039</u></u>	<u><u>\$107,563</u></u>	<u><u>\$14,476</u></u>

**VILLAGE OF ROSWELL
TUSCARAWAS COUNTY**

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

4. Budgetary Activity (Continued)

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$63,781	\$48,412	(\$15,369)
Special Revenue	16,500	19,070	2,570
Enterprise	60,604	65,298	4,694
Total	\$140,885	\$132,780	(\$8,105)

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$94,718	\$71,694	\$23,024
Special Revenue	31,088	19,951	11,137
Enterprise	53,887	68,074	(14,187)
Total	\$179,693	\$159,719	\$19,974

Contrary to Ohio law, during 2006, the Village's Water Fund had a negative fund balance for five months during the year ranging from \$529 to \$8,707. Additionally, during 2007, the Village's Street Fund had a negative fund balance seven months during the year ranging from \$2 to \$1,961. Fund level expenditures exceeded appropriations within the Water Fund. In addition, contrary to Ohio law, the Village did not certify the availability of funds prior to incurring the obligations for the years ended December 31, 2007 and 2006.

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.

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

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

6. Local Income Tax

The Village levies a municipal income tax of one 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.

**VILLAGE OF ROSWELL
TUSCARAWAS COUNTY**

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

6. Local Income Tax (Continued)

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>Balance</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan #4902 (Principal)	\$512,000	1.9%
Ohio Water Development Authority Loan #4902 (Interest)	<u>32,359</u>	
Total Outstanding Loan Balance	<u><u>\$544,359</u></u>	

The Ohio Water Development Authority (OWDA) loan #4092 relates to a water storage and distribution system construction project. The Village will not be billed for this loan until it is completely drawn upon and repayment terms will be agreed upon at that time. The loan is collateralized by water receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements. No loan proceeds were received during fiscal years 2007 or 2006 but capitalized interest continues to increase the loan outstanding balance.

8. Retirement System

All Village employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. 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 13.7%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2007.

9. Risk Management

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

10. Contingent Liabilities

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

VILLAGE OF ROSWELL
TUSCARAWAS COUNTY

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

11. Related Party Transaction

During 2007 and 2006, the Village made two payments to Belknap's Body Shop which is owned by a relative of a council member. The payment amounts to Belknap's Body Shop totaled \$607 and \$120, respectively, for repairs performed on a Village vehicle.



Dave Yost • 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 Roswell
Tuscarawas County
5198 Main Street
New Philadelphia, Ohio 44663

To the Honorable Mayor and Village Council:

We have audited the financial statements of the Village of Roswell, Tuscarawas County, Ohio, (the Village) as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated April 13, 2011 wherein we noted the Village followed accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We noted the Village restated the January 1, 2006 fund balances to account for a correction of certain prior period cash adjustments. We qualified our opinion on the amounts reported as municipal income taxes for the General Fund and utility revenues for the Enterprise Fund. Except as discussed in the preceding sentence, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all internal control deficiencies 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 findings 2007-006 through 2007-009 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. Of the significant deficiencies described above, we believe finding numbers 2007-007 through 2007-009 are also material weaknesses.

We also noted certain internal control matters that we reported to the Village's management in a separate letter dated April 13, 2011.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2007-001 through 2007-005 and 2007-010 through 2007-011.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated April 13, 2011.

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 the Village Council, management and others within the Village. We intend it for no one other than these specified parties.



Dave Yost
Auditor of State

April 13, 2011

**VILLAGE OF ROSWELL
TUSCARAWAS COUNTY**

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

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

FINDING NUMBER 2007-001

Noncompliance Citation

Ohio Rev. Code Section 3.06 requires certain public officials and employees to be bonded. In addition, Ohio Rev. Code Section 733.70 provides for specific requirements as they pertain to municipal officers including the requirement that bond be provided before entering upon the duties of the office.

Although the Village had a copy of the Fiscal Officer's bond, the bond was not valid since the signatures of a council member or Village Mayor were not present for the period July 1, 2006 through July 1, 2007. The Village should ensure a bond is acquired for the Fiscal Officer. This will help ensure the Village's assets are adequately safeguarded in the event of misappropriation of Village monies.

Officials' Response: Village agrees that finding is correct; with the exception that the period was July 1, 2006-Oct, 2006. The bond in question was for Fiscal Officer Vickie Winkler and she resigned in Oct of 2006. The bond was cancelled at the time of her resignation. The Village will be more caution and will review each bond on file and in the future. As signature requirements vary depending on the bonding insurance company.

FINDING NUMBER 2007-002

Noncompliance Citation

Ohio Rev. Code Section 9.38 indicates that monies should be deposited with the Village Fiscal Officer or designated depository within 24 hours of collection and requires that monies be deposited on the next business day if the daily receipt amounts exceed \$1,000. If daily receipts do not exceed \$1,000 and the receipts can be safeguarded, the public office may adopt a policy permitting their officials who receive money to hold it past the next business day, but the deposit must be made no later than 3 business days after receiving it.

During 2006, 4 out of 29 (13.79%) of the receipts tested related to miscellaneous revenues were not deposited with the Fiscal Officer or designated depository for a period ranging between 2 to 66 days after initial receipt of the money. In addition, during 2007, the Village did not receipt or deposit any monies for the months of January, March, May, August and September, deposits for those months were subsequently made in the following months. Delays of this nature could cause Village daily receipts to be lost or misplaced without being detected in a timely manner. We also noted during 2006, the Village has receipt of \$1,312.50 on January 26, 2006; however, the deposit was made on January 19, 2006, prior to the receipt date. The Village should properly safeguard receipts and implement Ohio Rev Code Section 9.38 relative to depositing requirements and procedures.

Officials' Response: Village agrees with finding and progress to correct this issue has been made.

FINDING NUMBER 2007-003

Noncompliance Citation

Ohio Rev. Code Section 149.351 requires that all records are the property of the public office and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by Ohio Rev. Code Section 149.38 through 149.42.

The Village was unable to locate the following vouchers and supporting documentation selected for testing:

- Voucher number 9044 to Ford Motor Credit in the amount of \$4,881.85.
- Voucher number 9101 to Postmaster in the amount of \$39.00.
- Voucher number 9121 to Stephenson, Stephenson, & Carrothers in the amount of \$200.
- Voucher number 9162 to The Treasurer of State in the amount of \$34.23.
- Voucher number 9164 to Terry Walker in the amount of \$12,000.
- Voucher number 9167 to Playground World in the amount of \$3,000.
- Voucher number 9217 to Postmaster in the amount of \$39.00.
- Voucher number 9254 to The Treasurer of State in the amount of \$50.13.
- Voucher number 9257 to Staples in the amount of \$94.99.
- Voucher number 9421 to Stephenson, Stephenson, & Carrothers in the amount of \$200.
- Voucher number 9445 to Postmaster in the amount of \$30.00.
- Voucher number 9448 to Georgia Booth in the amount of \$100.00.
- Voucher number 9450 to Charles Giument in the amount of \$100.00.
- Voucher number 9464 to Simmco in the amount of \$1,250.00.
- Voucher number 9543 to Adelman's in the amount of \$1,995.00.
- Voucher number 9812 to Dale Beatty in the amount of \$160.00.
- Voucher number 9814 to Teresa Byers in the amount of \$80.00

The Village was unable to locate the following checks selected for testing:

- Check number 9264 to Christopher Edwards in the amount of \$426.23.
- Check number 9269 to Victor Paris in the amount of \$276.91.

In addition, the Village was unable to provide the Minutes for the following months:

- September 2006
- December 2006
- June 2007

Additionally, The Village did not maintain supporting documentation for a receipt from Kennedy Insurance Co.

While the expenditures were reasonable in nature, the Village should ensure all records are adequately safeguarded. The Village should also ensure all minutes are promptly recorded after each council meeting. This will help ensure records are not lost or destroyed.

Officials' Response: Village agrees with finding. However, the Village is confident that all the listed vouchers and checks can be verified as legal transactions if needed. In the matter of the documentation for Village minutes – the Village has exhausted all attempts in recovering those minutes.

FINDING NUMBER 2007-004

Noncompliance Citation

Ohio Rev. Code Section 5705.10 requires that monies paid into any fund be used only for the purposes for which such fund is established. During 2006, the Village's Water Fund had a negative fund balance for five months during the year ranging from \$529 to \$8,707. Additionally, during 2007, the Village's Street Fund had a negative fund balance seven months during the year ranging from \$2 to \$1,961.

Negative cash fund balances are an indication that revenues from other sources were used to pay obligations of these funds. 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.

Officials' Response: Village agrees with finding. Corrective steps have been taken to avoid this issue in the future. The Village is now using the state UAN accounting system.

FINDING NUMBER 2007-005

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 certifying that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void and no warrant shall be issued in payment of any amount due thereon.

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

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

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided 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.

FINDING NUMBER 2007-005 (Continued)

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 fiscal years 2007 and 2006, 78 out of 78 (or 100%) of expenditures tested were not certified as to the availability of funds by the Fiscal Officer prior to incurring the obligations due to the Purchase Orders not having the required certification language. There was no evidence that any of the above mentioned exceptions were utilized either. The Fiscal Officer should inform Village Council of the requirements of Ohio Rev. Code Section 5705.41(D). The Village should implement the use of so called Then and Now Certificates and Blanket Certificates as further permitted by Ohio Rev. Code Section 5705.41. However, such certifications should only be used for recurring and reasonably predictable matters or emergency matters which arise from time to time. In addition, the Village should issue general purchase orders or “Then and Now” Certificates for utility bills in order for funds to be properly certified according to Ohio Revised Code Section 5705.41(D).

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village’s funds exceeding budgetary spending limitations, we recommend 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.

We recommend the Village certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification at the time the Village incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

Officials’ Response: Village agrees with finding. Corrective steps have been taken to avoid this issue in the future. The Village is now using the state UAN accounting system.

FINDING NUMBER 2007-006

Significant Deficiency

Bank Reconciliations and Fiscal Officer’s Monthly Reports

Village Council does not review or approve financial information such as bank reconciliations, the Detail Transaction History Report, appropriation and fund balance reports as prepared by the Fiscal Officer. In addition, Council did not approve the payment of monthly bills for every meeting during the audit period.

Without evidence of review (i.e. initials of Council members or acceptance in the minutes) of the bank reconciliations and the Fiscal Officer’s financial reports on a monthly basis by Village Council, unrecognized errors could occur which result in misstatement of the Village’s records.

Village Council should review and approve all bank reconciliations, financial reports, and bills on a monthly basis as presented to them to ensure accuracy of the Village’s financial records.

Officials’ Response: Village agrees with finding. Corrective steps have been taken to avoid this issue in the future.

FINDING NUMBER 2007-007

Significant Deficiency/Material Weakness

Posting Receipts

As a result of the audit procedures performed, errors were noted in the financial statements that required audit adjustments and reclassifications. The financial statements have been adjusted for the following errors:

- During 2006, intergovernmental revenue was initially understated in the General Fund, Special Revenue Funds, and Enterprise Funds by \$21, \$2,983, and \$30,453, respectively. In the General Fund property and local taxes and miscellaneous revenue were overstated by \$413 and \$21, respectively. Also, in the General Fund Charges for Services revenue was understated by \$413. In the Special Revenue and Enterprise Fund miscellaneous revenue was overstated by \$2,983 and \$30,453, respectively.
- During 2007, intergovernmental revenue was initially understated in the General Fund and Special Revenue Funds by \$164 and \$3,723, respectively. Miscellaneous revenue was overstated in the General and Special Revenue Funds by \$164 and \$3,723, respectively.

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 help ensure the Village's financial statements and notes to the financial statements are complete and accurate, the Village should adopt policies and procedures, including a final review of the statements and notes, by the Fiscal Officer and Village Council to identify and correct errors and omissions.

Officials' Response: Village agrees with finding. Corrective steps have been taken to avoid this issue in the future.

FINDING NUMBER 2007-008

Significant Deficiency/Material Weakness

Water Accounts

The Village did not have controls in place over water revenue collections in the reported in the amount of \$43,225 and \$36,320 for 2007 and 2006, respectively. Bill stubs were not maintained, supporting documentation for deposits was not maintained, payment of cash was indicated on the detail adjustments however cash was not deposited. The Village's Utilities Department generates a report that details adjustments made to customer billings on a monthly basis. However, we could find no indication these reports were reviewed and approved by appropriate Village management. This could result in an increased risk of the Village not receiving monies owed for water utilities. Also, inappropriate adjustments are more likely to occur without proper approval prior to adjustments being made. We therefore were unable to obtain sufficient evidential matter supporting the amounts recorded as utility revenues, and alternative procedures could not be performed.

In addition, the Village did not have controls in place over monitoring water revenue collections. During testing we noted: 6 of 60 receipts tested did not have billing stubs; 2 of 60 receipts tested did not have supporting documentation; the Overdue Register Report was not maintained; and, 30 of 60 receipts were deposited in the bank prior to receipt in the Village's books.

FINDING NUMBER 2007-008 (continued)

The Village should implement controls over water accounts. The controls should address monitoring procedures over delinquent accounts, timeliness of billing, and adjustments made to customer accounts. In addition, the Fiscal Officer should submit monthly financial reports over water account collections to council for their review and approval. This will help ensure the accuracy of the Village's water receipt collections.

Officials' Response: Village agrees with finding. Some of the issues with the finding was the direct result of having two different systems for posting of the water/enterprise monies. The Village no longer has the enterprise/water system; therefore this will no longer be a issue for the Utilities Department.

FINDING NUMBER 2007-009

Significant Deficiency/Material Weakness

Income Tax Collections

The Village does not monitor or have controls in place over income tax collections. The Village lacked supporting documentation such as ledgers to the support the receipt of \$19,663 (2007) and \$20,949 (2006) in income taxes and listings of Village residents. Records were not maintained on what residents paid or should have paid. We therefore were unable to obtain sufficient evidential matter supporting the amounts recorded as income tax revenues, and alternative procedures could not be performed.

The Village should implement controls over income tax collections. The controls should address monitoring procedures over the timeliness of collections, assurance that all eligible taxpayers have filed, delinquent filers, and income taxes collected are properly posted to the Village's ledgers. In addition, the Fiscal Officer should submit monthly financial reports over income tax collections to council for their review and approval. This will help ensure the accuracy of the Village's income tax receipt collections.

Officials' Response: Village agrees with finding. Corrective steps have been taken to avoid this issue in the future.

FINDING NUMBER 2007-010

Noncompliance/Finding for Recovery

During the audit of the Village of Roswell for the period of January 1, 2006 through December 31, 2007 the following was noted with regard to the former fiscal officer:

- \$300 in cash was collected by the former fiscal officer for a water bill, the fiscal officer in turn wrote a personal check to apply to the water account; however the personal check was not cashed;
- The former fiscal officer's water account had payments recorded as checks; however the checks were never deposited into the Village of Roswell's account, \$174;
- Payments were made to reimburse the petty cash account; however the following was noted:
 - \$104 did not have supporting receipts
 - \$173 had receipts but no documentation of what was purchased
 - \$292 reimbursement for items that were originally paid for using a Village check
 - \$217 hand written receipts
 - \$8 parking receipt with a "x2" written on it
- Payment for extra work that was not approved by Village Council for 2007: \$168;
- Receipt for income tax payments written for cash and signed by the former fiscal officer but not deposited in the Village bank account: \$160
- Cash recorded for water account payments but not deposited in the Village bank account: \$931.

FINDING NUMBER 2007-010 (continued)

Ohio Rev. Code Section 149.43(B) states, in part, that all public records shall be promptly prepared and made available for inspection to a person at all reasonable times during regular business hours. In order to facilitate broader access to public records, public offices shall maintain public records in a manner that they can be made available for inspection in accordance with this division.

In accordance with the foregoing facts and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public monies illegally expended and collected but unaccounted for is hereby issued against Michele Maple, former Village fiscal officer, and her bonding company, Great American Insurance Company, in the amount of \$2,527 and in favor of the General Fund \$962; Water Fund \$1,405, and Income Tax Fund \$160.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is strictly liable for the amount of the expenditure. *Seward v. National Surety Corp.* (1929), 120 Ohio St. 47; 1980 Op. Att'y Gen. No. 80-074; Ohio Rev. Code Section 9.39; *State, ex. Rel. Village of Linndale v. Masten* (1985), 18 Ohio St.3d 228. Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 Op. Att'y Gen. No. 80-074.

Village Officers signed the warrants resulting in improper payments. Village Council Member Floyd Zeigler, Harold Lute, and their bonding company, Casualty Insurance Company, and former Fiscal Officer Vicki Winkler, will be jointly and severally liable in the amount of \$592, \$516 and \$250, respectively, and in favor of the General Fund to the extent that recovery is not obtained from Michele Maple.

Officials' Response: To the best knowledge of the village administration they are in agreement with this finding. The records were very poorly kept by the previous fiscal officer. Progress has been made to avoid these types of findings in the future. The administration will continue to educate on responsibilities and requirements required by the state to avoid any future illegal expenditures.

FINDING NUMBER 2007-011

Noncompliance Citation

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

At December 31, 2006, fund level expenditures exceeded appropriations within the Water fund by \$14,187. The Fiscal Officer should frequently compare actual expenditures to appropriations at the fund level to avoid overspending.

Officials' Response: Village agrees with finding. Corrective steps have been taken to avoid this issue in the future. The Village is now using the state UAN accounting system.

**VILLAGE OF ROSWELL
TUSCARAWAS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2007 and 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2005-001	Ohio Rev. Code Section 149.351 (A) - The Village was unable to locate several documents.	No	Repeated as finding number 2007-003
2005-002	Ohio Rev. Code Section 5705.39 - Appropriations exceeded total estimated resources.	No	Partially corrected. Repeated in the management letter.
2005-003	Ohio Rev. Code Section 5705.41 (B) - Actual disbursements exceeded appropriations.	No	Repeated as finding number 2007-011
2005-004	Ohio Rev. Code Section 5705.41(D) - Funds were not properly certified prior to purchase commitment.	No	Repeated as finding number 2007-005
2005-005	Complete Voucher Packages - The Village had incomplete voucher packets.	Yes	Finding no longer valid
2005-006	Monthly Cash Reconciliations - Village Council does not approve the bank reconciliations.	No	Repeated as finding number 2007-006
2005-007	Timely Deposits - Receipts were not deposited timely.	No	Repeated as finding number 2007-002
2005-008	Monitoring of Adjustments to Water Accounts - Council should approve/monitor adjustments made to water accounts.	No	Repeated as finding number 2007-008
2005-009	On-Behalf-of Grants - On-behalf-of grants were not properly recorded in the Village's records.	Yes	Finding no longer valid

Village of Roswell
Tuscarawas County
Schedule of Prior Audit Findings
Page 2

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2005-010	OMB Circular A-102 and C.F.R. Section 85.21 - The Village was not in compliance with the Fifteen Day Rule.	Yes	Finding no longer valid
2005-011	31 U.S.C. 7502(a)(1)(A) - The Village did not file their annual audit with the Federal Audit Clearinghouse within the nine month period after year end.	Yes	Finding no longer valid
2005-012	Accrual Basis of Accounting - The Village did not present their financial statements on the accrual basis of accounting.	No	Partially corrected. Repeated in the management letter.
2005-013	The Village requested the same grant monies from more than one federal agency.	Yes	Finding no longer valid



Dave Yost • Auditor of State

VILLAGE OF ROSWELL

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
JUNE 2, 2011