

***VILLAGE OF SUGARCREEK***

**TUSCARAWAS COUNTY, OHIO**

**AUDIT REPORT**

**For the Years Ended December 31, 2011 & 2010**

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





# Dave Yost • Auditor of State

Village Council  
Village of Sugarcreek  
410 S. Broadway  
Sugarcreek, Ohio 44681

We have reviewed the *Report of Independent Accountants* of the Village of Sugarcreek, Tuscarawas County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2010 to December 31, 2011. 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 Sugarcreek is responsible for compliance with these laws and regulations.

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

Dave Yost  
Auditor of State

December 11, 2012

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**Village of Sugarcreek  
Tuscarawas County  
Notes to the Financial Statements  
December 31, 2011 and 2010**

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

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## **REPORT OF INDEPENDENT ACCOUNTANTS**

Village of Sugarcreek  
Tuscarawas County  
410 South Broadway  
Sugarcreek, Ohio 44681

To the Village Council:

We have audited the accompanying financial statements of the Village of Sugarcreek, Tuscarawas County, Ohio (the Village), as and for the years ended December 31, 2011 and 2010. 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.

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 governments 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, 2011 and 2010, 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, 2011 and 2010, 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 of the Village of Sugarcreek, Tuscarawas County as of December 31, 2011 and 2010 and the reserves for encumbrances as of December 31, 2010, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 1, for 2011, the Village implemented Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions."

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2012, 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*

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

September 30, 2012



**VILLAGE OF SUGARCREEK  
TUSCARAWAS COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$ 260,671	\$ 137,142	-	\$ 397,813
Municipal Income Tax	498,705	256,908	-	755,613
Intergovernmental	167,966	303,640	-	471,606
Charges for Services	8,084	65,000	-	73,084
Fines, Licenses and Permits	24,574	-	-	24,574
Earnings on Investments	272	15	-	287
Miscellaneous	12,798	1,144	-	13,942
<i>Total Cash Receipts</i>	<u>973,070</u>	<u>763,849</u>	<u>-</u>	<u>1,736,919</u>
<b>Cash Disbursements</b>				
Current:				
Security of Persons and Property	359,102	106,149	-	465,251
Public Health Services	2,210	-	-	2,210
Leisure Time Activities	32,001	-	-	32,001
Community Environment	5,544	-	-	5,544
Basic Utility Services	123,186	-	-	123,186
Transportation	6,417	267,971	-	274,388
General Government	384,393	2,567	-	386,960
Capital Outlay	242,170	321,955	-	564,125
Debt Service:				
Principal Retirement	-	363,091	-	363,091
Interest and Fiscal Charges	-	27,574	-	27,574
<i>Total Cash Disbursements</i>	<u>1,155,023</u>	<u>1,089,307</u>	<u>-</u>	<u>2,244,330</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(181,953)	(325,458)	-	(507,411)
<b>Other Financing Receipts (Disbursements)</b>				
Sale of Notes	228,240	165,000	-	393,240
Sale of Fixed Assets	1,000	-	-	1,000
Other Financing Sources	-	3,647	-	3,647
Other Financing Uses	(8,121)	(4,245)	-	(12,366)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>221,119</u>	<u>164,402</u>	<u>-</u>	<u>385,521</u>
<i>Net Change in Fund Cash Balances</i>	39,166	(161,056)	-	(121,890)
<i>Fund Cash Balances, January 1</i>	<u>325,847</u>	<u>111,337</u>	<u>\$ 1,719</u>	<u>438,903</u>
<b>Fund Cash Balances, December 31</b>				
Restricted	-	15,845	1,719	17,564
Assigned	1,643	-	-	1,643
Unassigned (Deficit)	363,370	(65,564)	-	297,806
<i>Fund Cash Balances, December 31</i>	<u><b>\$ 365,013</b></u>	<u><b>\$ (49,719)</b></u>	<u><b>\$ 1,719</b></u>	<u><b>\$ 317,013</b></u>

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

**VILLAGE OF SUGARCREEK  
TUSCARAWAS COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES  
ALL PROPRIETARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u><b>Proprietary Fund Types</b></u>
<b>Operating Cash Receipts</b>	
Charges for Services	\$ 851,736
Fees, Licenses and Permits	4,770
Miscellaneous	22,750
<i>Total Operating Cash Receipts</i>	<u>879,256</u>
<b>Operating Cash Disbursements</b>	
Personal Services	288,088
Transportation	1,733
Contractual Services	60,980
Supplies and Materials	276,803
<i>Total Operating Cash Disbursements</i>	<u>627,604</u>
<i>Operating Income (Loss)</i>	251,652
<b>Non-Operating Receipts (Disbursements)</b>	
Property and Other Local Taxes	377,806
Sale of Notes	235,405
Intergovernmental Revenue	525
Capital Outlay	(273,113)
Principal Retirement	(440,517)
Interest and Other Fiscal Charges	(120,127)
Other Financing Sources	1,520
Other Financing Uses	(6,091)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(224,592)</u>
<i>Income (Loss)</i>	27,060
<i>Fund Cash Balances, January 1</i>	<u>1,673,017</u>
<b><i>Fund Cash Balances, December 31</i></b>	<b><u><u>\$ 1,700,077</u></u></b>

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

**VILLAGE OF SUGARCREEK  
TUSCARAWAS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Property and Local Taxes	\$ 247,573	\$ 143,539	-	\$ 391,112
Municipal Income Taxes	453,091	232,798	-	685,889
Intergovernmental	158,570	189,247	-	347,817
Charges for Services	7,802	64,000	-	71,802
Fines, Licenses and Permits	1,905	-	-	1,905
Earnings on Investments	11,375	549	-	11,924
Miscellaneous	9,598	5,738	-	15,336
<b>Total Cash Receipts</b>	<b>889,914</b>	<b>635,871</b>	<b>-</b>	<b>1,525,785</b>
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	356,339	104,241	-	460,580
Public Health Services	2,271	-	-	2,271
Leisure Time Activities	10,636	-	-	10,636
Community Environment	5,509	-	-	5,509
Transportation	5,867	263,933	-	269,800
Basic Utility Services	118,164	-	-	118,164
General Government	403,156	2,526	-	405,682
Capital Outlay	6,656	362,040	-	368,696
Debt Service:				
Redemption of Principal	-	212,986	-	212,986
Interest and Fiscal Charges	-	15,935	-	15,935
<b>Total Cash Disbursements</b>	<b>908,598</b>	<b>961,661</b>	<b>-</b>	<b>1,870,259</b>
<b>Total Receipts Over/(Under) Disbursements</b>	<b>(18,684)</b>	<b>(325,790)</b>	<b>-</b>	<b>(344,474)</b>
<b>Other Financing Receipts / (Disbursements):</b>				
Sale of Fixed Assets	26,325	417	-	26,742
Sale of Notes	-	149,000	-	149,000
Transfers-In	-	32,349	-	32,349
Transfers-Out	(32,349)	-	-	(32,349)
Other Financing Sources	-	6,472	-	6,472
Other Financing Uses	25,751	(3,218)	-	22,533
<b>Total Other Financing Receipts / (Disbursements)</b>	<b>19,727</b>	<b>185,020</b>	<b>-</b>	<b>204,747</b>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	<b>1,043</b>	<b>(140,770)</b>	<b>-</b>	<b>(139,727)</b>
Fund Cash Balances, January 1	324,804	252,107	\$ 1,719	578,630
Fund Cash Balances, December 31,	<b>\$ 325,847</b>	<b>\$ 111,337</b>	<b>\$ 1,719</b>	<b>\$ 438,903</b>
Reserve for Encumbrances, December 31,	<b>\$ 30</b>	<b>\$ 7,237</b>	<b>\$ -</b>	<b>\$ 7,267</b>

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

**VILLAGE OF SUGARCREEK  
TUSCARAWAS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<b>Proprietary Fund Types</b>
	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$ 831,395
Fees, Licenses and Permits	3,005
Miscellaneous	25,097
Total Operating Cash Receipts	859,497
<b>Operating Cash Disbursements:</b>	
Personal Services	221,114
Transportation	1,909
Contractual Services	52,888
Supplies and Materials	342,549
Total Operating Cash Disbursements	618,460
Operating Income/(Loss)	241,037
<b>Non-Operating Cash Receipts (Disbursements)</b>	
Property and Other Local Taxes	342,350
Intergovernmental Receipts	56,133
Sale of Notes	284,611
Capital Outlay	(398,173)
Redemption of Principal	(520,274)
Interest and Fiscal Charges	(112,839)
Other Financing Uses	(4,619)
Total Non-Operating Receipts/Disbursements	(352,811)
Income/(Loss)	(111,774)
Fund Cash Balances, January 1	1,784,791
<b>Fund Cash Balances, December 31</b>	<b>\$ 1,673,017</b>
Reserve for Encumbrances, December 31,	<b>\$ 9,751</b>

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

**Village of Sugarcreek  
Tuscarawas County  
Notes to the Financial Statements  
December 31, 2011 and 2010**

**1. Summary of Significant Accounting Policies**

**A. Description of the Entity**

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

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

**B. Accounting Basis**

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

**C. 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.

Money market mutual funds (including STAR Ohio) are recorded at share values the mutual funds report.

**D. Fund Accounting**

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

**1. General Fund**

The General Fund reports all financial resources except those required to be accounted for in another fund.

**Village of Sugarcreek  
Tuscarawas County  
Notes to the Financial Statements  
December 31, 2011 and 2010**

**1. Summary of Significant Accounting Policies (continued)**

**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.

Fire and Emergency Services Levy Fund – This fund receives tax proceeds to fund Village emergency medical response services.

**3. Capital Project Funds**

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

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

**4. Enterprise Funds**

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

Water Fund - This fund receives charges for services from customers to operate the Village's water system.

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

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

**Village of Sugarcreek  
Tuscarawas County  
Notes to the Financial Statements  
December 31, 2011 and 2010**

**1. Summary of Significant Accounting Policies (continued)**

**E. Budgetary Process**

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

**1. Appropriations**

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

**2. Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

**3. Encumbrances**

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried forward to the subsequent year.

A summary of 2011 and 2010 budgetary activity appears in Note 3.

**F. Fund Balance**

For December 31, 2011, fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

**1. Nonspendable**

The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

**2. Restricted**

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

**Village of Sugarcreek  
Tuscarawas County  
Notes to the Financial Statements  
December 31, 2011 and 2010**

**1. Summary of Significant Accounting Policies (continued)**

**F. Fund Balance – (continued)**

**3. Committed**

Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

**4. Assigned**

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

**5. Unassigned**

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**G. 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.

**H. Accumulated Leave**

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



**Village of Sugarcreek  
Tuscarawas County  
Notes to the Financial Statements  
December 31, 2011 and 2010**

**2. Equity in Pooled Deposits and Investments**

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 and investments at December 31 was as follows:

	2011	2010
Demand deposits	<u>\$778,775</u>	<u>\$35,155</u>
Total deposits	<u>778,775</u>	<u>35,155</u>
Certificates of Deposit	<u>1,238,315</u>	<u>2,076,765</u>
Total investments	<u>1,238,315</u>	<u>2,076,765</u>
Total deposits and investments	<u><u>\$2,017,090</u></u>	<u><u>\$2,111,920</u></u>

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

**3. Budgetary Activity**

Budgetary activity for the years ending December 31, 2011 and 2010 follows:

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,121,775	\$1,202,310	\$80,535
Special Revenue	1,085,674	932,496	(153,178)
Enterprise	1,426,436	1,494,512	68,076
Total	<u><u>\$3,633,885</u></u>	<u><u>\$3,629,318</u></u>	<u><u>(\$4,567)</u></u>

2011 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$1,458,127	\$1,164,787	\$293,340
Special Revenue	1,218,991	1,094,440	124,551
Enterprise	3,174,644	1,475,998	1,698,646
Total	<u><u>\$5,851,762</u></u>	<u><u>\$3,735,225</u></u>	<u><u>\$2,116,537</u></u>

**Village of Sugarcreek  
Tuscarawas County  
Notes to the Financial Statements  
December 31, 2011 and 2010**

**3. Budgetary Activity – (continued)**

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,036,978	\$941,990	(\$94,988)
Special Revenue	841,585	824,109	(17,476)
Enterprise	1,196,944	1,542,591	345,647
Total	\$3,075,507	\$3,308,690	\$233,183

2010 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$1,015,840	\$940,977	\$74,863
Special Revenue	929,176	972,116	(42,940)
Enterprise	2,843,395	1,664,116	1,179,279
Total	\$4,788,411	\$3,577,209	\$1,211,202

**4. Property Tax**

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

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

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

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

**5. Local Income Tax**

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

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

**Village of Sugarcreek  
Tuscarawas County  
Notes to the Financial Statements  
December 31, 2011 and 2010**

**6. Debt**

Debt outstanding at December 31, 2011 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Notes	\$520,562	4.2 to 5%
General Obligation Bonds	874,850	5.5 to 8%
OPWC Loan	211,505	0%
Ohio Water Development Authority Loans	<u>1,616,351</u>	3.4 to 5.5%
Total	<u><u>\$3,223,268</u></u>	

The prior year OPWC Downtown Gateway Street loan was not used and canceled/forgiven by OPWC in 2010. Also, the prior audit's ending debt balance was understated by \$2,375.

The Ohio Water Development Authority (OWDA) loans were issued to finance water and sewer system improvement projects, including the construction of the wastewater treatment plant. The General Obligation Bond proceeds were used to finance water and sewer system improvements, purchase road equipment and the clock tower.

The Ohio Public Works Commission (OPWC) loan proceeds were used for the construction of the Shanesville Water Tank.

The Various Purpose Note proceeds were used to purchase and renovate a new Village Hall, to make improvements to the sewer system and for improvements to the salt storage building. It was originally issued in 2003 and the Village rolls it over every year.

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

Year ending December 31:	<u>OPWC Loans</u>	<u>OWDA Loans</u>	<u>G.O. Notes</u>	<u>G.O. Bonds</u>
2012	\$ 19,228	\$ 214,351	\$ 128,590	\$ 195,102
2013	19,228	223,053	120,350	198,307
2014	19,228	232,134	120,350	199,287
2015	19,228	214,543	120,350	198,052
2016	19,228	222,883	46,341	193,295
2017-2021	96,140	114,669	-	493,121
2022-2026	19,225	-	-	-
Total	<u><u>\$ 211,505</u></u>	<u><u>\$ 1,221,633</u></u>	<u><u>\$ 535,981</u></u>	<u><u>\$ 1,477,164</u></u>

The amortization schedules for the Ohio Water Development Authority issues #3461 and #5124 were not available as of the date of this report.

**Village of Sugarcreek  
Tuscarawas County  
Notes to the Financial Statements  
December 31, 2011 and 2010**

**7. Capital Leases**

Capital Leases outstanding at December 31, 2011 were as follows:

	Principal
Aerial Platform Truck	\$ 157,193
Fire Truck	118,355
Total	\$ 275,548

The Village entered into an agreement with Bank One Leasing Corporation on June 25, 2003 to lease, with the option to purchase at the conclusion of the lease, an aerial platform truck to be used in the Fire Department. The Village also entered into an agreement with Chase Equipment Leasing, Inc. on February 15, 2008 to lease, with the option to purchase at the conclusion of the lease, a fire truck to be used in the Fire Department.

Lease payments, including interest, are scheduled as follows:

Year Ending	Aerial Fire	Fire Truck
December 31:	Truck Lease	Lease
2012	\$ 82,633	\$ 42,019
2013	81,163	42,019
2014	-	42,019
Total	\$ 163,796	\$ 126,057

**7. Retirement Systems**

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

The Ohio Revised Code also prescribes contribution rates. For 2011 and 2010, OP&F participants contributed 10% of their wages. For 2011 and 2010, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2011 and 2010, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2011.

**Village of Sugarcreek  
Tuscarawas County  
Notes to the Financial Statements  
December 31, 2011 and 2010**

**8. Risk Management**

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles;
- Commercial Inland Marine;
- Employers liability;
- Employee benefits liability;
- Errors and omissions.

Settled claims have not exceeded coverage in any of the last three years and there was no significant reduction in coverage from the prior year.

**9. Contingent Liabilities/Subsequent Events**

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.

Management believes there are no pending claims or lawsuits.

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

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

To the Village Council:

We have audited the financial statements of the Village of Sugarcreek, Tuscarawas County, Ohio (the Village) as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated September 30, 2012, 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. For 2011, the Village implemented Governmental Accounting Standard Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". 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 preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be 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 certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2011-Sugarcreek-03 and 04 described in the accompanying schedule of findings to be material weaknesses.

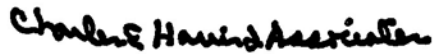
### Compliance and Other Matters

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 such 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 2011 – Sugarcreek -01 to 06.

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 also noted certain matters that we have reported to management of the Village in a separate letter dated September 30, 2012.

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



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

September 30, 2012

**VILLAGE OF SUGARCREEK  
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS  
December 31, 2011 and 2010**

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

**FINDING NUMBER 2011-Sugarcreek-01: Noncompliance**

Ohio Revised Code Section 5705.10(H), requires that monies paid into any fund be used only for the purposes for which such fund is established. The Village had negative cash fund balances at December 31, 2011 and 2010 as follows:

Fund	
<u>2011</u>	
Special Revenue Funds:	
SCM&R	\$ (31,834)
Fire & EMS Levy	(33,730)
Enterprise Funds:	
Water	(154,855)
<u>2010</u>	
Enterprise Fund	
Water Fund	(42,137)

Negative cash fund balances are an indication that revenues from other sources were used to pay the obligations of these funds. Additionally, money spent for purposes other than specified in grant agreements could result in the loss of future grant awards. The Fiscal Officer should monitor receipts and disbursements on a regular basis to ensure a sufficient fund balance exists before authorizing the expenditure of funds. In those cases where additional funds are required, the funds should either be transferred or advanced to the fund from the General Fund.

**Management Response:**

Management is aware of the negative fund balances and is exploring various options to alleviate them in the future.



VILLAGE OF SUGARCREEK  
TUSCARAWAS COUNTY

SCHEDULE OF FINDINGS – (continued)  
December 31, 2011 and 2010

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

**FINDING NUMBER 2011-Sugarcreek-02: Noncompliance**

Section 5705.41 (B), Revised Code, prohibits the Village from making an expenditure unless it has been properly appropriated. The following funds were found to have disbursements and encumbrances in excess of appropriations at December 31, 2011 and 2010:

<u>Fund</u>	<u>Variance</u>
<u>2011</u>	
<u>Enterprise fund</u>	
Water Fund	\$ (18,566)
<u>2010</u>	
<u>Special Revenue Fund</u>	
Fire & EMS Fund	(155,434)
Swimming Pool	(127)
<u>Enterprise Fund</u>	
Water Fund	(142,875)

We recommend management monitor all budgetary activity on a regular basis to avoid expenditures from exceeding appropriations.

**Management Response:**

Management will monitor all budgetary activity in the future to avoid expenditures from exceeding appropriations in the future.

**FINDING NUMBER 2011-Sugarcreek-03: Non-Compliance and Material Weakness**

Ohio Rev. Code Section 5705.14, 5705.15, and 5705.16 states that no transfer can be made from one fund of a subdivision to any other fund, except money may be transferred from the general fund to any fund of the subdivision by resolution of the taxing authority or from one fund to another as is specifically authorized in Ohio Rev. Code Section 5705.14.

Transfers must be specifically approved by a formal resolution or ordinance of the taxing authority of the subdivision. The resolution/ordinance must include:

- A specific statement that the transaction is either a transfer or an advance of cash, and
- The specific funds providing and receiving, and the amounts of the transfer.

The Village transferred \$32,439 from the Sewer Debt Service Fund Podium Project – Enterprise Funds to the Fire & EMS Fund-Special Revenue Funds.

**VILLAGE OF SUGARCREEK  
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS – (continued)  
December 31, 2011 and 2010**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2011-Sugarcreek-03: Noncompliance – (continued)**

The above transfer was not in compliance with Ohio Revised Code Sections 5705.14-16 and was reversed in the financial statements and the Village's records.

We recommend the Village refer to the Ohio Revised Code Section 5705.14, 5705.15, and 5705.16 prior to making transfers and advances and make them accordingly.

**Management Response:**

Management has reversed the transfer and will consult the Ohio Revised Code and other literature to ensure all transfers are in compliance.

**FINDING NUMBER 2011-Sugarcreek-04: Noncompliance and Material Weakness**

Ohio Admin. Code Section 117-2-02(A) provides that all local public offices should maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance and finance-related legal and contractual requirements and prepare financial statements.

The Village Officers' Handbook provides suggested account classifications. These accounts classify receipts by fund and source (taxes or charges for services, for example). Using these classifications and the aforementioned accounting records will provide the Village with information required to monitor compliance and with the budget and prepare annual reports in the format required by the Auditor of State.

During 2010 and 2011, the Village loan from OWDA included receipts of \$224,611 and \$20,405 paid directly to contractors on the Village's behalf that were not booked by the Village into the Water Fund. These were adjusted into the Water Fund as proceeds of loans and capital outlay.

In 2011, the Village reported the proceeds of the sale of a note of \$200,000 in the Special Assessments line item in the General Fund. This was reclassified to Sale of Notes in the General Fund.

In the prior audit, there were adjustments to the fund balances of the General Fund, SCM&R and the State Highway Improvement funds of \$10,460, \$10,068 and \$392, respectively. These adjustments were not made in the Village records. The adjustments were made in the financial statements and the Village's records.

In addition, the 2009 audit reflected a Capital Projects fund balance of \$1,719 that was not adjusted by the Village. The fund balance has been reclassified from the Special Revenue fund to the Capital Projects fund in the Village's records.

In 2011, the Village reclassified the Enterprise Fund Sewer Debt Service Fund of \$1,368,539 to the Special Revenue Fund type. This was reclassified back to the Enterprise Fund in the Village's records.

VILLAGE OF SUGARCREEK  
TUSCARAWAS COUNTY

SCHEDULE OF FINDINGS – (continued)  
December 31, 2011 and 2010

<p>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</p>
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**FINDING NUMBER 2011-Sugarcreek-04: Noncompliance and Material Weakness - continued**

We also noted the ending debt balance was misstated by \$2,375. This amount was adjusted in the footnotes.

**Management Response:**

Management will monitor all financial activity and consult with the Auditor of State guidelines to ensure all future activity is recorded correctly.

**Finding Number: 2011-Sugarcreek-05: Noncompliance**

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 Village 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 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.

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 Village 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.

VILLAGE OF SUGARCREEK  
TUSCARAWAS COUNTY

SCHEDULE OF FINDINGS – (continued)  
December 31, 2011 and 2010

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

**Finding Number: 2011-Sugarcreek-05: Noncompliance - (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 predicable 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.

The Village did not properly certify the availability of funds for 10 of 59 non-payroll expenditures tested for the audit period. Failure to certify the availability of funds and encumber purchases could result in overspending and negative cash balances.

To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend the Fiscal Officer certify the availability of funds prior to the commitment for the expenditure of Village money. The Village should consider the use of blanket purchase orders and "then and now" certificates to assist in complying with the above requirement.

**Management Response:**

Management will further instruct departments to inform the fiscal office of purchases prior to being made.

**Finding Number: 2011-Sugarcreek-06: Noncompliance**

Section 5705.39, Revised Code, provides in part that total appropriations from each fund shall not exceed the total estimated resources. No appropriation measure is effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate. The funds listed below had appropriations exceeding the total estimated resources.

<u>Fund</u>	<u>Variance</u>
<u>2011</u>	
General Fund	\$ (10,505)
Special Revenue Fund:	
Fire and EMS	(32,439)
<u>Enterprise fund</u>	
Water Fund	(90,000)

**Management Response:**

Management will monitor all budgetary activity in the future to avoid appropriations from exceeding estimated resources in the future.

VILLAGE OF SUGARCREEK  
TUSCAWARAS COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
December 31, 2011 and 2010

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken or Finding No Longer Valid; Explain
2009-001	Financial Report – Errors noted that required adjustments and reclassifications	No	See Finding 2011 – Sugarcreek - 04
2009-002	Finding for recovery	Yes	
2009-003	ORC §5705.10(H) Negative fund balances in several funds	No	See Finding 2011 – Sugarcreek - 01

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# Dave Yost • Auditor of State

VILLAGE OF SUGARCREEK

TUSCARAWAS COUNTY

## CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
DECEMBER 20, 2012