



**Auditor of State
Betty Montgomery**

VILLAGE OF SUGARCREEK
TUSCARAWAS COUNTY

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**Auditor of State
Betty Montgomery**

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

To the Honorable Mayor and Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to 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 28, 2006

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Honorable Mayor and Village Council:

We have audited the accompanying financial statements of the Village of Sugarcreek, Tuscarawas County, Ohio, (the Village) as of and for the years ended December 31, 2005 and 2004. 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 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.

As more fully disclosed in Note 2, the General Fund and Expendable Trust Fund balances were restated as of January 1, 2004 to correct the classification of the Swimming Pool Fund.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2005 and 2004. Instead of the combined funds the accompanying financial statements present, the revisions require presenting entity wide statements and also to present its 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 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.

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, 2005 and 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, 2005 and 2004, or its changes in financial position or cash flows of its proprietary funds for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Sugarcreek, Tuscarawas County, as of December 31, 2005 and 2004, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the years ended December 31, 2005 and 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 28, 2006, 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 28, 2006

**VILLAGE OF SUGARCREEK
TUSCARAWAS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Governmental Fund Types			Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Expendable Trust	
Cash Receipts:					
Property Tax and Other Local Taxes	\$740,883	\$396,848			\$1,137,731
Intergovernmental Receipts	137,788	136,124			273,912
Charges for Services	60,896	36,000			96,896
Fines, Licenses, and Permits	3,582	200			3,782
Earnings on Investments	54,948	1,017		\$3,421	59,386
Miscellaneous	23,721				23,721
Total Cash Receipts	1,021,818	570,189		3,421	1,595,428
Cash Disbursements:					
Current:					
Security of Persons and Property	319,213	39,317			358,530
Public Health Services	2,795				2,795
Leisure Time Activities	24,426				24,426
Community Environment	8,312				8,312
Basic Utility Services	93,240				93,240
Transportation	3,746	221,775			225,521
General Government	336,646	2,583			339,229
Debt Service:					
Principal Payments		293,124			293,124
Interest Payments		9,996			9,996
Capital Outlay	53,043	231,285			284,328
Total Cash Disbursements	841,421	798,080		0	1,639,501
Total Receipts Over/(Under) Disbursements	180,397	(227,891)		3,421	(44,073)
Other Financing Receipts and (Disbursements):					
Sale of Fixed Assets	3,310				3,310
Sale of Notes		249,000			249,000
Transfers-Out	(35,000)				(35,000)
Other	(22,723)	2,612			(20,111)
Total Other Financing Receipts/(Disbursements)	(54,413)	251,612		0	197,199
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	125,984	23,721		3,421	153,126
Fund Cash Balances, January 1	247,314	241,987	\$23,225	125,458	637,984
Fund Cash Balances, December 31	\$373,298	\$265,708	\$23,225	\$128,879	\$791,110
Reserves for Encumbrances, December 31	\$11,916	\$13,947	\$0	\$0	\$25,863

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

**VILLAGE OF SUGARCREEK
TUSCARAWAS**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Governmental Fund Types			Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Expendable Trust	
Cash Receipts:					
Property Tax and Other Local Taxes	\$692,445	\$368,925			\$1,061,370
Intergovernmental Receipts	128,738	132,965	\$46,254		307,957
Charges for Services	84,365				84,365
Fines, Licenses, and Permits	4,336	198			4,534
Contributions			10,000		10,000
Earnings on Investments	20,529	288		\$1,339	22,156
Miscellaneous	19,352				19,352
Total Cash Receipts	949,765	502,376	56,254	1,339	1,509,734
Cash Disbursements:					
Current:					
Security of Persons and Property	365,794	35,213			401,007
Public Health Services	2,797				2,797
Leisure Time Activities	15,147				15,147
Community Environment	9,181				9,181
Basic Utility Services	93,264				93,264
Transportation	2,691	198,803			201,494
General Government	350,401	2,384			352,785
Debt Service:					
Principal Payments		322,124			322,124
Interest Payments		11,738			11,738
Capital Outlay	52,169	252,324	43,029		347,522
Total Cash Disbursements	891,444	822,586	43,029	0	1,757,059
Total Receipts Over/(Under) Disbursements	58,321	(320,210)	13,225	1,339	(247,325)
Other Financing Receipts and (Disbursements):					
Sale of Fixed Assets	3,000				3,000
Sale of Notes		278,000			278,000
Transfers-In		85,000	10,000		95,000
Transfers-Out	(95,000)				(95,000)
Other	9	3,049			3,058
Total Other Financing Receipts/(Disbursements)	(91,991)	366,049	10,000	0	284,058
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(33,670)	45,839	23,225	1,339	36,733
Fund Cash Balances, January 1 (Restated)	280,984	196,148	0	124,119	601,251
Fund Cash Balances, December 31	\$247,314	\$241,987	\$23,225	\$125,458	\$637,984
Reserves for Encumbrances, December 31	\$7,847	\$16,557	\$0	\$0	\$24,404

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 - ENTERPRISE FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004**

	2005	2004
Operating Cash Receipts:		
Charges for Services	\$624,155	\$624,784
Fees, Licenses and Permits	9,590	4,230
Miscellaneous	3,731	4,437
	<u>637,476</u>	<u>633,451</u>
Total Operating Cash Receipts		
Operating Cash Disbursements:		
Personal Services	221,897	219,473
Transportation	3,322	2,425
Contractual Services	104,514	66,090
Supplies and Materials	108,158	117,301
Capital Outlay	27,540	115,440
	<u>465,431</u>	<u>520,729</u>
Total Operating Cash Disbursements		
Operating Income	<u>172,045</u>	<u>112,722</u>
Non-Operating Cash Receipts:		
Income Taxes	374,978	345,637
Earnings on Investments	11,715	4,813
Sale of Notes	210,000	240,000
	<u>596,693</u>	<u>590,450</u>
Total Non-Operating Cash Receipts		
Non-Operating Cash Disbursements:		
Debt Service:		
Principal Retirement	547,043	565,385
Interest	190,675	203,494
	<u>737,718</u>	<u>768,879</u>
Total Non-Operating Cash Disbursements		
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers	31,020	(65,707)
Transfers-In	<u>35,000</u>	<u> </u>
Net Receipts Over/(Under) Disbursements	66,020	(65,707)
Fund Cash Balances, January 1	<u>1,775,734</u>	<u>1,841,441</u>
Fund Cash Balances, December 31	<u>\$1,841,754</u>	<u>\$1,775,734</u>
Reserve for Encumbrances, December 31	<u>\$10,504</u>	<u>\$17,533</u>

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

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**VILLAGE OF SUGARCREEK
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004**

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, Ohio, (the Village) as a body corporate and politic. A publicly-elected six-member Council governs the Village. The Village provides water and sewer utilities, park operations, and police services. 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. 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 Village values certificates of deposit at cost.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

**VILLAGE OF SUGARCREEK
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (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 and Emergency Medical Services Levy Fund - This fund is used to account for tax proceeds used to fund Village emergency medical response services.

3. Capital Project Fund

This fund accounts 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 grants 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 residents to cover water service costs.

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.

5. Fiduciary Funds (Trust 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 fund:

Swimming Pool Fund - This expendable trust fund is used to account for a donation received from a citizen that may be used only for the construction of a municipal swimming pool within the Village.

**VILLAGE OF SUGARCREEK
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Unencumbered 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 commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Village did not encumber all commitments required by Ohio law.

A summary of 2005 and 2004 budgetary activity appears in Note 4.

F. Property, Plant, and Equipment

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

G. 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, 2005 AND 2004
(Continued)**

2. CORRECTION OF AN ERROR

The General Fund and Expendable Trust Fund balances have been restated from amounts previously reported due to the Swimming Pool Fund activity being incorrectly reported within the General Fund in the prior report. As a result of correcting this error, the fund cash balances have been restated as follows:

Previously Reported Fund Cash Balance,	General Fund	Expendable Trust Fund
December 31, 2003	\$405,103	\$0
Reclassification of Swimming Pool Fund	<u>(124,119)</u>	<u>124,119</u>
Restated Fund Balance, January 1, 2004	<u>\$280,984</u>	<u>\$124,119</u>

3. 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:

	2005	2004
Demand deposits	<u>\$1,011,312</u>	<u>\$838,444</u>
Certificates of deposit	<u>1,621,552</u>	<u>1,575,274</u>
Total deposits	<u>\$2,632,864</u>	<u>\$2,413,718</u>

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

4. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2005 and 2004 follows:

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$980,930	\$1,025,128	\$44,198
Special Revenue	771,133	821,801	50,668
Capital Projects	0	0	0
Expendable Trust	0	3,421	3,421
Enterprise	1,201,000	1,269,169	68,169
Total	<u>\$2,953,063</u>	<u>\$3,119,519</u>	<u>\$166,456</u>

**VILLAGE OF SUGARCREEK
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

4. BUDGETARY ACTIVITY (Continued)

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,226,530	\$911,060	\$315,470
Special Revenue	1,013,121	812,027	201,094
Capital Projects	23,225	0	23,225
Expendable Trust	124,831	0	124,831
Enterprise	2,977,362	1,213,653	1,763,709
Total	\$5,365,069	\$2,936,740	\$2,428,329

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$889,181	\$952,774	\$63,593
Special Revenue	695,500	868,425	172,925
Capital Projects	159,000	66,254	(92,746)
Expendable Trust	0	1,339	1,339
Enterprise	1,212,000	1,223,901	11,901
Total	\$2,955,681	\$3,112,693	\$157,012

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,132,641	\$994,291	\$138,350
Special Revenue	1,032,899	839,143	193,756
Capital Projects	108,900	43,029	65,871
Expendable Trust	124,119	0	124,119
Enterprise	3,053,471	1,307,141	1,746,330
Total	\$5,452,030	\$3,183,604	\$2,268,426

5. 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.

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

**VILLAGE OF SUGARCREEK
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

5. PROPERTY TAXES (Continued)

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.

6. 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.

7. DEBT

Debt outstanding at December 31, 2005 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan 1163	\$187,778	5.50%
Ohio Water Development Authority Loan 2524	2,155,539	3.85%
Ohio Water Development Authority Loan 3461	234,687	3.40%
Various Purpose Improvement Bonds, Series 1998	290,000	8.00%
Water and Sewer Improvement Bonds, Series 1993	700,000	5.83%
Water System Refunding Bonds, Series 1999	629,645	5.75%
OPWC Ohio Small Government Loan	326,872	0.00%
Various Purpose Note, Series 2005	459,000	2.96%
Total	<u>\$4,983,521</u>	

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 Various Improvement Bond proceeds were used to finance water and sewer system improvements and purchase road equipment. The Water and Sewer System Improvement Bond proceeds were used to make improvements to the Village's water and sewer systems. The Water System Refunding Bonds were used to refund water system improvement bonds. The OPWC Ohio Small Government Loan from the Ohio Public Works Commission was used for 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. The Various Purpose Note was originally issued in 2003 and the note is a one year note that the Village rolls over each year.

The Village's taxing authority collateralizes General Obligation Bonds.

Amortization of the above debt, including interest, follows:

**VILLAGE OF SUGARCREEK
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

7. DEBT (Continued)

Year Ending December 31	#1163 OWDA Loan	#2524 OWDA Loan	#3461 OWDA Loan	Various Purpose Improvement Bonds, Series 1998	Water System Refunding Bonds, Series 1999	Water and Sewer Improvement Bonds	OPWC Ohio Small Government Loan
2006	\$27,008	\$233,754	\$18,975	\$59,340	\$73,835	\$75,232	\$19,228
2007	27,008	233,754	18,975	37,180	71,685	73,237	19,228
2008	27,008	233,754	18,975	35,980	74,485	76,225	19,228
2009	27,008	233,754	18,975	34,755	72,010	78,925	19,228
2010	27,008	233,754	18,975	34,250	69,480	76,338	19,228
2011-2015	108,033	1,168,770	94,875	130,625	340,780	398,275	96,140
Thereafter		350,631	132,825	43,060	260,000	240,013	134,592
Total	<u>\$243,073</u>	<u>\$2,688,171</u>	<u>\$322,575</u>	<u>\$375,190</u>	<u>\$962,275</u>	<u>\$1,018,245</u>	<u>\$326,872</u>

8. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time 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 the plans' retirement benefits, including postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2005 and 2004, OP&F participants contributed 10 percent of their wages. The Village contributed an amount equal to 19.5 percent of police participant wages. 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, 2005.

9. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- General liability
- Public officials' liability
- Commercial Inland Marine
- Employer's liability
- Employee benefits liability
- Vehicles

**VILLAGE OF SUGARCREEK
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

10. JOINTLY GOVERNED ORGANIZATIONS

The Village is a member of the Swiss Valley Joint Ambulance District (District). The District provides emergency medical services to the citizens within the District and is directed by an eight member Board of Trustees, who is appointed from the participating villages and townships the District serves. During 2005 and 2004, the Village contributed \$20,250 and \$19,608, respectively to the District.

The Village is also a member of the Tuscarawas County Tax Incentive Review Council (TCTIRC). TCTIRC is a jointly governed organization, created as a regional council of governments pursuant to Ohio Rev. Code Section 5705.62. TCTIRC has 44 members, consisting of 3 members appointed by the County Commissioners, 18 members appointed by municipal corporations, 14 members appointed by township trustees, 1 member from the County Auditor's Office and 8 members appointed by boards of education located with the County. The TCTIRC reviews and evaluates the performance of each Enterprise Zone Agreement. The body is advisory in nature and cannot directly impact an existing Enterprise Zone Agreement; however, the TCTIRC can make written recommendations to the legislative body that approved the agreement. There is no cost associated with being a member of the TCTIRC. The continued existence of the TCTIRC is not dependent upon the Village's continued participation and measurable equity exists.

11. SUBSEQUENT EVENTS

On February 6, 2006, Village Council passed Ordinance 06-1786 providing for the issuance and sale of \$399,000 notes in anticipation of the issuance of bonds. This note is the rollover of the \$459,000 outstanding note disclosed in Note 7.

On April 3, 2006, Village Council passed Ordinance 06-1796 authorizing the Mayor and Clerk-Treasurer to submit an application for the transportation enhancement funding in the amount of \$517,500 and to enter into an agreement with the Ohio Department of Transportation for the Sugarcreek Downtown Area Project. In relation to the project, on June 5, 2006 Village Council also passed Ordinance 06-1805 delineating the Sugarcreek Gateway and Downtown Redevelopment Area for the purpose of applying for funding under the 2006 Community Development Block Grant Formula Allocation Program.



**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 Sugarcreek
Tuscarawas County
410 South Broadway
Sugarcreek, Ohio 44681

To the Honorable Mayor and 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, 2005 and 2004, and have issued our report thereon dated July 28, 2006, 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 the General Fund and Expendable Trust Fund balances were restated as of January 1, 2004 to correct the classification of the Swimming Pool Fund. 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 28, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

In a separate letter to the Village's management dated July 28, 2006, we reported other matters related to noncompliance we deemed immaterial.

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.



Betty Montgomery
Auditor of State

July 28, 2006



**Auditor of State
Betty Montgomery**

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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
AUGUST 31, 2006**