

VILLAGE OF GNADENHUTTEN

TUSCARAWAS COUNTY

INDEPENDENT AUDITOR'S REPORT

FOR THE YEARS ENDED
DECEMBER 31, 2013 AND DECEMBER 31, 2012

Varney, Fink & Associates, Inc.
Certified Public Accountants



Dave Yost • Auditor of State

Village Council
Village of Gnadenhutten
PO Box 129
Gnadenhutten, Ohio 44629

We have reviewed the *Independent Auditor's Report* of the Village of Gnadenhutten, Tuscarawas County, prepared by Varney, Fink & Associates, Inc., for the audit period January 1, 2012 through December 31, 2013. 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.

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

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

Dave Yost
Auditor of State

September 25, 2015

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VILLAGE OF GNADENHUTTEN

TUSCARAWAS COUNTY
FOR THE YEARS ENDED
DECEMBER 31, 2013 AND DECEMBER 31, 2012

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INDEPENDENT AUDITOR'S REPORT

Village of Gnadenuhuten
Tuscarawas County
P.O. Box 129
Gnadenuhuten, OH 44629

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Village of Gnadenuhuten, Tuscarawas County, (the Village) as of and for the years ended December 31, 2013 and 2012.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38

and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis permitted is the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2013 and 2012, or changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Gnadenhutten, Tuscarawas County as of December 31, 2013 and 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 18, 2015, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

Varney, Fink & Associates

VARNEY, FINK & ASSOCIATES, INC.
Certified public Accountants

March 18, 2015

**VILLAGE OF GNADENHUTTEN
TUSCARAWAS COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$68,252	\$15,696	\$0	\$83,948
Municipal Income Tax	155,050	126,276	38,887	320,213
Intergovernmental	32,391	87,566	0	119,957
Charges for Services	60,179	33,677	0	93,856
Fines, Licenses and Permits	1,956	0	0	1,956
Earnings on Investments	912	0	0	912
Miscellaneous	31,301	2,165	0	33,466
<i>Total Cash Receipts</i>	<u>350,041</u>	<u>265,380</u>	<u>38,887</u>	<u>654,308</u>
Cash Disbursements				
Current:				
Security of Persons and Property	40,381	141,018	0	181,399
Public Health Services	816	0	0	816
Leisure Time Activities	17,564	0	0	17,564
Community Environment	924	0	0	924
Basic Utility Services	98,947	7,328	0	106,275
Transportation	56,936	75,866	0	132,802
General Government	93,583	19,074	0	112,657
Capital Outlay	49,520	0	40,000	89,520
Debt Service:				
Principal Retirement	22,120	20,520	0	42,640
Interest and Fiscal Charges	1,100	780	0	1,880
<i>Total Cash Disbursements</i>	<u>381,891</u>	<u>264,586</u>	<u>40,000</u>	<u>686,477</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(31,850)</u>	<u>794</u>	<u>(1,113)</u>	<u>(32,169)</u>
Other Financing Receipts (Disbursements)				
Advances In	10,000	10,000	0	20,000
Advances Out	(10,000)	(10,000)	0	(20,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Cash Balances</i>	<u>(31,850)</u>	<u>794</u>	<u>(1,113)</u>	<u>(32,169)</u>
<i>Fund Cash Balances, January 1</i>	<u>91,175</u>	<u>53,628</u>	<u>18,764</u>	<u>163,567</u>
Fund Cash Balances, December 31				
Restricted	0	55,299	17,651	72,950
Unassigned (Deficit)	59,325	(877)	0	58,448
<i>Fund Cash Balances, December 31</i>	<u>\$59,325</u>	<u>\$54,422</u>	<u>\$17,651</u>	<u>\$131,398</u>

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

**VILLAGE OF GNADENHUTTEN
TUSCARAWAS COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCE (CASH BASIS)
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Enterprise
Operating Cash Receipts	
Charges for Services	\$516,880
<i>Total Operating Cash Receipts</i>	516,880
Operating Cash Disbursements	
Personal Services	49,949
Employee Fringe Benefits	18,004
Contractual Services	178,328
Supplies and Materials	529
Other	100
<i>Total Operating Cash Disbursements</i>	246,910
<i>Operating Income</i>	269,970
Non-Operating (Disbursements)	
Capital Outlay	(8,924)
Principal Retirement	(189,276)
Interest and Other Fiscal Charges	(3,795)
<i>Total Non-Operating (Disbursements)</i>	(201,995)
<i>Net Change in Fund Cash Balance</i>	67,975
<i>Fund Cash Balance, January 1</i>	276,510
<i>Fund Cash Balance, December 31</i>	\$344,485

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

**VILLAGE OF GNADENHUTTEN
TUSCARAWAS COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$69,801	\$16,108	\$0	\$85,909
Municipal Income Tax	136,108	111,792	34,026	281,926
Intergovernmental	38,416	85,993	0	124,409
Charges for Services	63,261	30,212	0	93,473
Fines, Licenses and Permits	2,192	0	0	2,192
Earnings on Investments	1,193	0	0	1,193
Miscellaneous	154,406	10,256	0	164,662
<i>Total Cash Receipts</i>	<u>465,377</u>	<u>254,361</u>	<u>34,026</u>	<u>753,764</u>
Cash Disbursements				
Current:				
Security of Persons and Property	62,888	116,095	0	178,983
Public Health Services	684	0	0	684
Leisure Time Activities	27,015	0	0	27,015
Community Environment	924	0	0	924
Basic Utility Services	110,772	0	0	110,772
Transportation	55,005	67,432	0	122,437
General Government	108,315	26,329	0	134,644
Capital Outlay	25,161	0	55,400	80,561
Debt Service:				
Principal Retirement	19,670	21,104	0	40,774
Interest and Fiscal Charges	1,930	1,696	0	3,626
<i>Total Cash Disbursements</i>	<u>412,364</u>	<u>232,656</u>	<u>55,400</u>	<u>700,420</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>53,013</u>	<u>21,705</u>	<u>(21,374)</u>	<u>53,344</u>
<i>Fund Cash Balances, January 1</i>	<u>38,162</u>	<u>31,923</u>	<u>40,138</u>	<u>110,223</u>
Fund Cash Balances, December 31				
Restricted	0	53,628	18,764	72,392
Assigned	3,613	0	0	3,613
Unassigned (Deficit)	87,562	0	0	87,562
<i>Fund Cash Balances, December 31</i>	<u><u>\$91,175</u></u>	<u><u>\$53,628</u></u>	<u><u>\$18,764</u></u>	<u><u>\$163,567</u></u>

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

**VILLAGE OF GNADENHUTTEN
TUSCARAWAS COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCE (CASH BASIS)
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Enterprise</u>
Operating Cash Receipts	
Charges for Services	<u>\$497,688</u>
<i>Total Operating Cash Receipts</i>	<u>497,688</u>
Operating Cash Disbursements	
Personal Services	52,626
Employee Fringe Benefits	21,824
Contractual Services	197,971
Supplies and Materials	<u>2,797</u>
<i>Total Operating Cash Disbursements</i>	<u>275,218</u>
<i>Operating Income</i>	<u>222,470</u>
Non-Operating (Disbursements)	
Other Financing (Uses)	(1,108)
Capital Outlay	(47,068)
Principal Retirement	(189,072)
Interest and Other Fiscal Charges	<u>(3,999)</u>
<i>Total Non-Operating (Disbursements)</i>	<u>(241,247)</u>
<i>Net Change in Fund Cash Balance</i>	(18,777)
<i>Fund Cash Balance, January 1</i>	<u>295,287</u>
<i>Fund Cash Balance, December 31</i>	<u><u>\$276,510</u></u>

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

**VILLAGE OF GNADENHUTTEN
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

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 Gnadenhutten, 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, road maintenance and repair, and police and fire services.

The Village participates in three jointly governed organizations and the Public Entities Pool of Ohio public entity risk pool. Notes 8 and 9 to the financial statements provides additional information for these entities. These organizations are:

Jointly Governed Organizations:

Gnadenhutten – Clay Union Cemetery
Community Improvement Corporation of Tuscarawas County
Tuscarawas County Regional Planning Commission

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 accounts for and reports all financial resources not accounted for and reported in another fund.

**VILLAGE OF GNADENHUTTEN
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. 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.

Police Fund – This fund receives income tax money for providing police services.

Fire Levy Fund – This fund receives property tax levy money for providing fire and EMS services.

3. Capital Project Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant capital project fund:

Capital Improvement Fund – This fund receives income tax money for capital projects.

4. Enterprise Funds

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

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

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

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. 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 approve

**VILLAGE OF GNADENHUTTEN
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

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 canceled, and reappropriated in the subsequent year. Management has included audit adjustments in the accompanying budgetary presentations for material items that should have been encumbered.

A summary of 2013 and 2012 budgetary activity appears in Note 3.

F. Fund Balance

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.

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

**VILLAGE OF GNADENHUTTEN
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

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.

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 at December 31 was as follows:

	2013	2012
Demand deposits	\$38,668	\$20,727
Certificates of deposit	164,552	164,045
Other time deposits (savings and NOW accounts)	272,663	255,305
Total deposits	\$475,883	\$440,077

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, 2013 and 2012 follows:

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$350,000	\$350,041	\$41
Special Revenue	402,000	265,380	(136,620)
Capital Projects	56,000	38,887	(17,113)
Enterprise	453,126	516,880	63,754
Total	\$1,261,126	\$1,171,188	(\$89,938)

**VILLAGE OF GNADENHUTTEN
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

2013 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$363,613	\$381,891	(\$18,278)
Special Revenue	404,504	264,586	139,918
Capital Projects	56,000	40,000	16,000
Enterprise	453,126	448,905	4,221
Total	<u>\$1,277,243</u>	<u>\$1,135,382</u>	<u>\$141,861</u>

2012 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$350,000	\$465,377	\$115,377
Special Revenue	400,100	254,361	(145,739)
Capital Projects	35,000	34,026	(974)
Enterprise	449,000	497,688	48,688
Total	<u>\$1,234,100</u>	<u>\$1,251,452</u>	<u>\$17,352</u>

2012 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$350,000	\$415,977	(\$65,977)
Special Revenue	402,000	235,160	166,840
Capital Projects	56,000	55,400	600
Enterprise	453,126	516,465	(63,339)
Total	<u>\$1,261,126</u>	<u>\$1,223,002</u>	<u>\$38,124</u>

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority; in the General fund by \$18,278, Street Construction Maintenance and Repair fund by \$16,866, Fire Levy fund by \$20,624, Municipal Income Tax Levy fund by \$120,221, and the Sewer fund by \$12,866 for the year ended December 31, 2013. Budgetary expenditures exceeded appropriations authority in the General fund by \$65,977, Street Construction Maintenance and Repair fund by \$8,432, Fire Levy fund by \$25,225, Municipal Income Tax Levy fund by \$81,529, Water fund by \$45,002, Sewer fund by \$17,884, and the Sewer Upgrade fund \$508 for the year ended December 31, 2012.

Contrary to Ohio Revised Code, Section 5705.10, as of December 31, 2013 the Village maintained a deficit cash balance in the Fire Fund that indicates money from other funds has been used to pay the obligations of this fund.

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.

**VILLAGE OF GNADENHUTTEN
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

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 1.5 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.

Of the 1.5 percent income tax that the Village collects, 80 percent of the first one percent is designated to support general Village operations and 20 percent is designated to support capital projects of the Village. The remaining .5 percent is designated to support the Village police department.

6. Debt

Debt outstanding at December 31, 2013 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Bank Note (Garbage Truck/Packer)	\$11,872	4.25%
Bank Note (Truck Snow Plow/Salt Spreader)	5,233	4.25%
OPWC Loan (Waterline Replacement)	61,304	0.00%
OWDA Loan 3185 (Waterline Replacement)	59,316	6.13%
OWDA Loan 4157 (WWTP Improvements)	<u>2,019,305</u>	0.00%
Total	<u>\$2,157,030</u>	

The bank notes were obtained to purchase an ambulance, a garbage truck/packer and a truck snow plow/salt spreader. The notes are secured by the ambulance, garbage truck/packer, and truck snow plow/salt spreader, respectively. In 2012, the beginning balance of the amortization schedule for the truck snow plow/salt spreader was changed by \$1,769. The ending balance above for the truck snow plow/salt spreader reflects the change in the amortization schedule.

The OPWC loan was obtained to complete a waterline project. The loan is collateralized by user fees. The OWDA loans were obtained to provide water and sewer system improvements and a waterline replacement. The loans are collateralized by user fees.

**VILLAGE OF GNADENHUTTEN
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

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

Year ending December 31:	Bank Notes		OPWC Loan	OWDA Loans	
	Principal	Interest	Principal	Principal	Interest
2014	\$17,105	\$273	\$10,217	\$179,274	\$3,580
2015	0	0	10,217	179,503	3,350
2016	0	0	10,217	179,747	3,107
2017	0	0	10,217	180,005	2,848
2018	0	0	10,218	180,280	2,574
2019-2023	0	0	10,218	906,156	8,112
2024-2025	0	0	0	273,656	635
Total	\$17,105	\$273	\$61,304	\$2,078,621	\$24,206

7. Retirement Systems

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

The Ohio Revised Code also prescribes contribution rates. For 2013 and 2012, OP&F participants contributed 10% until 6/30/2013 and 10.75% after 7/1/2013 of their wages. For 2013 and 2012, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2013 and 2012, 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, 2013.

8. Risk Management

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

The Village insures against injuries to employees through the Ohio Bureau of Workers' compensation.

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (YORK), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance series for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member Villages pay annual contributions to PEP. PEP pays judgments, settlements, and other expenses resulting from covered claims that exceed the members' deductibles.

Casual and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this agreement, PEP retains insured risks up to an amount in the contracts. At December 31, 2013, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

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

**VILLAGE OF GNADENHUTTEN
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2013 and 2012 (the latest information available):

	2013	2012
Assets	\$34,411,883	\$34,389,569
Liabilities	(\$12,760,194)	(\$14,208,353)
Net Assets	\$21,651,689	\$20,181,216

At December 31, 2013 and 2012, respectively, the liabilities above included approximately \$11.6 million and \$13.1 million estimated incurred claims payable. The assets above also included approximately \$11.1 million and \$12.6 million of unpaid claims to be billed to approximately 475 member governments in the future, as of December 31, 2013 and 2012, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2013, the Village's share of these unpaid claims collectible in the future years is approximately \$12,900.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

Contributions to PEP	
2013	2012
\$28,787	\$28,544

9. Jointly Governed Organizations

A. Gnadenhutten – Clay Union Cemetery (the Union)

The Cemetery is a jointly governed organization under Ohio Revised Code § 759.27, and is directed by an appointed three-member board. The Village of Gnadenhutten and Clay Township each appoint one member to the board. The third member is a citizen appointed by the other two members. The Village funding provides burial services and operations and maintenance of the Cemetery. The Cemetery reimburses the Village for funding provided. The Village received \$11,100 for the past services provided during 2011 and \$12,863 during 2012. As of December 31, 2013 the Cemetery was paid in full.

B. Community Improvement Corporation of Tuscarawas County (the Corporation)

The Corporation is operated by Tuscarawas County, New Philadelphia, Dover, Urichsville, Dennison, Strasburg, Sugar Creek, and Gnadenhutten. It is controlled by 25 trustees consisting of the three County Commissioners, the mayor of each participating city and 15 self-elected trustees. The board exercises total control over the operations of the corporation including budgeting, appropriating, contracting and designating management. Each participant's degree of control is limited to representation on the board. During 2013 and 2012, no monies were paid to the Corporation by the Village.

**VILLAGE OF GNADENHUTTEN
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

C. Tuscarawas County Regional Planning Commission (the Commission)

The Commission is a statutorily created political subdivision of the State. The Commission is jointly governed among Tuscarawas County municipalities and townships. Each member's control over the operation of the Commission is limited to its representation on the board. The Commission makes studies, maps, plans recommendation and reports concerning the physical, environmental, social, economical and governmental characteristics, functions and services of the county. In 2013 and 2012, \$206.08 was paid to the Commission by the Village for each year.

15. Subsequent Events

Ordinance 795 was passed on April 7, 2014 authorizing the issuance and sale of a general obligation note with the maximum principal amount of \$33,000 in anticipation of the purchase of a new police cruiser.

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

Village of Gnadenhutten
Tuscarawas County
P.O. Box 129
Gnadenhutten, OH 44629

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of Gnadenhutten, Tuscarawas County, (the Village) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements and have issued our report thereon dated March 18, 2015 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion(s) on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant* deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2013-006 described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining 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 2013-001 through 2013-005.

Entity's Response to Findings

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.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under Government Auditing Standards in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Varney, Fink & Associates

VARNEY, FINK & ASSOCIATES, INC.
Certified public Accountants

March 18, 2015

**VILLAGE OF GNADENHUTTEN
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012**

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

FINDING NUMBER 2013-001

Noncompliance

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

In 2013 and 2012 expenditures and encumbrances exceeded appropriations in the following funds:

2013 Fund	Authorized Appropriations	Budgetary Expenditures	Variance
General	\$363,613	\$381,891	(\$18,278)
Street Construction	65,000	81,866	(16,866)
Fire Levy	39,504	60,128	(20,624)
Municipal Income Tax	200,000	320,221	(120,221)
Sewer	160,000	172,866	(12,866)
2012 Fund	Authorized Appropriations	Budgetary Expenditures	Variance
General	\$350,000	\$415,977	(\$65,977)
Street Construction	65,000	73,432	(8,432)
Fire Levy	37,000	62,225	(25,225)
Municipal Income Tax	200,000	281,529	(81,529)
Water	100,000	145,002	(45,002)
Sewer	160,000	177,884	(17,884)
Sewer Upgrade	175,592	176,100	(508)

The Fiscal Officer should frequently compare actual expenditures plus encumbrances to appropriations to avoid overspending.

Official's Response:

Amendments to appropriations will be made if any funds are exceeded.

**VILLAGE OF GNADENHUTTEN
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012**

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

FINDING NUMBER 2013-002

Noncompliance

Ohio Revised Code, Section 5705.14 and 5705.16, states that except in the case of transfers from the General Fund, transfers can be made only by resolution of the taxing authority passed with the affirmative vote of two thirds of the board members.

In both 2012 and 2013 the Village Council appropriated transfers in the amount of \$168,500, respectively in the Income Tax Fund (Special Fund); however, they did not pass a resolution authorizing any of the transfers made from the Income Tax Fund.

The transfers of the Village should be authorized by Village Council by resolution passed with the affirmative vote of two thirds of the board members.

Official's Response:

Ordinance #460 is set up to allow distribution of 80% to General Fund and 20% to Capital Improvements.

FINDING NUMBER 2013-003

Noncompliance

Payout of Vacation/Personal Time

Section 7.3, Vacation Leave Personnel Policies and Procedures, states vacation time granted is non-accumulative from year to year. If unused time is available, time is forfeited. The employee, if he qualifies, must take one week of vacation. However, if he so desires and Council approves, the employee may work the additional time. He would receive his paid vacation plus the additional time worked, which will be based upon his regularly weekly salary.

Section 7.2.4 Personal Leave states, each full-time employee is authorized two personal days per year. A reason for use of this type as leave is not required. The Village Administrator, in the same manner as vacation leave, will authorized personal leave. Personal leave will not accumulate from year to year and can only be taken by employees who have completed their probationary period.

During our testing of payroll we found the following exceptions all with the same employee in 2013 and 2012:

**VILLAGE OF GNADENHUTTEN
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012**

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

1. The employee was paid for 40 hours of vacation and the additional time worked, but we found no Council authorization as required by Section 7.3.

2. The employee received a payout for unused vacation (120 hours) and personal time (16 hours). The Personnel Policies and Procedures does not authorize the payout of unused vacation or personal time. Section 7.3 indicates unused time is forfeited and Section 7.2.4 indicates personal leave will not accumulate from year to year. The total paid out was \$167.20 in personal time and \$1,254.00 in vacation time for 2013 and \$164.00 in personal time and \$1,236.00 in vacation time in 2012. We did not find Council authorization for this payout.

We recommend the Village follow the Village Personnel Policies and Procedures for these issues.

Official's Response:

Council will approve or disapprove any future requests from the employees.

FINDING NUMBER 2013-004

Noncompliance

Ohio Rev. Code Section 5705.41(D) requires that no subdivision or taxing unit make any contract or order any expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the same has been lawfully appropriated for such purposes and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such certificate shall be null and void and no warrant shall be issued in payment of any amount due thereon.

This section also provides for the following "exceptions" to the above requirements:

- a. Then and Now Certificates - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, Village Council may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate

**VILLAGE OF GNADENHUTTEN
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012**

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

- b. If the amount involved is less than \$3,000, the Fiscal Officer may authorize payment through a Then and Now Certificate without affirmation of the Village Council, if such expenditure is otherwise valid

- c. Fiscal officers may prepare “blanket” certificates for a sum not exceeding an amount established by resolution or ordinance adopted by the members of the legislative authority against any specific line item account over a period not extending 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.

In addition to regular blanket certificates a subdivision’s fiscal officer may also issue so-called “super blanket” certificates for any amount for expenditures and contracts from a specific line-item appropriation account in a specified fund for most professional services. This certification is not to extend beyond the fiscal year or, beyond the quarterly spending plan established. More than one super blanket certificate may be outstanding at one particular for a particular line-item appropriation account.

During the audit period 100% of the expenditures in 2013 and 93% of expenditures tested in 2012 were not certified by the Fiscal Officer prior to incurring the obligation. It was also found that neither of the two exceptions above was utilized for the items found to be in non-compliance. The Village should certify the availability of funds prior to incurring the obligation for expenditures. The Village should also implement the use of Then and Now Certificates and Blanket Certificates as further permitted by Ohio Rev. Code Section 5705.41.

Official’s Response:

Fiscal Officer will be more cautious of certifying the Then & Now or Blanket Certificates in the future.

FINDING NUMBER 2013-005

Noncompliance

Ohio Revised Code Section 5705.10 requires that money paid into a fund must be used only for the purposes for which such fund was established. As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund.

**VILLAGE OF GNADENHUTTEN
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012**

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

As a result of audit adjustments, the Village has a negative fund balance at December 31, 2013 of \$877 in the Fire Fund.

Official's Response:

No response, shortage due to changes in previous audit.

FINDING NUMBER 2013-006

Material Weakness

Financial Statement Presentation

A monitoring system should be in place to prevent or detect material misstatements for the accurate presentation of the Village's financial statements.

The Fiscal Officer did not always accurately post receipts and disbursements to the Village's accounting system and/or financial statements. The following posting errors were noted:

- In the General Fund, Street Construction Maintenance & Repair Fund, Fire Fund and Enterprise Funds, principal payments were incorrectly posted as general government or basic utility and interest payments were incorrectly posted as principal retirement.
 - General Fund (\$1,100 in 2013); (\$1,930 in 2012)
 - Street Construction Maintenance & Repair Fund (\$239 in 2013); (\$619 in 2012)
 - Fire Fund (\$1,740 in 2013); (\$2,477 in 2012)
 - Enterprise Funds (\$3,795 in 2013); (\$3,999 in 2012)
- In the Fire Fund, grants received from the State of Ohio were incorrectly reported as either miscellaneous revenue or fines, licenses & permits. The receipts should have posted as intergovernmental receipts.
 - \$6,000 in 2013
 - \$4,500 in 2012
- In the General Fund and Fire Fund, homestead and rollback receipts were incorrectly reported as property and other taxes. The receipts should have been reported as intergovernmental receipts.
 - General Fund (\$12,268 in 2013); (\$12,242 in 2012)
 - Fire Fund (\$2,472 in 2012)

**VILLAGE OF GNADENHUTTEN
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012**

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

- In the Fire Fund, property and other local taxes were incorrectly posted as intergovernmental revenue.
 - \$15,696 in 2013
- In the General Fund and Fire Fund, an advance in and out was incorrectly posted to transfer in and out.
 - \$10,000 in 2013
- In the General Fund and Enterprise Funds, reimbursements for current year expenses were incorrectly posted as revenue rather than a reduction of the expenditure.
 - General Fund (\$2,500 in 2013)
 - Sewer Fund (\$29,473 in 2013)
 - Water Fund (\$4,473 in 2013)
- In the General Fund, Street Construction Maintenance & Repair Fund, Income Tax Fund, Fire Fund, Police Fund, Water Fund and Sewer Fund disbursements were classified incorrectly in the Village's financial statements as basic utility services.
 - General Fund (\$114,009 in 2013); (\$88,277 in 2012)
 - Street Construction Maintenance & Repair Fund (\$76,207 in 2013); (\$39,422 in 2012)
 - Income Tax Fund (\$13,368 in 2013)
 - Fire Fund (\$48,900 in 2013); (\$44,659 in 2012)
 - Police Fund (\$41,186 in 2013); (\$30,581 in 2012)
 - Water Fund (\$68,271 in 2013); (\$119,294 in 2012)
 - Sewer Fund (\$162,781 in 2013); (\$127,639 in 2012)

Not posting receipts and disbursements accurately to the accounting system or financial statements resulted in the financial statements requiring numerous audit adjustments and reclassifying entries; furthermore, inaccurate accounting records could make it difficult for the Village Council to effectively manage and budget for the Village's activities.

We recommend the Village's Clerk/Treasurer take steps to ensure the accurate posting of all transactions to the accounting system. Cash receipts and disbursements should be posted in accordance with procedures and posting guidelines established in the Village Officer's Handbook line item descriptions and Auditor of State Bulletins. By exercising accuracy in recording financial activity, the Village can reduce posting error and increase the reliability of the financial data throughout the year.

**VILLAGE OF GNADENHUTTEN
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012**

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

We also recommend the Village's Council implement procedures over the completeness and accuracy of the financial information reported within the annual financial report. Such procedures may include review of the financial statements and related components with analytical comparisons of the current year annual report to the prior year reports for obvious errors and omissions.

The Village's financial statements and accounting records, where applicable, have been adjusted to accurately reflect the proper line item classifications and fund postings.

Official's Response:

The issues in this section are mainly due to the Fiscal Officer making the error on the 2013 financial report to the Auditor of State; I put several line item figures in the Basic Utility, instead of putting some of the figures in Transportation. This is the only year I have done this. The expenditures are in the proper fund and proper line item of that fund. Will look at year-end report more closely.

**VILLAGE OF GNADENHUTTEN
TUSCARAWAS COUNTY
SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2013 AND 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2011-01	Ohio Rev. Code 5705.41 (B) - Expenditures exceeded appropriations	No	Reissued as finding number 2013-001
2011-02	Ohio Rev. Code 5705.41(D) - Non-certification of funds	No	Reissued as finding number 2013-004
2011-03	Ohio Rev. Code 5705.10 - Negative Fund Balances	No	Reissued as finding number 2013-005
2011-04	Reporting Financial Activity - The Village's financial statements contained financial reporting errors	No	Reissued as finding number 2013-006
2011-05	Credit card supporting documentation	Yes	Corrected

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Dave Yost • Auditor of State

VILLAGE OF GNADENHUTTEN

TUSCARAWAS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
OCTOBER 8, 2015**