



Mary Taylor, CPA
Auditor of State

VILLAGE OF STONE CREEK
TUSCARAWAS COUNTY

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Mary Taylor, CPA
Auditor of State

Village of Stone Creek
Tuscarawas County
P.O. Box 117
Stone Creek, Ohio 43840

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

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Mary Taylor, CPA
Auditor of State

July 31, 2008

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Stone Creek
Tuscarawas County
P.O. Box 117
Stone Creek, Ohio 43840

To the Village Council:

We have audited the accompanying financial statements of the Village of Stone Creek, Tuscarawas County, Ohio, (the Village) as of and for the years ended December 31, 2007 and 2006. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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.

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

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2007 and 2006 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2007 and 2006, or its changes in financial position 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 Stone Creek, Tuscarawas County, Ohio, as of December 31, 2007 and 2006, and its combined cash receipts and cash disbursements for the years then ended on the accounting basis Note 1 describes.

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 31, 2008, 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.

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

Mary Taylor, CPA
Auditor of State

July 31, 2008

**VILLAGE OF STONE CREEK
TUSCARAWAS COUNTY**

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

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash Receipts:				
Property and Local Taxes	\$3,169			\$3,169
Municipal Income Tax	13,126		\$216	13,342
Intergovernmental	9,347	\$9,729		19,076
Earnings on Investments	145	14		159
Contributions and Donations		25,000		25,000
Miscellaneous	1,279	288		1,567
	<u>27,066</u>	<u>35,031</u>	<u>216</u>	<u>62,313</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
Security of Persons and Property	3,311			3,311
Public Health Services	73			73
Leisure Time Activities	471	760		1,231
Community Environment	33			33
Transportation		9,471		9,471
General Government	21,727			21,727
Capital Outlay		24,854		24,854
	<u>25,615</u>	<u>35,085</u>	<u>0</u>	<u>60,700</u>
Total Cash Disbursements				
Total Receipts Over/(Under) Disbursements	<u>1,451</u>	<u>(54)</u>	<u>216</u>	<u>1,613</u>
Other Financing Receipts / (Disbursements):				
Transfers-In	13,000			13,000
Transfers-Out			(13,000)	(13,000)
	<u>13,000</u>	<u>0</u>	<u>(13,000)</u>	<u>0</u>
Total Other Financing Receipts / (Disbursements)				
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	14,451	(54)	(12,784)	1,613
Fund Cash Balances, January 1	<u>1,305</u>	<u>16,518</u>	<u>12,908</u>	<u>30,731</u>
Fund Cash Balances, December 31	<u><u>\$15,756</u></u>	<u><u>\$16,464</u></u>	<u><u>\$124</u></u>	<u><u>\$32,344</u></u>

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

**VILLAGE OF STONE CREEK
TUSCARAWAS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash Receipts:				
Property and Local Taxes	\$3,963			\$3,963
Municipal Income Tax	8,310		\$3,062	11,372
Intergovernmental	8,879	\$9,787		18,666
Fines, Licenses and Permits	100			100
Earnings on Investments	225	25		250
Miscellaneous	594	3,285	1,500	5,379
Total Cash Receipts	22,071	13,097	4,562	39,730
Cash Disbursements:				
Current:				
Security of Persons and Property	3,498			3,498
Public Health Services	197			197
Leisure Time Activities	323	330		653
Transportation		10,075		10,075
General Government	29,907			29,907
Capital Outlay			3,000	3,000
Total Cash Disbursements	33,925	10,405	3,000	47,330
Total Receipts Over/(Under) Disbursements	(11,854)	2,692	1,562	(7,600)
Other Financing Receipts / (Disbursements):				
Advances-In	25	25		50
Advances-Out	(25)	(25)		(50)
Total Other Financing Receipts / (Disbursements)	0	0	0	0
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(11,854)	2,692	1,562	(7,600)
Fund Cash Balances, January 1	13,159	13,826	11,346	38,331
Fund Cash Balances, December 31	\$1,305	\$16,518	\$12,908	\$30,731
Reserve for Encumbrances, December 31	\$84	\$42	\$0	\$126

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

**VILLAGE OF STONE CREEK
TUSCARAWAS COUNTY**

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

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Stone Creek, Tuscarawas County, Ohio, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides general governmental services, including street maintenance and repair and park operations (leisure time activities). The Village contracts with the Tuscarawas County Sheriff's department to provide security of persons and property.

The Village participates in the Public Entities Pool of Ohio. Note 7 to the financial statements provides additional information for this entity.

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. Cash

The Village maintains all cash in checking and money market savings accounts, which are valued 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 private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

**VILLAGE OF STONE CREEK
TUSCARAWAS COUNTY**

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

Playground Equipment Fund - This fund receives contributions and donations to fund construction of the park playground.

3. Capital Projects 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 projects fund:

Other Capital Projects Fund – This fund receives a portion of income tax revenues to pay for certain capital improvements of the Village.

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 object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. 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 individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law.

A summary of 2007 and 2006 budgetary activity appears in Note 3.

**VILLAGE OF STONE CREEK
TUSCARAWAS COUNTY**

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

1. Summary of Significant Accounting Policies (Continued)

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

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

	2007	2006
Demand deposits	\$32,344	\$30,731

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

3. Budgetary Activity

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

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$40,892	\$40,066	(\$826)
Special Revenue	34,009	35,031	1,022
Capital Projects	381	216	(165)
Total	\$75,282	\$75,313	\$31

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$34,267	\$25,615	\$8,652
Special Revenue	20,627	35,085	(14,458)
Capital Projects	13,000	13,000	0
Total	\$67,894	\$73,700	(\$5,806)

**VILLAGE OF STONE CREEK
TUSCARAWAS COUNTY**

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

3. Budgetary Activity (Continued)

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$22,050	\$22,096	\$46
Special Revenue	13,098	13,122	24
Capital Projects	4,562	4,562	0
Total	\$39,710	\$39,780	\$70

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$40,083	\$33,950	\$6,133
Special Revenue	22,753	10,430	12,323
Capital Projects	13,324	3,000	10,324
Total	\$76,160	\$47,380	\$28,780

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Playground Equipment Fund by \$24,854 for the year ended December 31, 2007. Also, contrary to Ohio law, the Village did not certify the availability of funds for all expenditures.

4. Property Tax

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

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

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

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

5. Local Income Tax

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

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

**VILLAGE OF STONE CREEK
TUSCARAWAS COUNTY**

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

6. Retirement System

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

The Ohio Revised Code also prescribes contribution rates. For 2007 and 2006, OPERS members contributed 9 percent and 9.5 percent, respectively, of their gross salaries and the Village contributed an amount equaling 13.85 percent and 13.7 percent, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2007.

7. 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. PEP is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

For an occurrence prior to January 1, 2006 PEP retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year.

For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with PEP.

If losses exhaust PEP's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (prior to January 1, 2006) or \$3,000,000 (on or subsequent to January 1, 2006) as noted above.

**VILLAGE OF STONE CREEK
TUSCARAWAS COUNTY**

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

7. Risk Management (Continued)

Property Coverage

Beginning in 2005, APEEP established a risk-sharing property program. Under the program, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. This amount was increased to \$300,000 in 2007. For 2007, APEEP reinsures members for specific losses exceeding \$100,000 up to \$300,000 per occurrence, subject to an annual aggregate loss payment. For 2006, APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000 in 2006, or \$100,000 and \$300,000 in 2007, Travelers will then reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 was \$2,014,548.

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

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

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, 2007 and 2006.

	<u>2007</u>	<u>2006</u>
Assets	\$37,560,071	\$36,123,194
Liabilities	<u>(17,340,825)</u>	<u>(16,738,904)</u>
Net Assets	<u>\$20,219,246</u>	<u>\$19,384,290</u>

At December 31, 2007 and 2006, respectively, the liabilities above include approximately \$15.9 million and \$15.0 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$15.0 million and \$14.4 million of unpaid claims to be billed to approximately 443 member governments in the future, as of December 31, 2007 and 2006, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Village's share of these unpaid claims collectible in future years is approximately \$4,000. This payable includes the subsequent year's contribution due if the Village terminates participation, as described in the last paragraph below.

**VILLAGE OF STONE CREEK
TUSCARAWAS COUNTY**

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

7. Risk Management (Continued)

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

2006	\$5,161
2007	\$3,534

After completing one year of membership, members may withdraw on each anniversary of the date they joined PEP provided they provide written notice to PEP 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

8. Related Party Transactions

During 2007, the Village paid a Council member's spouse \$6,601 for various items including ballpark rental, snow plowing, and excavating work.

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Mary Taylor, CPA

Auditor of State

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

Village of Stone Creek
Tuscarawas County
P.O. Box 117
Stone Creek, Ohio 43840

To the Village Council:

We have audited the financial statements of the Village of Stone Creek, Tuscarawas County, Ohio, (the Village) as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated July 31, 2008 wherein we noted the Village prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We also noted 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. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this Village, 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 conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2007-001 and 2007-002.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe the significant deficiencies described above are material weaknesses.

We also noted certain internal control matters that we reported to the Village's management in a separate letter dated July 31, 2008.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2007-003 and 2007-004.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated July 31, 2008

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Village's responses and, accordingly, we express no opinion on them.

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



Mary Taylor, CPA
Auditor of State

July 31, 2008

**VILLAGE OF STONE CREEK
TUSCARAWAS COUNTY**

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

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

FINDING NUMBER 2007-001

Material Weakness

Our receipt testing revealed the Village recorded several transactions incorrectly. Mispostings identified included, but were not limited, to the following:

- In 2007 and 2006, \$1,242 and \$937, respectively, of intergovernmental receipts were posted as property tax receipts in the General Fund and \$1,961 and \$2,182, respectively, of intergovernmental receipts were posted as property tax receipts in the Special Revenue Funds. These amounts were adjusted to the financial statements.
- In 2007, \$1,031 of municipal income tax receipts were posted as property tax receipts in the General Fund. This amount was adjusted to the financial statements.
- In 2007 and 2006, \$99 and \$418, respectively, of gasoline tax receipts were not correctly allocated between the Street Construction Maintenance and Repair Fund and the State Highway Fund. In addition, in 2007, 4 gasoline tax receipts totaling \$972 were posted to General Fund intergovernmental revenue rather than the Street Construction Maintenance and Repair Fund and State Highway Fund. These amounts were adjusted to the financial statements.
- In 2007 and 2006, \$161 and \$573, respectively, of County Auditor/Treasurer fees associated with the property tax receipts were not posted to the books. The property tax receipts were posted net of the fees. These amounts were reported to management as unadjusted items.
- In 2007, \$50 of General Fund miscellaneous receipts and \$65 of intergovernmental receipts were posted to the Capital Projects Fund miscellaneous receipts and municipal income tax receipts, and \$50 of Park and Recreation Fund miscellaneous receipts were posted to the Capital Projects Fund miscellaneous receipts. These amounts were adjusted to the financial statements.
- In 2007 and 2006, \$770 and \$260, respectively, of miscellaneous receipts and income tax receipts did not have any supporting documentation. No adjustments were proposed for these amounts.
- In 2007, \$25,000 of contributions and donations received from private foundations for the construction of a playground was incorrectly recorded as intergovernmental revenue. This was adjusted to the financial statements.

The Village should exercise due care when posting transactions to help ensure receipts are posted to the correct fund and account. In addition, the Council should review cash reconciliations, budget-to-actual reports and receipt and expenditure activity reports monthly to help ensure transactions are properly recorded. This will help more accurately reflect the Village's financial activity and will aid in more accurate financial reporting. In addition, the Village should ensure adequate supporting documentation is maintained for all receipts.

Officials' Response: We will exercise due care in consulting with the State Auditor's office when the County Auditor is unclear as to coding receipts. The coding of deposits will be double checked each month from this point on.

FINDING NUMBER 2007-002

Material Weakness

Permanent appropriations as approved by the Village Council did not agree to the Village's computer system for 2007 and 2006. In addition, estimated receipts as certified by the budget commission did not agree to the Village's computer system for 2007. The variances are as follows:

	Appropriations per Council Approval	Appropriations per UAN System	Variance
<u>2007</u>			
General Fund	\$34,183	\$36,124	(\$1,941)
<u>Special Revenue Funds:</u>			
State Highway	4,200	200	4,000
Playground Equipment	0	25,000	(25,000)
<u>Capital Projects Fund:</u>			
Other Capital Projects	13,000	130,000	(117,000)
<u>2006</u>			
General Fund	39,839	44,229	(4,390)
<u>Special Revenue Fund:</u>			
Parks and Recreation	647	622	25
	Estimated Receipts per County Budget Commission	Estimated Receipts per UAN System	Variance
<u>2007</u>			
General Fund	\$40,892	\$34,844	\$6,048
<u>Special Revenue Funds:</u>			
Street Construction Maintenance & Repair	8,002	8,735	(733)
State Highway	769	1,084	(315)
Parks and Recreation	238	675	(437)
<u>Capital Projects Fund:</u>			
Other Capital Projects	381	3,100	(2,719)

As a result, the Village does not receive complete budget and actual receipt information and is not able to monitor actual revenue and expenditures in these funds compared to estimates reflected on the Official Certificate of Estimated Resources and the Appropriations Resolution.

The Fiscal Officer should input the estimated resources and annual appropriations into the proper line item accounts on the budgetary system once they have been approved by Council and certified by the Budget Commission. Monthly comparisons of budgeted and actual revenue for all funds should be presented to Council to allow for monitoring of fiscal operations of the Village. The Council should review these reports for significant variances from expectations and those variances should be investigated.

Officials' Response: Before a new fund is created, we will approve the creation and all appropriations.

FINDING NUMBER 2007-003

Noncompliance

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

At December 31, 2007, budgetary expenditures plus outstanding encumbrances exceeded appropriations in the following fund:

<u>Special Revenue Fund:</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
Playground Equipment Fund	\$0	\$24,854	(\$24,854)

For 2007 and 2006, Council passed its appropriations at the object level therefore making this level the Village's "legal level of control". Our testing at this "legal level of control" revealed, at December 31, 2007, there were eight line items with expenditures exceeding appropriations ranging from \$7 to \$1,719, and at December 31, 2006, there was one line item with expenditures exceeding appropriations by \$2,159.

Ohio Rev. Code Section 5705.38(C) requires a minimum "legal level of control" for Villages to be classified so as to set forth separately the amounts appropriated for each office, department, and division, and, within each, the amount appropriated for personal services".

The Fiscal Officer should frequently compare actual expenditures plus outstanding encumbrances to appropriations at the fund level and its designated "legal level of control". The Village may select a "legal level of control" higher than object level provided it meets their needs and adheres to the minimum requirements of Ohio Rev. Code Section 5705.38(C).

Officials' Response: Stone Creek Village council and the Village Fiscal Officer will exercise due care when appropriating new money in a new fund. Will also contact the State Auditor's office with future questions of this matter.

FINDING NUMBER 2007-004

Noncompliance Citation

Ohio Rev. Code Section 5705.41(D) provides 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 stating 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.

FINDING NUMBER 2007-004 (Continued)

1. **“Then and Now” Certificate** – If the fiscal officer can certify both at the time the contract or order was made (“then”), and at the time the fiscal officer is completing the certification (“now”), 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 Council can authorize the drawing of a warrant for the payment of the amount due. The Village Council has thirty days from the receipt of the “then and now” certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the “then and now” certificate, provided the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.

2. **Blanket Certificate** – Fiscal officers may prepare “blanket” certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
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.

None of expenditures tested were certified by the fiscal officer prior to the purchase commitment being made. It was also found none of the exceptions above were utilized for the items found to be in non-compliance. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balance. In addition, we noted the Village Council did not establish an amount in which blanket purchase orders may be written for, against any specific line item account over a period not running beyond the end of the current fiscal year.

Unless the exceptions noted above are used, prior certification is not only required by statute, but is a key control in the disbursement process to assure purchase commitments receive prior approval. To improve control over disbursements and to help reduce the possibility of the Village’s funds exceeding budgetary spending limitations, the fiscal officer should certify the funds are or will be available prior to obligation by the Village. When prior certification is not possible, “then and now” certification should be used.

The Village should certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The fiscal officer should sign the certification at the time the Village incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The Village should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation. The Village Council should also establish an amount for which its blanket certificates may be written.

Officials’ Response: Stone Creek Village council will submit request for expenses and receive a purchase order prior to making any purchases.

VILLAGE OF STONE CREEK
TUSCARAWAS COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2007

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2005-001	5705.41(D) – The required certifications were not being properly obtained.	No	Not Corrected. See finding number 2007-004.



Mary Taylor, CPA
Auditor of State

VILLAGE OF STONE CREEK

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 7, 2008**