

***VILLAGE OF GNADENHUTTEN  
TUSCARAWAS COUNTY, OHIO***

***AUDIT REPORT***

***FOR THE YEARS ENDED DECEMBER 31, 2002 & 2003***

***Charles E. Harris and Associates, Inc.***  
**Certified Public Accountants**





**Auditor of State  
Betty Montgomery**

Board of Trustees  
Village of Gnadenhutten

We have reviewed the Independent Auditor's Report of the Village of Gnadenhutten, Tuscarawas County, prepared by Charles E. Harris & Associates, Inc. for the audit period January 1, 2002 through December 31, 2003. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

BETTY MONTGOMERY  
Auditor of State

April 1, 2005

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**VILLAGE OF GNADENHUTTEN  
TUSCARAWAS COUNTY  
For Years Ending December 31, 2003 and 2002**

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*Charles E. Harris & Associates, Inc.*  
*Certified Public Accountants*

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**REPORT OF INDEPENDENT ACCOUNTANTS**

**The Honorable Mayor and Members  
of Village Council  
Village of Gnadenhutten  
Gnadenhutten, Ohio**

**We have audited the accompanying financial statements of the Village of Gnadenhutten (the Village), as of and for the years ended December 31, 2003 and 2002, as listed in the table of contents. 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 a 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 cash, investments and fund cash balances as of December 31, 2003 and 2002, and its combined statements of cash receipts, disbursements, and changes in fund cash balances for the years then ended in conformity with the basis of accounting described in Note 1.**

**In accordance with *Government Auditing Standards*, we have also issued a report dated January 25, 2005 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. 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, and other officials authorized to receive this report under Section 117.26, Ohio Revised Code and is not intended to be and should not be used by anyone other than these specified parties.**

***Charles E. Harris & Associates, Inc.***  
**January 25, 2005**

VILLAGE OF GNADENHUTTEN  
TUSCARAWAS COUNTY, OHIO  
COMBINED STATEMENT OF CASH, INVESTMENTS AND  
FUND CASH BALANCES - ALL FUND TYPES  
For the Year Ended December 31, 2002 and 2003

	2002 Balances	2003 Balances
Cash and Cash Equivalents	135,624	274,390
	\$ 135,624	\$ 274,390

**Cash Balances by Fund Class**

Governmental Fund Types:

General Fund	13,552	81
Special Revenue Funds	49,477	58,155
Capital Projects	12,668	21,139

Proprietary Funds:

Enterprise Funds	59,957	195,300
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Fiduciary Fund:

Expendable Trust	(30)	(285)
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Totals	\$ 135,624	\$ 274,390
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See accompanying Notes to the Financial Statements.

VILLAGE OF GNADENHUTTEN  
TUSCARAWAS COUNTY  
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES -  
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND  
FOR THE YEAR ENDED DECEMBER 31, 2003

	Governmental Fund Types			Fiduciary Fund Types	(Memorandum Only)
	General	Special Revenue	Capital Projects	Expendable Trust	Total
Receipts:					
Property Tax and Other Local Taxes	\$ 69,786	\$ 17,891	-	-	\$ 87,677
Municipal Income Taxes	-	-	-	\$ 242,890	242,890
Charges for Services	33,076	13,023	-	-	46,099
Intergovernmental	52,482	57,956	-	-	110,438
Fines, Licenses and Permits	3,111	-	-	-	3,111
Interest	1,619	982	-	-	2,601
Rent	-	4,750	-	-	4,750
Other	18,295	-	-	-	18,295
<b>Total Receipts</b>	<b>178,369</b>	<b>94,602</b>	<b>-</b>	<b>242,890</b>	<b>515,861</b>
Disbursements:					
General Government	73,795	-	-	21,445	95,240
Security of Persons & Property	54,818	94,511	-	-	149,329
Community Environment	686	-	-	-	686
Basic Utilities	73,364	-	-	-	73,364
Public Health Services	336	-	-	-	336
Transportation	56,203	47,995	\$ 17,100	-	121,298
Leisure time Activities	13,321	-	-	-	13,321
Capital Outlay	30,752	14,447	3,985	-	49,184
Debt Service	7,536	2,877	-	-	10,413
<b>Total Disbursements</b>	<b>310,811</b>	<b>159,830</b>	<b>21,085</b>	<b>21,445</b>	<b>513,171</b>
Receipts over(under) disbursements	(132,442)	(65,228)	(21,085)	221,445	2,690
Other Financing Sources (Uses)					
Sale of Fixed Assets	732	-	-	-	732
Transfers in	118,239	73,906	29,555	-	221,700
Transfers out	-	-	-	(221,700)	(221,700)
<b>Total Other Financing Sources (Uses)</b>	<b>118,971</b>	<b>73,906</b>	<b>29,555</b>	<b>(221,700)</b>	<b>732</b>
Total Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	(13,471)	8,678	8,470	(255)	3,422
Fund Balance 1/1/2003	13,552	49,477	12,669	(30)	75,668
Fund Balance 12/31/2003	\$ 81	\$ 58,155	\$ 21,139	\$ (285)	\$ 79,090

See accompanying Notes to the Financial Statements.

VILLAGE OF GNADENHUTTEN  
TUSCARAWAS COUNTY  
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH  
BALANCES - PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2003

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$ 411,925
Miscellaneous	265
	412,190
Operating Cash Disbursements:	
Personal Services	88,914
Contractual Services	1,572
Supplies and Materials	116,563
Capital Outlay	52,747
	259,797
Operating Income (Loss)	152,393
Non-Operating Cash Receipts/(Disbursements):	
Proceeds of Notes	10,000
Debt Service	(27,050)
	(17,050)
Net Receipts (Under) Disbursements	135,343
Fund Cash Balances, January 1	59,957
Fund Cash Balances, December 31	\$ 195,300

See accompanying Notes to the Financial Statements.

VILLAGE OF GNADENHUTTEN  
TUSCARAWAS COUNTY  
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES -  
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND  
FOR THE YEAR ENDED DECEMBER 31, 2002

	Governmental Fund Types			Fiduciary Fund Types	(Memorandum Only)
	General	Special Revenue	Capital Projects	Expendable Trust	Total
Receipts:					
Property Tax and Other Local Taxes	\$ 60,346	\$ 17,435	-	-	\$ 77,781
Municipal Income Taxes	-	-	-	\$ 235,519	235,519
Charges for Services	33,676	18,101	-	-	51,777
Intergovernmental	54,866	67,161	-	-	122,027
Fines, Licenses and Permits	4,752	-	-	-	4,752
Interest	650	290	10	-	950
Other	11,222	3,557	\$ 254	-	15,033
<b>Total Receipts</b>	<b>165,512</b>	<b>106,544</b>	<b>264</b>	<b>235,519</b>	<b>507,839</b>
Disbursements:					
General Government	72,238	714	-	18,983	91,935
Security of Persons & Property	61,190	77,344	-	-	138,534
Community Environment	681	-	-	-	681
Basic Utilities	44,245	-	-	-	44,245
Public Health Services	693	-	-	-	693
Transportation	62,597	51,557	-	-	114,154
Leisure time Activities	6,877	-	-	-	6,877
Capital Outlay	10,918	2,588	55,938	-	69,444
Debt Service	7,467	2,661	3,199	-	13,327
<b>Total Disbursements</b>	<b>266,906</b>	<b>134,864</b>	<b>59,137</b>	<b>18,983</b>	<b>479,890</b>
Receipts over(under) disbursements	(101,394)	(28,320)	(58,873)	216,536	27,949
Other Financing Sources (Uses)					
Proceeds of Notes	-	-	41,908	-	41,908
Transfers in	114,487	74,094	28,453	-	217,034
Transfers out	-	-	-	(217,034)	(217,034)
<b>Total Other Financing Sources (Uses)</b>	<b>114,487</b>	<b>74,094</b>	<b>70,361</b>	<b>(217,034)</b>	<b>41,908</b>
<b>Total Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses</b>	<b>13,093</b>	<b>45,774</b>	<b>11,488</b>	<b>(498)</b>	<b>69,857</b>
Fund Balance 1/1/2002	459	3,703	1,181	468	5,811
<b>Fund Balance 12/31/2002</b>	<b>\$ 13,552</b>	<b>\$ 49,477</b>	<b>\$ 12,669</b>	<b>\$ (30)</b>	<b>\$ 75,668</b>

See accompanying Notes to the Financial Statements.

VILLAGE OF GNADENHUTTEN  
TUSCARAWAS COUNTY  
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND  
BALANCES - PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2002

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$ 346,517
Interest	19
	346,536
Total Operating Cash Receipts	
Operating Cash Disbursements:	
Personal Services	79,893
Contractual Services	66,201
Supplies and Materials	71,971
Capital Outlay	35,528
	253,593
Total Operating Cash Disbursements	
Operating Income (Loss)	92,943
Non-Operating Cash Receipts/(Disbursements)	
Debt Service	(55,787)
	(55,787)
Total Non-Operating Cash Receipts/(Disbursements)	
Net Receipts (Under) Disbursements	37,156
Fund Cash Balances, January 1	22,801
Fund Cash Balances, December 31	\$ 59,957

See accompanying Notes to the Financial Statements.

**VILLAGE OF GNADENHUTTEN  
TUSCARAWAS COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2002 and 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

The Village of Gnadenhutten, (the Village) is a body corporate and politic established for the purpose of exercising 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 general governmental services, including water and sewer, park operations (leisure time activities), and police and fire services.

The Village's management believes these financial statements included in this report represent all of the funds of the Village over which the Village has the ability to exercise direct operating control.

B. BASIS OF ACCOUNTING

The Village prepares its financial statements following the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis 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.)

The statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. CASH

Certificates of deposit are valued at cost.

D. FUND ACCOUNTING

The Village maintains its accounting records in accordance with the principles of "Fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, and accounting entity which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

**VILLAGE OF GNADENHUTTEN**  
**TUSCARAWAS COUNTY, OHIO**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2002 and 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Governmental Fund Types:

General Fund: The general operating fund of the Village. It is used to account for all financial resources except those required by law or contract to be accounted for in another fund.

Special Revenue Funds: These funds are used to account for proceeds from special sources (other than from trusts or for capital projects) that are restricted to expenditures for specific purposes. Special revenue funds follow:

- Street Construction Maintenance & Repair
- Police Income Tax
- Fire Levy

Capital Projects Fund: This fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects. The Village has the following Capital Projects Fund:

- Capital Projects Fund

Proprietary Fund Types:

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

- Water Fund
- Sewer Fund
- Waterline Debt
- Sewer Upgrade Debt

**VILLAGE OF GNADENHUTTEN  
TUSCARAWAS COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2002 and 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Fiduciary Fund Type:

Expendable Trust Fund: The Village uses a trust fund to account for income tax receipts. The income tax receipts are eventually transferred to the general fund, the police income tax fund and the capital projects fund per Village ordinance.

E. BUDGETARY PROCESS

A budget of estimated cash receipts and disbursements is prepared by the Clerk, approved by the Board of Trustees, and submitted to the county auditor, as secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

1. Estimated Resources

The county auditor calculates the estimated revenues available to the Village. He prepares a certificate of estimated resources based upon this calculation and upon the other financial information supplied in the budget sent by the Village. The certificate is approved by the county budget commission and sent to the Village Clerk by September 1.

Prior to December 31, the Village must revise its budget so that the total budgeted expenditures for a fund will not exceed the amount of stated in the certificate of estimated resources. The revised budget serves as the basis for the annual appropriation measure.

On or about January 1, the Clerk sends the county auditor a certificate to which includes the actual unencumbered balances from the preceding year. The county auditor prepares an amended certificate, submits it to the county budget commission for approval. This amended certificate may be further amended during the year if projected increases or the Clerk identifies decreases in revenue. The amounts reported in the budgetary statements reflect the amounts in the final amended certificates issued during 2002 and 2003.

Budget receipts, as shown in the accompanying financial statements, do not include the unencumbered fund balances as of January 1, 2002 and 2003. However, those fund balances are available for appropriation.

**VILLAGE OF GNADENHUTTEN  
TUSCARAWAS COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2002 and 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

2. Appropriations

A temporary appropriation measure to control cash expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation measure must be passed by March 31 of each year for the period January 1 to December 31. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.

3. Encumbrances

The Village is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The sum of expenditures and encumbrances may not exceed appropriated totals at any level of budgetary control. The legal level of control is the object level of appropriation.

Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year without being re-appropriated.

A summary of 2003 and 2002 budgetary activity appears in Note 6.

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.

**VILLAGE OF GNADENHUTTEN  
TUSCARAWAS COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2002 and 2003**

2. EQUITY IN POOLED CASH AND CASH EQUIVALENTS

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

	2003	2002
Demand deposits	\$ 274,390	\$ 135,624

**Deposits:** The FDIC insured all of 2002 deposits. FDIC covered all of 2003 deposits except for \$108,425, which was collateralized.

3. PROPERTY TAX

Real property taxes are levied on assessed values, which equal 35% of appraised value. The county auditor reappraises all real property every six years with a triennial update. The last update was completed for tax year 2001.

Real property taxes become a lien on all non-exempt real property located in the county on January 1. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20 of the following year. Under certain circumstances, state statute permits later payment dates to be established.

The State Board of Tax Equalization adjusts the tax rates for inflation. Real property owners' tax bills are further reduced by homestead and rollback deductions when applicable. The amount of these homestead and rollback reductions is reimbursed to the Village by the State of Ohio. The amounts reimbursed by the State of Ohio are reflected in the accompanying financial statements as Intergovernmental Receipts.

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

The property owners, who must file a list of such property to the County by each April 30, assess tangible personal property tax.

The Tuscarawas County Treasurer collects property tax on behalf of all taxing Villages within the county. The Tuscarawas County Auditor periodically remits to the taxing Village their portions of the taxes collected.

4. LOCAL INCOME TAX

The Village levies a municipal income tax of 1.5% 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.

**VILLAGE OF GNADENHUTTEN  
TUSCARAWAS COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2002 and 2003**

4. LOCAL INCOME TAX – (Continued)

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 taxpayer pay estimated taxes quarterly and file a declaration annually. 1% of the income tax is used for general Village operations while the remaining ½% is used for police department operations.

5. DEFINED BENEFIT PENSION PLAN

The Ohio Public Employees Retirement System (OPERS) is a cost-sharing multiple-employer defined benefit pension plan. OPERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 466-2085 or 1-800-222-PERS (7377).

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rates are 8.5% for employees other than law enforcement and 10% for law enforcement. For local government employer units the rate was 13.55% of covered payroll for other than law enforcement and 16.70% for law enforcement. The Village has paid all contributions required through December 31, 2003.

6. BUDGETARY ACTIVITY

<u>Fund Type</u>	<u>2003 Budgeted vs. Actual Receipts</u>		<u>Variance</u>
	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	
General	\$320,171	\$297,340	\$(22,831)
Special Revenue	179,193	168,508	(10,685)
Capital Projects	37,669	29,555	(8,114)
Enterprise	392,259	422,190	29,931
Expendable Trust	<u>160,002</u>	<u>242,890</u>	<u>82,888</u>
Total	<u>\$1,089,294</u>	<u>\$1,160,483</u>	<u>\$71,189</u>

**VILLAGE OF GNADENHUTTEN  
TUSCARAWAS COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2002 and 2003**

2003 Budgeted vs. Actual Budget Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 305,550	\$ 310,811	\$(5,261)
Special Revenue	137,400	159,830	(22,430)
Capital Projects	15,000	21,085	(6,085)
Enterprise	247,300	286,847	(39,547)
Expendable Trust	<u>178,000</u>	<u>243,145</u>	<u>(65,145)</u>
Total	<u>\$883,250</u>	<u>\$1,021,718</u>	<u>\$(138,468)</u>

2002 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$349,906	\$279,999	\$(69,907)
Special Revenue	140,304	180,638	40,334
Capital Projects	26,181	70,625	44,444
Enterprise	259,917	346,536	86,619
Expendable Trust	<u>178,468</u>	<u>235,519</u>	<u>57,051</u>
Total	<u>\$954,776</u>	<u>\$1,113,317</u>	<u>\$158,541</u>

2002 Budgeted vs. Actual Budget Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$305,550	\$266,906	\$38,644
Special Revenue	137,400	134,864	2,536
Capital Projects	27,500	59,137	(31,637)
Enterprise	232,300	309,380	(77,080)
Expendable Trust	<u>178,000</u>	<u>236,017</u>	<u>(58,017)</u>
Total	<u>\$880,750</u>	<u>\$1,006,304</u>	<u>\$(125,554)</u>

7. DEBT

Debt outstanding at December 31, 2003 was as follow:

	<u>2003</u>	<u>Interest Rate</u>
Cemetery Note	1,316	6.00%
OPWC Note	163,477	0.00%
Dump Truck Note	3,707	5.00%
OWDA - 3803	86,117	6.13%
OWDA - 3809	10,000	0.00%
OWDA - 3343	<u>116,846</u>	6.39%
Total	<u>\$381,463</u>	

**VILLAGE OF GNADENHUTTEN  
TUSCARAWAS COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2002 and 2003**

7. DEBT – (Continued)

OWDA Loan # 3343 was inadvertently excluded from the December 31 2002 and 2001 report. The proceeds of OWDA loan #3343 were used for improvements for the wastewater treatment plant. The loan balance at December 31, 2003 includes capitalized interest of \$11,891. This loan was completely repaid from user fees in 2004.

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

Year ending December 31:	Cemetery Note	OPWC Note	Dump Truck Note	OWDA Note 3803	OWDA Note 3343
2004	\$1,316	\$10,217	\$3,707	\$ 991	\$116,846
2005		10,217		2,075	
2006		10,217		2,204	
2007		10,217		2,341	
2008		10,217		2,487	
Thereafter		112,392		76,019	
Total	<u>\$1,316</u>	<u>\$163,477</u>	<u>\$3,707</u>	<u>\$86,117</u>	<u>\$116,846</u>

OWDA has not prepared an amortization schedule for Loan # 3809. The proceeds of loan #3809 were used for water planning and design. This loan will be repaid from user fees.

8. RISK MANAGEMENT

Commercial Insurance:

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles
- General Liability
- Public Official's Liability
- Employer's Liability
- Law Enforcement Liability

The Village also provides health insurance to full-time employees through a private carrier.

**VILLAGE OF GNADENHUTTEN  
TUSCARAWAS COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2002 and 2003**

8. RISK MANAGEMENT – (Continued)

Settled claims have not exceeded commercial coverage in the past three years. Also, there have been no material reductions in coverage during the past three years.

9. JOINTLY GOVERNED ORGANIZATIONS

A. Gnadenhutten-Clay Union Cemetery (Union)

The Cemetery is a jointly governed organization under Ohio Revised Code § 759.27, and is directed by an appointed three-member board. The Village of Gnadenhutten and Clay Township each appoint one member to the board. The third member is a citizen appointed by the other two members. The Cemetery provides burial services, operations and maintenance of the cemetery. During 2003 and 2002, no monies were paid to the Cemetery by the Village.

B. Community Improvement Corporation of Tuscarawas County (Corporation)

The Corporation is operated by Tuscarawas County, New Philadelphia, Dover, Uhrichsville, Dennison, Strasburg, Sugar Creek and Gnadenhutten. It is controlled by 25 trustees consisting of the three County Commissioners, the mayor of each participating city and 15 self-selected trustees. The board exercises total control over the operations of the Corporation including budgeting, appropriating, contracting and designating management. Each participant's degree of control is limited to representation on the board. During 2003 and 2003, no monies were paid to the Corporation by the Village.

C. Tuscarawas County Regional Planning Commission (Commission)

The Commission is a statutorily created political subdivision of the State. The Commission is jointly governed among Tuscarawas County municipalities and townships. Each member's control over the operation of the Commission is limited to its representation on the board. The Commission makes studies, maps, plans, recommendations and reports concerning the physical, environmental, social, economical and governmental characteristics, functions and services of the county. In 2003 and 2002, \$128 was paid to the Commission by the Village for each year.

**VILLAGE OF GNADENHUTTEN  
TUSCARAWAS COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2002 and 2003**

10. SUBSEQUENT EVENTS/PENDING LITIGATION

Management believes there are no pending claims or lawsuits.

Subsequent to December 31, 2003, the Village entered into two agreements with the Ohio Water Development Authority (OWDA). Loan #4159 borrowed \$3,511,835 to complete improvements to its Wastewater Treatment Plant. The total amount expended as of January 19, 2005 was \$335,697. The Village also entered into an agreement (Loan # 4023) with the OWDA, to design improvements for the Wastewater Treatment Plant. The amount approved and borrowed was \$42,343, which was completely paid on November 24, 2004.

The General Fund cash balance increased to approximately \$117,000 as of December 31, 2004 due to increased income tax receipts, estate tax receipts and reduced spending.

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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

The Honorable Mayor and Members  
of Village Council  
Village of Gnadenhutten  
Gnadenhutten, Ohio

We have audited the financial statements of the Village of Gnadenhutten (Village) as of and for the years ended December 31, 2002 and 2003, and have issued our report thereon dated January 25, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

*Internal Controls 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 an opinion on the internal control over financial reporting. Our consideration of 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 internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we reported to the management of the Village of Gnadenhutten, Ohio in separate letter dated January 25, 2005.

*Compliance and Other Matters*

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 grant agreements, 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings as item number 2003-VGTC-001 thru 2003-VGTC-003. We also noted certain additional matters that we reported to management of the Village in a separate letter dated January 25, 2005.

This report is intended solely for the information and use of the management, and the Village Council, and is not intended to be and should not be used by anyone other than these specified parties.

***Charles E. Harris and Associates, Inc.***

January 25, 2005

VILLAGE OF GNADENHUTTEN  
TUSCARAWAS COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2002 and 2003

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE GAGAS
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Noncompliance Citations  
FINDING NUMBER 2003-VGTC-001

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 or 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 warrant shall be issued in payment due thereon.

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

1. 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 due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.
2. If the amount involved is less than \$1,000, the Clerk-Treasurer may authorize payment through a Then and Now Certificate without affirmation of the Village Council, if such expenditure is otherwise valid.

Of the 239 transactions tested, 90 expenditures (46 in 2003 and 44 in 2002) were not certified by the Clerk-Treasurer prior to the obligation date of the expenditure.

In addition, certain liabilities, contracts, and open purchase commitments incurred prior to December 31, which were not encumbered were improperly charged against the following year’s appropriations. Also, the unencumbered fund balances reported to County Auditor for budgetary purposes were overstated due to the failure to properly encumber.

Not properly certifying the availability of funds (and failure to encumber) could cause the Village to overspend appropriations. The Clerk/Treasurer should notify all Village officials and employees of the requirements of Ohio Rev. Code Section 5705.41(D). In addition, the Village should implement the use of Then and Now certificates and Blanket Certificates as permitted by Ohio Rev. Code Section 5705.41.

This finding is also included in the Schedule of Findings in the December 31, 2001 and 2000 report.

Noncompliance Citations (Continued)

FINDING NUMBER 2003-VGTC-002

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

At each year-end, expenditures exceeded appropriations within the following fund types:

<u>Fund Type</u>	<u>Appropriations</u>	<u>2003</u> <u>Expenditures</u>	<u>Variance</u>
General Fund	\$305,550	\$310,811	(\$5,261)
Special Revenue:			
Street	50,000	52,856	(2,856)
Fire Fund	32,400	38,406	(6,006)
Police Income Tax	55,000	67,946	(12,946)
Capital Projects			
Capital Improvements	15,000	21,085	(6,085)
Enterprise			
Sewer Fund	130,800	142,029	(11,229)
Waterline	24,500	36,478	(11,978)
Sewer Upgrade	-0-	23,863	(23,863)
Expendable Trust	178,000	243,145	(65,145)

<u>Fund Type</u>	<u>Appropriations</u>	<u>2002</u> <u>Expenditures</u>	<u>Variance</u>
Special Revenue:			
Street	50,000	56,698	(6,698)
Capital Projects			
Capital Improvements	2,500	59,137	(56,637)
Enterprise			
Water	92,000	124,037	(32,037)
Sewer	130,800	161,399	(30,599)
Waterline	9,500	17,551	(8,051)
Sewer Upgrade	-0-	6,393	(6,393)
Expendable Trust	178,000	236,017	(58,017)

Noncompliance Citations (Continued)

FINDING NUMBER 2003-VGTC-002 – (Continued)

Also during 2002, the Village was awarded an Ohio Water Development Authority (OWDA) loan for the purpose of water design and planning. The project was administered by OWDA and the financial activity during 2002 was not recorded on the Village's books. As a result, expenditures of \$41,908 were made on the Village's behalf but were not appropriated.

In addition, object level expenditures exceeded appropriations in most funds throughout both years. The Clerk should frequently compare actual expenditures to appropriations at the object level to avoid potential overspending, both at year-end and during the year.

This finding is also included in the Schedule of Findings in the December 31, 2001 and 2000 report.

FINDING NUMBER 2003-VGTC-003

Ohio Rev. Code Section 5705.10 states that money paid into a fund must be used only for the purposes for which such fund has been established. A negative balance would indicate that money from one fund was used to cover the expenses of another fund.

The following funds had negative fund balances throughout the year for both 2003 and 2002.

<u>Month/Year</u>	<u>Fund</u>	<u>Balance</u>
March 2002	General	(\$3,837)
December 2002	Street	(\$373)
December 2002	Income Tax	(\$30)
March 2003	Street	(\$2,828)
June 2003	Street	(\$1,169)
December 2003	Waterline Loan Repayment	(\$1,536)
December 2003	Income Tax	(\$285)

Fund activity should be monitored to prevent future expenditures in excess of available revenue.

This finding is also included in the Schedule of Findings in the December 31, 2001 and 2000 report.

VILLAGE OF GNADENHUTTEN  
TUSCARAWAS COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2001 AND 2000

FINDING NUMBER	FUNDING SUMMARY	FULLY CORRECTED?	Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2001-31279-001	Village did not certify the availability of funds before contracting to procure goods and services.	NO	Not Corrected: This is repeated in the Schedule of Findings as item 2003-VGTC-001
2001-31279-002	Appropriations exceeded resources as certified by the County Auditor	NO	Partially corrected. Included in management letter.
2001-31279-003	Expenditures exceeded appropriations both during the year and at year-end.	NO	Not Corrected: This is repeated in the Schedule of Findings as item 2003-VGTC-002.
2001-31279-004	Village had funds with negative fund balances throughout the year for both 2001 and 2000.	NO	Not Corrected: This is repeated in the Schedule of Findings as item 2003-VGTC-003.
2001-31279-005	Village miscalculated industrial water, sewer and trash hauling billings.	YES	The Village has streamlined the industrial customers billing process and the Clerk/Treasurer is now reviewing monthly billing reports.





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**VILLAGE OF GNADENHUTTEN**

**TUSCARAWAS COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
APRIL 12, 2005**