



**VILLAGE OF ROSWELL
TUSCARAWAS COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2010 and 2009



Dave Yost • Auditor of State

VILLAGE OF ROSWELL
TUSCARAWAS COUNTY

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Dave Yost • Auditor of State

Village of Roswell
Tuscarawas County
5198 Main Street
New Philadelphia, Ohio 44663

To the Honorable Mayor and Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an 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.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

September 16, 2011

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Roswell
Tuscarawas County
5198 Main Street
New Philadelphia, Ohio 44663

To the Honorable Mayor and Village Council:

We have audited the accompanying financial statements of the Village of Roswell, Tuscarawas County, Ohio, (the Village) as of and for the year ended December 31, 2010 and 2009. 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(A) mandates 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, 2010 and 2009 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, 2010 and 2009, or its changes in financial position or cash flows, where applicable, 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 of the Village of Roswell, Tuscarawas County, as of December 31, 2010 and 2009, and its combined cash receipts and 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 September 16, 2011, 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.



Dave Yost
Auditor of State

September 16, 2011

**VILLAGE OF ROSWELL
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, 2010**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Local Taxes	\$16,013	\$10,083	\$26,096
Municipal Income Tax	15,597		15,597
Intergovernmental	23,825	10,619	34,444
Special Assessments	307		307
Fines, Licenses and Permits	559		559
Earnings on Investments	26	6	32
Miscellaneous	766		766
	<u>57,093</u>	<u>20,708</u>	<u>77,801</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	6,221	5,510	11,731
Leisure Time Activities	10,314		10,314
Basic Utility Service	4,802	6,293	11,095
Transportation		3,266	3,266
General Government	21,259	5,904	27,163
Lease Payment	5,257		5,257
	<u>47,853</u>	<u>20,973</u>	<u>68,826</u>
Total Cash Disbursements	<u>47,853</u>	<u>20,973</u>	<u>68,826</u>
Total Receipts Over/(Under) Disbursements	<u>9,240</u>	<u>(265)</u>	<u>8,975</u>
Other Financing Receipts / (Disbursements):			
Advance-In		5,000	5,000
Advance-Out	(5,000)		(5,000)
Other Financing Uses	(3,003)	(516)	(3,519)
	<u>(8,003)</u>	<u>4,484</u>	<u>(3,519)</u>
Total Other Financing Receipts / (Disbursements)	<u>(8,003)</u>	<u>4,484</u>	<u>(3,519)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	1,237	4,219	5,456
Fund Cash Balances, January 1	<u>6,998</u>	<u>10,528</u>	<u>17,526</u>
Fund Cash Balances, December 31	<u>\$8,235</u>	<u>\$14,747</u>	<u>\$22,982</u>

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

**VILLAGE OF ROSWELL
TUSCARAWAS COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010**

Operating Cash Receipts:	
Charges for Services	\$22,185
Total Operating Cash Receipts	22,185
Operating Cash Disbursements:	
Personal Services	1,965
Employee Fringe Benefits	782
Contractual Services	8,246
Supplies and Materials	38
Water Works to Midvale	65,517
Total Operating Cash Disbursements	76,548
Operating (Loss)	(54,363)
Non-Operating Cash Receipts:	
Intergovernmental	93,618
Total Non-Operating Cash Receipts	93,618
Non-Operating Cash Disbursements:	
OWDA Loan Principal Payment	55,766
Capital Outlay	41,706
Other Non-Operating Disbursements	7,695
Total Non-Operating Cash Disbursements	105,167
Net Receipts (Under) Disbursements	(65,912)
Fund Cash Balances, January 1	65,912
Fund Cash Balances, December 31	\$0

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

**VILLAGE OF ROSWELL
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, 2009**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Local Taxes	\$13,829	\$8,480	\$22,309
Municipal Income Tax	15,619		15,619
Intergovernmental	7,959	9,716	17,675
Fines, Licenses and Permits	377		377
Earnings on Investments	31	6	37
Miscellaneous	1,179		1,179
	<u>38,994</u>	<u>18,202</u>	<u>57,196</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	7,342	5,233	12,575
Basic Utility Service	5,004	5,703	10,707
Transportation		1,489	1,489
General Government	24,511	1,220	25,731
Debt Service:			
Lease Payment	4,882		4,882
	<u>41,739</u>	<u>13,645</u>	<u>55,384</u>
Total Receipts Over/(Under) Disbursements	<u>(2,745)</u>	<u>4,557</u>	<u>1,812</u>
Other Financing Receipts / (Disbursements):			
Sale of Fixed Assets	207		207
Advance- In	5,000		5,000
Advance - Out		(5,000)	(5,000)
Other Financing Uses	(2,717)	(162)	(2,879)
	<u>2,490</u>	<u>(5,162)</u>	<u>(2,672)</u>
Excess of Cash Receipts and Other Financing Receipts (Under) Cash Disbursements and Other Financing Disbursements	(255)	(605)	(860)
Fund Cash Balances, January 1	<u>7,253</u>	<u>11,133</u>	<u>18,386</u>
Fund Cash Balances, December 31	<u>\$6,998</u>	<u>\$10,528</u>	<u>\$17,526</u>

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

VILLAGE OF ROSWELL
TUSCARAWAS COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009

Operating Cash Receipts:	
Charges for Services	\$38,288
Operating Cash Disbursements:	
Personal Services	8,424
Employee Fringe Benefits	768
Contractual Services	9,899
Supplies and Materials	783
	<hr/>
Total Operating Cash Disbursements	19,874
	<hr/>
Operating Income	18,414
	<hr/>
Non-Operating Cash Disbursements:	
Principal and Fiscal Charges	17,547
Other Non-Operating Disbursements	7,488
	<hr/>
Total Non-Operating Cash Disbursements	25,035
	<hr/>
Net Receipts (Under) Disbursements	(6,621)
	<hr/>
Fund Cash Balances, January 1	72,533
	<hr/>
Fund Cash Balances, December 31	\$65,912
	<hr/> <hr/>

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

**VILLAGE OF ROSWELL
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 and 2009**

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 Roswell, Tuscarawas County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides park operations, and police services. The Village contracts with Sherrodsville Volunteer Fire Department to receive fire protection services. The Village contracts with J & J Refuse for refuse collection services.

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. Deposits and Investments

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

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 ROSWELL
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 and 2009
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

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

Refuse Collection Levy Fund – This fund receives tangible personal property tax money to fund refuse collection services.

4. Enterprise Funds

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

Water Fund - This fund receives charges for services from residents to cover water service costs.

Water System Construction Fund – This fund receives monies from the United States Department of Agriculture Rural Development for a water line construction project. This fund was dissolved July 13, 2010 and the fund balance was transferred to the Village of Midvale. See Note 6.

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 the fund, 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.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) cash as of January 1. The County Budget Commission must also approve estimated resources.

**VILLAGE OF ROSWELL
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 and 2009
(Continued)**

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. The Village did not encumber all commitments required by law.

A summary of 2010 and 2009 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

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

2. Equity in Pooled Deposits

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

	2010	2009
Demand deposits	\$22,982	\$83,438

Deposits are insured by the Federal Depository Insurance Corporation.

3. Budgetary Activity

Budgetary activity for the years ending 2010 and 2009 follows:

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$61,436	\$57,093	(\$4,343)
Special Revenue	23,627	25,708	2,081
Enterprise	132,858	115,803	(17,055)
Total	\$217,921	\$198,604	(\$19,317)

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$68,261	\$55,856	\$12,405
Special Revenue	27,539	21,489	6,050
Enterprise	181,715	181,715	0
Total	\$277,515	\$259,060	\$18,455

**VILLAGE OF ROSWELL
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 and 2009
(Continued)**

3. Budgetary Activity (Continued)

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$46,038	\$44,201	(\$1,837)
Special Revenue	19,980	18,202	(1,778)
Enterprise	57,000	38,288	(18,712)
Total	\$123,018	\$100,691	(\$22,327)

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$52,710	\$44,456	\$8,254
Special Revenue	29,555	18,807	10,748
Enterprise	131,032	44,909	86,123
Total	\$213,297	\$108,172	\$105,125

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.

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.

6. Debt

Effective July 13, 2010 the Village transferred the operations of the water utility activity, cash balance (shown as Waterworks to Midvale on the financial statements) and the OWDA loan to the Village of Midvale.

**VILLAGE OF ROSWELL
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 and 2009
(Continued)**

7. Retirement System

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

The Ohio Revised Code also prescribes contribution rates. For 2010 and 2009, OPERS members contributed 10%, respectively, of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2010.

8. Risk Pool Membership

Prior to 2009, the Government belonged to the Ohio Government Risk Management Plan (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan was legally separate from its member governments.

On January 1, 2009, through an internal reorganization, the Plan created three separate non-profit corporations including:

- Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Risk Management Plan;
- Ohio Plan Healthcare Consortium, Inc. (OPHC) - formerly known as the Ohio Healthcare Consortium; and
- Ohio Plan, Inc. - mirrors the oversight function previously performed by the Board of Directors. The Board of Trustees consists of eleven (11) members that include appointed and elected officials from member organizations.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio. These coverage programs, referred to as Ohio Plan Risk management ("OPRM"), are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retains 40% (17.5% through October 31, 2010 and 15% through October 31, 2009) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 761 and 725 members as of December 31, 2010 and 2009 respectively. The Village participates in this coverage.

The Plan formed the Ohio Plan Healthcare Consortium ("OPHC"), as authorized by Section 9.833 of the Ohio Revised Code. The OPHC was established to provide cost effective employee benefit programs for Ohio political sub-divisions and is a self-funded, group purchasing consortium that offers medical, dental, vision and prescription drug coverage as well as life insurance for its members. The OPHC is sold through seventeen appointed independent agents in the State of Ohio. Coverage programs are developed specific to each member's healthcare needs and the related premiums for coverage are determined through the application of uniform underwriting criteria. Variable plan options are available to members. These plans vary primarily by deductibles, coinsurance levels, office visit co-pays and out-of pocket maximums. OPHC had 65 and 60 members as of December 31, 2010 and 2009 respectively. The Village participates in this coverage.

**VILLAGE OF ROSWELL
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 and 2009
(Continued)**

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31: 2010 and 2009 and include amounts for both OPRM and OPHC.

	2010		2009	
	OPRM	OPHC	OPRM	OPHC
Assets	\$12,036,541	\$1,355,131	\$11,176,186	\$1,358,802
Liabilities	(4,845,056)	(1,055,096)	(4,852,485)	(1,253,617)
Members' Equity	<u>\$7,191,485</u>	<u>\$300,035</u>	<u>\$6,323,701</u>	<u>\$105,185</u>

You can read the complete audited financial statements for OPRM and OPHC at the Plan's website, www.ohioplan.org.

9. Contingent Liabilities

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.



Dave Yost • 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 Roswell
Tuscarawas County
5198 Main Street
New Philadelphia, Ohio 44663

To the Honorable Mayor and Village Council:

We have audited the financial statements of the Village of Roswell, Tuscarawas County, Ohio, (the Village) as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated September 16, 2011 wherein we noted the Village followed 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 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(A) mandates 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 the purpose of expressing our opinions on the financial statements, but not for the purpose of opining 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings, we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and timely corrected. We consider finding 2010-003 described in the accompanying schedule of findings to be a material weakness.

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 we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2010-001 and 2010-002.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated September 16, 2011.

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 Village Council, management, and others within the Village. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

September 16, 2011

VILLAGE OF ROSWELL
TUSCARAWAS COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2010 and 2009

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

FINDING NUMBER 2010-001

Noncompliance Citation

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

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

1. **"Then and Now" Certificate** – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.
2. **Blanket Certificate** – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. 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.

FINDING NUMBER 2010-001 (Continued)

During 2010, we noted 15 out of 36 (42%) expenditures tested, and during 2009, we noted 8 out of 27 (30%) expenditures tested, were not certified by the Fiscal Officer prior to incurring the obligation. The Fiscal Officer should certify the availability of funds for expenditure and also implement the use of Then and Now Certificates as further means to certify funds pursuant to Ohio Rev. Code Section 5705.41(D).

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 that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend that the Fiscal Officer certify that 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.

Officials' Response:

Village acknowledges the finding and is in agreement. However, the process and procedures for certification of expenditures required by the State are not obtainable for a small village where all employees and administration are part time and have different work schedules. The Village feels that the purchase order certification requirements are unrealistic for the Village of Roswell.

FINDING NUMBER 2010-002

Noncompliance Citation - Finding for Recovery Repaid Under Audit

Ohio Attorney General Opinion 82-006 addresses the expenditure of funds for proper public purposes. The Ohio Supreme Court in *State ex rel. McClure v. Hagerman*, 155 Ohio State 320 (1951), provides guidance as to what may be construed as a proper public purpose. First, the expenditure is required for the general good of all inhabitants and secondly, its objective must promote the public health, safety, morals, general welfare, security, prosperity, and contentment of all the inhabitants. In addition, a principle that public funds may not be expended for private purposes is firmly imbedded in our jurisprudence. *Auditor of Lucas County v. State ex rel. Boyles*, 75 Ohio St. 114, (1906).

At the 12/14/2010 regular meeting, the Trustees approved a donation to Council member Cheryl Tope in the amount of \$250. This donation is for the complete fire loss for Cheryl Tope and family to purchase food and necessary supplies. This is a donation of public funds serving a private public purpose. This donation had been made earlier as verbal phone approval by Council directing Fiscal Officer Lute to distribute a check to Cheryl Tope in the amount of \$250 on November 27, 2010.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended may be hereby issued against Cheryl Tope in the amount of \$250, and in favor of the Village of Roswell's General Fund. This finding for recovery was repaid in full on 9/20/2011 receipt #117-2011.

Officials' Response

The Village has reviewed the citing of opinion for this finding for recovery. However, the Village feels that the State should cite a Ohio Revised Code section citing this issue, If there was an actual Ohio Revised Code for this, the Village most likely would not have made this transaction. A municipality should not be required and will not have knowledge of every opinion that has been entered in a court case.

FINDING NUMBER 2010-003

Material Weakness

Fund Activity

As of December 31, 2009, the Village did not include the financial activity of the Construction Account Fund, initially understating the beginning cash balances by \$22,876 and expenditures by \$17,547, which were material to the Enterprise Fund balances. The financial statements reflect the adjusted balance of the Construction Account. The Village did report the fund activity correctly for fiscal year 2010.

Sound financial reporting is the responsibility of the Fiscal Officer and Village Council and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

To help ensure the Village's financial statements and notes to the financial statements are complete and accurate, the Village should adopt policies and procedures, including a final review of the statements and notes, by the Fiscal Officer and Village Council to identify and correct errors and omissions.

Official's Response:

The Village acknowledges the transactions of the Construction Fund as a Material Weakness. However, the Village had just converted to the State UAN System in August 2009. Because of the complicating procedure and requirements of handling two bank accounts in the UAN System; the former fiscal officer chose to manually balance the Construction Fund monthly.

**VILLAGE OF ROSWELL
TUSCARAWAS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2010 and 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2008-001	Ohio Rev. Code Section 149.351 - The Village was unable to locate several documents.	Yes	Finding no longer valid
2008-002	Ohio Rev. Code Section 5705.10 The Village had a negative Water Fund Balance.	Yes	Finding no longer valid
2008-003	Ohio Rev. Code Section 5705.41 (B) - fund level expenditures exceeded appropriations in the General Fund and the Water Fund	Yes	Finding no longer valid
2008-004	Ohio Rev. Code Section 5705.41 (D) Funds were not properly certified prior to purchase commitment.	No	See Finding 2010-001
2008-005	Bank Reconciliations and Fiscal Officer's Monthly Reports Council should approve monthly reports.	Yes	Finding no longer valid
2008-006	Income Tax Collections - The Village should develop control procedures over income tax collections.	No	See Management Letter
2008-007	Posting of Receipts - Financial statement adjustments were made do to receipting errors.	Yes	Finding no longer valid
2008-008	Water Accounts - The Village should implement controls over water receipt collections.	Yes	Finding no longer valid
2008-009	Finding For Recovery – Former Fiscal Officer \$72	Yes	Finding no longer valid



Dave Yost • Auditor of State

VILLAGE OF ROSWELL

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
NOVEMBER 10, 2011