



**VILLAGE OF TUSCARAWAS  
TUSCARAWAS COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2002-2001**



**Auditor of State  
Betty Montgomery**



VILLAGE OF TUSCARAWAS  
TUSCARAWAS COUNTY

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

Village of Tuscarawas  
Tuscarawas County  
P.O. Box 388  
209 South Main Street  
Tuscarawas, Ohio 44682

To the Village Council:

We have audited the accompanying financial statements of the Village of Tuscarawas, Tuscarawas County, Ohio, (the Village) as of and for the years ended December 31, 2002 and 2001. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

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 as of December 31, 2002 and 2001, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 11, 2003 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of management, Village Council and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by 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

September 11, 2003

**VILLAGE OF TUSCARAWAS  
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, 2002**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property Tax and Other Local Taxes	\$99,222	\$19,620	\$118,842
Intergovernmental	30,747	37,982	68,729
Charges for Services	44,179		44,179
Fines, Licenses, and Permits	3,426	50	3,476
Rentals	8,327		8,327
Earnings on Investments	8,860	467	9,327
Miscellaneous	1,460		1,460
	<u>196,221</u>	<u>58,119</u>	<u>254,340</u>
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	46,424	425	46,849
Public Health Services	622		622
Leisure Time Activities		1,773	1,773
Basic Utility Services	30,143		30,143
Transportation		16,107	16,107
General Government	83,909	19,388	103,297
	<u>161,098</u>	<u>37,693</u>	<u>198,791</u>
Total Cash Receipts Over Cash Disbursements	<u>35,123</u>	<u>20,426</u>	<u>55,549</u>
Fund Cash Balances, January 1	<u>112,726</u>	<u>89,378</u>	<u>202,104</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$147,849</u></b>	<b><u>\$109,804</u></b>	<b><u>\$257,653</u></b>
Reserves for Encumbrances, December 31	<u>\$1,986</u>	<u>\$329</u>	<u>\$2,315</u>

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

**VILLAGE OF TUSCARAWAS  
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, 2001**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Property Tax and Other Local Taxes	\$87,465	\$18,518		\$105,983
Intergovernmental	35,115	38,089		73,204
Charges for Services	39,968			39,968
Fines, Licenses, and Permits	6,509	321		6,830
Rentals	8,711			8,711
Earnings on Investments	10,313	531		10,844
Miscellaneous	4,858			4,858
	<u>192,939</u>	<u>57,459</u>		<u>250,398</u>
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	47,465	16		47,481
Public Health Services	594			594
Leisure Time Activities		4,413		4,413
Basic Utility Services	26,856	26,635		53,491
General Government	49,977			49,977
Capital Outlay		11,940		11,940
	<u>124,892</u>	<u>43,004</u>		<u>167,896</u>
Total Cash Receipts Over Cash Disbursements	<u>68,047</u>	<u>14,455</u>		<u>82,502</u>
<b>Other Financing Receipts/(Disbursements):</b>				
Sale of Fixed Assets	106			106
Transfers-In			\$2,975	2,975
Transfers-Out	(2,975)			(2,975)
	<u>(2,869)</u>		<u>2,975</u>	<u>106</u>
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	65,178	14,455	2,975	82,608
Fund Cash Balances, January 1	47,548	74,923	(2,975)	119,496
<b>Fund Cash Balances, December 31</b>	<b><u>\$112,726</u></b>	<b><u>\$89,378</u></b>	<b><u>\$0</u></b>	<b><u>\$202,104</u></b>
Reserves for Encumbrances, December 31	<u>\$8,441</u>	<u>\$296</u>	<u>\$0</u>	<u>\$8,737</u>

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

**VILLAGE OF TUSCARAWAS  
TUSCARAWAS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ENTERPRISE FUND  
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001**

	<b>2002</b>	<b>2001</b>
<b>Operating Cash Receipts:</b>		
Charges for Services	\$199,646	\$195,947
<b>Operating Cash Disbursements:</b>		
Personal Services	73,893	72,436
Contractual Services	21,285	23,954
Supplies and Materials	51,519	39,440
Capital Outlay	28,858	11,488
Total Operating Cash Disbursements	175,555	147,318
Operating Income	24,091	48,629
<b>Non-Operating Cash Disbursements:</b>		
Debt Service		4,932
Net Cash Receipts Over Cash Disbursements	24,091	43,697
Fund Cash Balances, January 1	139,398	95,701
<b>Fund Cash Balances, December 31</b>	<b>\$163,489</b>	<b>\$139,398</b>
Reserves for Encumbrances, December 31	\$2,441	\$9,611

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

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**VILLAGE OF TUSCARAWAS  
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Village of Tuscarawas, Tuscarawas County, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides water and sewer utilities, park operations, and police services. The Village contracts with the Tuscarawas County Sheriff's department to provide security of persons and property. The Village provides joint fire protection services with the Warwick Township Volunteer Fire Department.

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

The Village is associated with certain organizations which are defined as Jointly Governed Organizations under Governmental Accounting Standards Board (GASB) Statement No. 14, Reporting Entity. These organizations are presented in Notes 9 through 10. These organizations include:

- Tuscarawas County Regional Planning Commission
- Tuscarawas County Tax Incentive Review Council

**B. Basis of Accounting**

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 prescribed or permitted by the Auditor of State.

**C. Cash and Investments**

The Village maintains all cash in an interest-bearing checking account.

**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 is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

**VILLAGE OF TUSCARAWAS  
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Fund Accounting (Continued)**

**2. Special Revenue Funds**

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

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

*Street Levy Fund* - This fund receives levy monies to assist in repairing and maintaining Village streets.

**3. Capital Projects Fund**

This fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following Capital Projects Fund:

*Main/School Signal Fund* - This fund received grant monies for the installation of traffic signals within the Village.

**4. Enterprise Funds**

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

*Water Fund* - This fund receives charges for services from residents to cover the cost of providing this utility.

*Sewer Fund* - This fund receives charges for services from residents to cover the cost of providing this utility.

**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 level of control for the General Fund, and the fund level of control for all other funds, and appropriations may not exceed estimated resources. The Council must annually approve the appropriation measure and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

**VILLAGE OF TUSCARAWAS  
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Budgetary Process (Continued)**

**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 2002 and 2001 budgetary activity appears in Note 3.

**F. Property, Plant and Equipment**

Acquisitions of property, plant and equipment are recorded as capital outlay disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

**G. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

**2. EQUITY IN POOLED CASH**

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

	<u>2002</u>	<u>2001</u>
Demand deposits	\$421,142	\$341,502

**Deposits:** Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by the financial institution's public entity deposit pool.

At December 31, 2002 and 2001, \$27,930 and \$56,434, respectively, of deposits were not insured or collateralized, contrary to Ohio law.

**VILLAGE OF TUSCARAWAS  
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ended December 31, 2002 and 2001 follows:

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$174,180	\$196,221	\$22,041
Special Revenue	62,550	58,119	(4,431)
Enterprise	208,500	199,646	(8,854)
Total	\$445,230	\$453,986	\$8,756

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$283,549	\$163,084	\$120,465
Special Revenue	145,295	38,022	107,273
Enterprise	354,362	177,996	176,366
Total	\$783,206	\$379,102	\$404,104

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$166,554	\$193,045	\$26,491
Special Revenue	68,939	57,459	(11,480)
Capital Projects	11,900	2,975	(8,925)
Enterprise	192,500	195,947	3,447
Total	\$439,893	\$449,426	\$9,534

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$184,250	\$136,308	\$47,942
Special Revenue	120,873	43,300	77,573
Capital Projects	0	0	0
Enterprise	253,516	161,861	91,655
Total	\$558,639	\$341,469	\$217,170

**4. NONCOMPLIANCE**

Contrary to Ohio Rev. Code Section 5705.41(D), certain 2002 and 2001 expenditures were not certified prior to incurring the commitment.

**VILLAGE OF TUSCARAWAS  
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**5. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, 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.

**6. 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.

**7. RETIREMENT SYSTEMS**

The Village's full-time law enforcement officers belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time and part-time employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2002 and 2001, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant wages. OPERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2002 and 2001. The Village has paid all contributions required through December 31, 2002.

**8. RISK MANAGEMENT**

**Risk Pool Membership**

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 insurance 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.

**VILLAGE OF TUSCARAWAS  
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**8. RISK MANAGEMENT (Continued)**

Casualty Coverage

PEP retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. Claims exceeding \$250,000 are reinsured with APEEP up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000, from the General Reinsurance Corporation.

If losses exhaust PEP's retained earnings, APEEP covers PEP losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

PEP retains property risks, including automobile physical damage, up to \$10,000 on any specific loss with an annual aggregate of \$700,000 for 2001 and \$1,250,000 for 2002. The Travelers Indemnity Company reinsures losses exceeding \$10,000 if the annual aggregate is reached and all specific losses exceeding \$100,000. APEEP's Operating Fund and Guarantee Fund pay for losses and loss adjustment expenses should they exceed operating contributions.

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.

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:

<u>Casualty Coverage</u>	<u>2002</u>	<u>2001</u>
Assets	\$20,174,977	\$19,358,458
Liabilities	<u>(8,550,749)</u>	<u>(8,827,588)</u>
Retained earnings	<u>\$11,624,228</u>	<u>\$10,530,870</u>
<u>Property Coverage</u>	<u>2002</u>	<u>2001</u>
Assets	\$2,565,408	1,890,323
Liabilities	<u>(655,318)</u>	<u>(469,100)</u>
Retained earnings	<u>\$1,910,090</u>	<u>\$1,421,223</u>

**VILLAGE OF TUSCARAWAS  
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**9. TUSCARAWAS COUNTY REGIONAL PLANNING COMMISSION**

The Village participates in the Tuscarawas County Regional Planning Commission (Commission) which is statutorily created political subdivision of the State. The Commission is jointly governed among Tuscarawas County, and other cities, villages and townships. The principle aim of the Commission is to provide comprehensive planning, both long and short-term, dealing with the economic and physical environment of Tuscarawas County. The board exercises total authority for the day-to-day operations of the Commission. These include budgeting, appropriating, contracting, and designating management. The Village has no financial responsibility for any of the Commission's liabilities. Complete financial statements can be obtained from the Tuscarawas County Regional Planning Commission, Tuscarawas County, Ohio.

**10. TUSCARAWAS COUNTY TAX INCENTIVE REVIEW COUNCIL**

The Tuscarawas County Tax Incentive Review Council (Council) is a jointly governed organization, created as a regional council of governments pursuant to State statutes. The Council has 22 members, consisting of three members appointed by the County Commissioners, four members appointed by municipal corporations, six members appointed by township trustees, one member from the County Auditor's Office and eight members appointed by boards of education located within the County. The Council reviews and evaluates the performance of each Enterprise Zone Agreement. This body is advisory in nature and cannot directly impact an existing Enterprise Zone Agreement; however, the Council can make written recommendations to the legislative authority that approved the agreement. There is no cost associated with being a member of the Council. The continued existence of the Council is not dependent upon the Village's continued participation and no measurable equity interest exists.

**11. SUBSEQUENT EVENTS**

On January 9, 2003, Village Council adopted Ordinance No. 619, authorizing the issuance and sale of public utility revenue notes in the amount of \$200,000 with the Indian Village Community Bank at an interest rate of 5%.

On April 24, 2003, Village Council authorized the purchase of a retired bank building for a total cost of \$69,900. Village Council originally authorized \$35,000 to be financed with First National Bank of Dennison at an interest rate of 3.45%. However, on May 8, 2003 the authorization for this financing was rescinded, and re-authorized with Indian Village Community Bank for three years at interest rates of 2.50%, 3.00%, and 3.25%, respectively.

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL  
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Village of Tuscarawas  
Tuscarawas County  
P.O. Box 388  
209 South Main Street  
Tuscarawas, Ohio 44682

To the Village Council:

We have audited the accompanying financial statements of the Village of Tuscarawas, Tuscarawas County, Ohio, (the Village) as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated September 11, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2002-001.

We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated September 11, 2003.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings as items 2002-002 through 2002-003.

A material weakness is a 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 in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not consider any of the reportable conditions described above to be material weaknesses.

We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated September 11, 2003.

This report is intended solely for the information and use of management and Village Council, and is not intended to be and should not be used by 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

September 11, 2003

**VILLAGE OF TUSCARAWAS  
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2002 AND 2001**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2002-001**

**Noncompliance Citation**

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

This section provides for two “exceptions” to the above requirements:

- Then and Now Certificates - If no certificate is furnished as required, upon receipt of the fiscal officer’s certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate appropriated and free of any previous encumbrances, Village Council may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, provided that the expenditure is otherwise valid.
- If the amount involved is less than \$1,000 (\$3,000 effective April 7, 2003), the Village Clerk may authorize payments through a Then and Now Certificate without affirmation of Village Council, provided that the expenditure is otherwise lawful.

During 2002 and 2001, 38% of expenditures tested were not certified by the Village Clerk prior to incurring the commitment. It was found that neither of the two exceptions above were utilized for the items found to be in non-compliance. The Village should implement the use of so-called Then and Now Certificates and Blanket Certificates as further permitted by Ohio Rev. Code Section 5705.41.

**FINDING NUMBER 2002-002**

**Reportable Condition – Utility Receipts**

The following weaknesses were noted during testing of utility receipts:

- The Utility System Cash Receipts Journal does not document the method of payment for each utility customer account (e.g., cash, check, money order). In addition, numerous unsupported water, sewer, and refuse adjustments were posted to individual customer accounts and utility billing stubs. As a result, the risk that utility receipts could be misappropriated is increased.
- Village Council did not actively pursue delinquent utility accounts until May 2002 in accordance with Ordinance No. 581, an ordinance establishing a policy for owner/tenant water bill responsibility and shut-off procedures in the Village of Tuscarawas, Ohio, passed on December 28, 2000. As a result, the Village has an increased risk of not receiving monies owed for utility services.
- During 2001, monthly meter reading reports for commercial accounts were not properly maintained to support consumption amounts used to determine utility billings. As a result, the risk that errors could occur related to metered utility billings is increased.

**FINDING NUMBER 2002-002  
(Continued)**

- During May 2001, Village Council authorized the utility computer software to be upgraded as needed. However, during the upgrade, numerous utility accounts became cross-linked. For example, two customers could have had the same account number. As a result, the risk that occur related to errors could the posting of utility receipts is increased.
- Throughout 2002 and 2001, we noted errors within various utility reports. For example, Cash Receipts Journal reports were printed without clearing out previous receipts and Utility Billing Delinquent List reports were printed prior to the due dates of the billings. As a result, errors may not be detected timely.

We recommend the following:

- The Utility Billing Clerk should document the method of payment for each utility customer account receipt in the Utility System Cash Receipts Journal. The Utility Billing Clerk should also maintain supporting documentation for adjustments made to utility customer accounts and utility billing stubs. Adjustments to accounts should be reviewed and approved by an individual removed from the utility billing function. This review and approval should be documented. This will help reduce the risk of misappropriation of utility receipts as well as provide evidence to support the amounts collected and adjusted.
- Village Council should actively enforce Ordinance No. 581, an ordinance establishing a policy for owner/tenant water bill responsibility and shut-off procedures in the Village of Tuscarawas, Ohio. If Village Council believes that certain provisions of the ordinance require modification, it should adhere to the ordinance until such time the ordinance is amended. This will help reduce the risk of not receiving monies owed for utility services.
- The Utility Billing Clerk and Village Council should ensure that commercial account monthly meter readings are consistently performed, and the respective meter reading reports are properly maintained. This will help reduce the risk of errors related to metered utility billings.
- The Utility Billing Clerk and Village Council should ensure that all computer software upgrades are properly installed and implemented on the Village's computer system. In addition, Village Council should ensure that Village personnel have been adequately trained to use the respective computer software. This will help reduce the risk of error in the posting of utility receipts.

**FINDING NUMBER 2002-003**

**Reportable Condition – Computer Environment**

The following weaknesses were noted during review of the Village's computer environment:

- During 2002 and 2001, the Village's computerized budgetary application did not permit the use of password restrictions. As a result, the risk that standing computer data could be altered was increased.

**FINDING NUMBER 2002-003  
(Continued)**

- During 2001, the Village Clerk did not always issue checks in sequential order due to technical difficulties associated with the Village's budgetary computer application. Additionally, the Village's computerized budgetary accounting application allowed the Village Clerk to reuse purchase order numbers in a particular fiscal year once the purchase order numbers were closed. As a result, purchase orders were not always numbered sequentially. Finally, the Village's computerized payroll application was not integrated with the computerized budgetary application. As a result, the Village's Budget History Reports did not accurately reflect fringe benefit amounts for Village employees. Thus expenditures could be recorded in an inappropriate accounting period and the risk of misappropriation is increased.
- The Village did not have a formal disaster recovery plan. This could lead to critical resources and processing not being restored in a timely and efficient manner. As a result, the Village could incur substantial costs attempting to retrieve and recreate financial information.

We recommend the following:

- The Village should implement passwords for the budgetary application. Passwords should be a minimum of 5 characters in length and changed periodically. This will help reduce the risk of unauthorized entry into the budgetary application.
- Village Council should consider upgrading its current computer application systems or implementing the use of the Uniform Accounting Network (UAN) offered by the Auditor of State. UAN provides villages with a complete computer system (hardware and software), along with training and support. UAN's accounting, payroll and other applications, such as inventory tracking, help local governments reduce the time it takes to process accounting transactions and maintain related accounting records. UAN also promotes timely and useful information for the governing body. Currently, the Village Clerk has applied for UAN, and is on a waiting list for distribution.
- Village Council should prepare and adopt a formal disaster recovery plan which documents the actions necessary to restore business operations in the event of a disaster which may temporarily or permanently disable data processing capabilities as evidenced in the minute records. This will help increase the timeliness and accuracy of the Village's data recovery process.

**VILLAGE OF TUSCARAWAS  
TUSCARAWAS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2002 AND 2001**

Finding Number	Finding Summary	Fully Corrected ?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i><b>Explain:</b></i>
2000-31279-001	Ohio Rev. Code Section 733.28 and Ohio Administrative Code Sections 117-5-01 to 117-5-18 – the Village Clerk did not keep accurate statements of all moneys received and expended.	No	Partially Corrected – Citation will be reported to Village management in the Management Letter.
2000-31279-002	Ohio Rev. Code Section 5705.10 – During 2000, the Village had a negative cash fund balance in the Capital Projects Main/School Signal Fund.	Yes	Finding No Longer Valid
2000-31279-003	Ohio Rev. Code Sections 5705.14, 5705.15 and 5705.16 – During 2000, the Village transferred from the Special Revenue State Highway Improvement Fund to the Capital Projects Main/School Signal Fund without approval of the Tax Commissioner or the Court of Common Pleas.	Yes	Finding No Longer Valid
2000-31279-004	Ohio Rev. Code Section 5705.39 – Appropriations exceeded estimated resources at year end.	Yes	Finding No Longer Valid
2000-31279-005	Ohio Rev. Code Section 5705.40 – During 1999, the Village Clerk amended certain fund appropriations without Village Council approval.	Yes	Finding No Longer Valid
2000-31279-006	Ohio Rev. Code Section 5705.41(B) – Village expenditures exceeded appropriations at the legal level of control.	No	Partially Corrected – Citation will be reported to Village management in the Management Letter.

Village of Tuscarawas  
Tuscarawas County  
Schedule of Prior Audit Findings  
Page 2

Finding Number	Finding Summary	Fully Corrected ?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain:</b>
2000-31279-008	Article XII, Section 5a Ohio Constitution, and Ohio Attorney General Opinion 1982 Op. Attorney General No. 82-031 – During 2000 and 1999, the Village Clerk did not initially distribute interest earned.	Yes	Finding No Longer Valid
2000-31279-009	Material Weakness – Utility Receipts	No	Refer to Finding 2002-002.
2000-31279-010	Material Weakness – Computer Environment	No	Refer to Finding 2002-003.





**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 TUSCARAWAS**

**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 9, 2003**