



**Auditor of State
Betty Montgomery**

VILLAGE OF ZOAR
TUSCARAWAS COUNTY

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**Auditor of State
Betty Montgomery**

Village of Zoar
Tuscarawas County
P.O. Box 544
Zoar, Ohio 44697

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in cursive script that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

July 25, 2005

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Village of Zoar
Tuscarawas County
P.O. Box 544
Zoar, Ohio 44697

To the Village Council:

We have audited the accompanying financial statements of the Village of Zoar, Tuscarawas County, Ohio, (the Village) as of and for the years ended December 31, 2004 and 2003. 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. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

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

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since this Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

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Telephone: (330) 438-0617 (800) 443-9272 Fax: (330) 471-0001
www.auditor.state.oh.us

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2004 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, 2004, or its changes in financial position for the year 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 Zoar, Tuscarawas County, as of December 31, 2004 and 2003, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As discussed in Note 9, the Village has reclassified the Expendable Trust Fund to the General Fund and Special Revenue Cemetery Fund. Fund balances as of January 1, 2003 have been restated as a result.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the year ended December 31, 2004. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 25, 2005, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Betty Montgomery
Auditor of State

July 25, 2005

**VILLAGE OF ZOAR
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, 2004**

| | <u>Governmental Fund Types</u> | | Totals (Memorandum Only) |
|---|--------------------------------|----------------------------|---|
| | <u>General</u> | <u>Special Revenue</u> | |
| Cash Receipts: | | | |
| Property Tax and Other Local Taxes | \$15,671 | \$14,046 | \$29,717 |
| Intergovernmental Receipts | 9,206 | 8,569 | 17,775 |
| Charges for Services | | 800 | 800 |
| Fines, Licenses, and Permits | 1,392 | | 1,392 |
| Earnings on Investments | 255 | 120 | 375 |
| Miscellaneous | 372 | | 372 |
| | <hr/> | <hr/> | <hr/> |
| Total Cash Receipts | 26,896 | 23,535 | 50,431 |
| Cash Disbursements: | | | |
| Current: | | | |
| Security of Persons and Property | 9,338 | 14,046 | 23,384 |
| Public Health Services | 450 | 2,350 | 2,800 |
| Community Environment | 23 | | 23 |
| Transportation | 3,847 | 5,968 | 9,815 |
| General Government | 12,692 | | 12,692 |
| Debt Service: | | | |
| Principal Payments | 2,884 | | 2,884 |
| Interest Payments | 615 | | 615 |
| | <hr/> | <hr/> | <hr/> |
| Total Cash Disbursements | 29,849 | 22,364 | 52,213 |
| Total Receipts Over/(Under) Disbursements | (2,953) | 1,171 | (1,782) |
| Fund Cash Balances, January 1 | 16,159 | 18,737 | 34,896 |
| | <hr/> | <hr/> | <hr/> |
| Fund Cash Balances, December 31 | \$13,206 | \$19,908 | \$33,114 |

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

**VILLAGE OF ZOAR
TUSCARAWAS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2003**

| | <u>Governmental Fund Types</u> | | <u>Fiduciary Fund Type</u> | Totals (Memorandum Only) |
|---|--------------------------------|----------------------------|--------------------------------|---|
| | <u>General</u> | <u>Special Revenue</u> | <u>Expendable Trust</u> | |
| Cash Receipts: | | | | |
| Property Tax and Other Local Taxes | \$9,714 | \$12,284 | | \$21,998 |
| Intergovernmental Receipts | 8,294 | 7,008 | | 15,302 |
| Charges for Services | | 3,475 | | 3,475 |
| Fines, Licenses, and Permits | 1,230 | | | 1,230 |
| Earnings on Investments | 214 | 199 | \$65 | 478 |
| Miscellaneous | 2,640 | | | 2,640 |
| | <u>22,092</u> | <u>22,966</u> | <u>65</u> | <u>45,123</u> |
| Total Cash Receipts | | | | |
| Cash Disbursements: | | | | |
| Current: | | | | |
| Security of Persons and Property | 8,871 | 12,284 | | 21,155 |
| Public Health Services | 224 | 2,200 | | 2,424 |
| Community Environment | 27 | | | 27 |
| Transportation | 2,122 | 20,691 | | 22,813 |
| General Government | 14,734 | | | 14,734 |
| Debt Service: | | | | |
| Principal Payments | | | 2,704 | 2,704 |
| Interest Payments | | | 795 | 795 |
| | <u>25,978</u> | <u>35,175</u> | <u>3,499</u> | <u>64,652</u> |
| Total Cash Disbursements | | | | |
| Total Receipts Over/(Under) Disbursements | (3,886) | (12,209) | (3,434) | (19,529) |
| Fund Cash Balances, January 1 (As Restated, Note 9) | <u>20,045</u> | <u>30,946</u> | <u>3,434</u> | <u>54,425</u> |
| Fund Cash Balances, December 31 | <u>\$16,159</u> | <u>\$18,737</u> | <u>\$0</u> | <u>\$34,896</u> |

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

VILLAGE OF ZOAR
TUSCARAWAS COUNTY

COMBINED STATEMENT OF CASH RECEIPTS AND
CHANGES IN FUND CASH BALANCES - NON-EXPENDABLE TRUST FUND
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

| | <u>2004</u> | <u>2003</u> |
|--|-------------------------------|-------------------------------|
| Operating Cash Receipts: | | |
| Earnings on Investments | \$211 | \$182 |
| | | |
| Fund Cash Balances, January 1 | <u>16,354</u> | <u>16,172</u> |
| | | |
| Fund Cash Balances, December 31 | <u><u>\$16,565</u></u> | <u><u>\$16,354</u></u> |

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

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**VILLAGE OF ZOAR
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003**

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 Zoar, Tuscarawas County, Ohio, (the Village) as a body corporate and politic. A publicly-elected six-member Council governs the Village. The Village provides general governmental services, including park operations (leisure time activities) and health and developmental services. The Village contracts with the Village of Bolivar to provide security of persons and property.

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

B. Basis of Accounting

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. This basis 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 adequately disclose material matters the Auditor of State prescribes.

C. Cash and Investments

The Village's accounting basis includes investments as assets. This basis does not report disbursements for investment purchases or receipts for investment sales. The Village reports gains or losses at the time of sale as receipts or disbursements, respectively.

The investment in STAR Ohio is recorded at amounts reported by the State Treasurer.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Fund

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

**VILLAGE OF ZOAR
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Fund (Continued)

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

Fire Protection Fund -This fund is used to account for fire levy receipts used to contract with the Zoar Volunteer Fire Department for fire, rescue and emergency medical services for Village residents.

3. Fiduciary Funds (Trust and Agency Funds)

Trust funds account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the Village classifies the fund as a nonexpendable trust fund. Other trust funds are classified as expendable. Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant fiduciary funds:

Cemetery Improvement Fund - This expendable trust fund is used to account for cemetery improvements.

Cemetery Endowment Fund - This non-expendable trust fund is used to account for bequests and memorials established to benefit the Village's cemetery.

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. 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 cash as of January 1. The County Budget Commission must also approve estimated resources.

**VILLAGE OF ZOAR
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2004 and 2003 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

| | 2004 | 2003 |
|--------------------------------|----------|----------|
| Demand deposits | \$10,236 | \$7,339 |
| STAR Ohio | 39,443 | 43,911 |
| Total deposits and investments | \$49,679 | \$51,250 |

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

Investments: The investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2004 and 2003 follows:

| 2004 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|-----------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$29,261 | \$26,896 | (\$2,365) |
| Special Revenue | 23,510 | 23,535 | 25 |
| Non-Expendable Trust | 180 | 211 | 31 |
| Total | \$52,951 | \$50,642 | (\$2,309) |

**VILLAGE OF ZOAR
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

| 2004 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|-----------------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$45,420 | \$29,849 | \$15,571 |
| Special Revenue | 42,247 | 22,364 | 19,883 |
| Non-Expendable Trust | 1,275 | 0 | 1,275 |
| Total | <u>\$88,942</u> | <u>\$52,213</u> | <u>\$36,729</u> |

| 2003 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|-------------------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$29,549 | \$22,092 | (\$7,457) |
| Special Revenue | 25,633 | 22,966 | (2,667) |
| Expendable Trust | 280 | 65 | (215) |
| Non-Expendable Trust | 600 | 182 | (418) |
| Total | <u>\$56,062</u> | <u>\$45,305</u> | <u>(\$10,757)</u> |

| 2003 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|-----------------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$42,530 | \$25,978 | \$16,552 |
| Special Revenue | 52,922 | 35,175 | 17,747 |
| Expendable Trust | 14,709 | 3,499 | 11,210 |
| Non-Expendable Trust | 1,239 | 0 | 1,239 |
| Total | <u>\$111,400</u> | <u>\$64,652</u> | <u>\$46,748</u> |

Contrary to Ohio Rev. Code Section 5705.41(D), certain expenditures were not properly certified during 2004 and 2003.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Village Council adopts 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 State pays the Village amounts equaling these deductions. The Village includes these with Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half payment is due December 31. The second half payment is due the following June 20.

Property owners assess tangible personal property tax. They must file a list of tangible 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 the Village's behalf.

**VILLAGE OF ZOAR
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

5. DEBT

Debt outstanding at December 31, 2004 was as follows:

| | Principal | Interest Rate |
|--------------------------------|-----------|---------------|
| 1996 Cemetery Improvement Bond | \$6,998 | 6.66% |

The Village issued a Cemetery Improvement Bond for the purpose of paying costs associated with acquiring land for cemetery purposes and making related improvements. The bond will be repaid in annual installments of \$3,499, including interest of 6.66%.

Amortization of the above debt, including interest, follows:

| Year ending December 31: | 1996 Cemetery Improvement Bond |
|--------------------------|-----------------------------------|
| 2005 | \$3,499 |
| 2006 | 3,499 |
| Total | \$6,998 |

6. RETIREMENT SYSTEM

The Village Mayor and Clerk-Treasurer belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes the plan's retirement benefits, including postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2004 and 2003, OPERS members contributed 8.5 percent of their wages. The Village contributed an amount equal to 13.55 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2004.

7. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles;
- Errors and omissions; and
- Public officials' liability.

8. JOINTLY GOVERNED ORGANIZATION

The Village is associated with the Tuscarawas County Regional Planning Commission (the Commission) as a Jointly Governed Organization. The Commission is a statutorily created political subdivision of the State. The Commission is jointly governed among Tuscarawas County municipalities and townships. Each member's control over the operation of the Commission is limited to its representation on the board. The Commission makes studies, maps, plans, recommendations and reports concerning the physical, environmental, social, economical and governmental characteristics, functions and services of the county. The Village contributed \$25 in 2004 and 2003 to the Commission.

**VILLAGE OF ZOAR
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

9. RESTATEMENT

The expendable trust fund was reclassified by the Village at January 1, 2003 as it was not a true trust fund due to a lack of trust agreement. The fund balance was distributed, in part, to the General Fund for debt payments with the remaining amount to the Special Revenue Cemetery Fund. The reclassification of the expendable trust fund had the following effect on the fund balances as previously reported at December 31, 2002:

| | Balance Previously Reported | Restatement | Restated Balance January 1, 2003 |
|------------------|--------------------------------|-------------|-------------------------------------|
| General | \$12,981 | \$7,064 | \$20,045 |
| Special Revenue | 27,290 | 3,656 | 30,946 |
| Expendable Trust | 14,154 | (10,720) | 3,434 |
| Total | \$54,425 | \$0 | \$54,425 |



Auditor of State Betty Montgomery

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

Village of Zoar
Tuscarawas County
P.O. Box 544
Zoar, Ohio 44697

To the Village Council:

We have audited the financial statements of the Village of Zoar, Tuscarawas County, Ohio, (the Village) as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated July 25, 2005, 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 and restated the beginning fund balances. We also noted that the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Village's management dated July 25, 2005, we reported a matter involving internal control over financial reporting we did not deem a reportable condition.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2004-001. In a separate letter to the Village's management dated July 25, 2005, we reported other matters related to noncompliance we deemed immaterial.

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

Village of Zoar
Tuscarawas County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

We intend this report solely for the information and use of management and Village Council. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

July 25, 2005

**VILLAGE OF ZOAR
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003**

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

FINDING NUMBER 2004-001

Noncompliance Citation

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

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

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

Amounts of less than \$3,000 (\$1,000 prior to April 7, 2003) may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.

2. **Blanket Certificate** – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. (Prior to September 26, 2003, blanket certificates were limited to \$5,000 and three months.) The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. **Super Blanket Certificate** – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

During 2004 and 2003, 21% of the expenditures tested (4 out of 21 from FY 2004 and 5 out of 21 from FY 2003) were not certified by the Clerk-Treasurer prior to incurring the obligation. It was also found that none of the three exceptions above were utilized for the items found to be in noncompliance. The Village should certify the availability of funds for expenditure and also implement the use of Then and Now Certificates as further means to certify funds pursuant to Ohio Rev. Code Section 5705.41(D).



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

**VILLAGE OF ZOAR
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
SEPTEMBER 8, 2005**