



Dave Yost • Auditor of State



VILLAGE OF TUSCARAWAS  
TUSCARAWAS COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Village of Tuscarawas  
Tuscarawas County  
522 E. Cherry St.  
Tuscarawas, Ohio 44682

We have performed the procedures enumerated below, with which the Village Council and Mayor, and the management of the Village of Tuscarawas (the Village) have agreed, solely to assist the Council and Mayor in evaluating receipts, disbursements and balances recorded in their cash-basis accounting records for the years ended December 31, 2014 and 2013, and certain compliance requirements related to these transactions and balances. Management is responsible for recording transactions; and management, the Mayor, and / or the Council are responsible for complying with the compliance requirements. This agreed-upon procedures engagement was conducted in accordance with the American Institute of Certified Public Accountants' attestation standards and applicable attestation engagement standards included in the Comptroller General of the United States' *Government Auditing Standards*. The sufficiency of the procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

This report only describes exceptions exceeding \$10.

### Cash and Investments

1. We tested the mathematical accuracy of the December 31, 2014 and December 31, 2013 bank reconciliations. We found no exceptions.
2. We agreed the January 1, 2013 beginning fund balances recorded in the Fund Ledger Report to the December 31, 2012 balances in the prior year audited statements. We found no exceptions. We also agreed the January 1, 2014 beginning fund balances recorded in the Fund Ledger Report to the December 31, 2013 balances in the Fund Ledger Report. We found no exceptions.
3. We agreed the totals per the bank reconciliations to the total of the December 31, 2014 and 2013 fund cash balances reported in the Fund Status Reports. The amounts agreed.
4. We confirmed the December 31, 2014 bank account balances with the Village's financial institution. We found no exceptions. We also agreed the confirmed balances to the amounts appearing in the December 31, 2014 bank reconciliation without exception.
5. We selected five reconciling debits (such as outstanding checks) haphazardly from the December 31, 2014 bank reconciliation:
  - a. We traced each debit to the subsequent January bank statement. We found no exceptions.
  - b. We traced the amounts and dates to the check register, to determine the debits were dated prior to December 31. We noted no exceptions

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### **Cash and Investments (Continued)**

6. We selected the only reconciling debit reported on the December 31, 2014 bank reconciliation. We noted that the debit was for a check that was written on January 1, 2015 and included on the check listing for January 2015. We reviewed the check image from the Village's bank statements and noted that the check cleared the bank on December 31, 2014.

As the Village's check should not have cleared the bank before it was written, the check was not reported in the proper period. The Village should take steps to ensure that payments are reported in the proper year.

7. We tested interbank account transfers occurring in December of 2014 and 2013 to determine if they were properly recorded in the accounting records and on each bank statement. We found no exceptions.
8. We tested investments held at December 31, 2014 and December 31, 2013 to determine that they:
  - a. Were of a type authorized by Ohio Rev. Code §§ 135.13, 135.14 or 135.144. We found no exceptions.
  - b. Mature within the prescribed time limits noted in Ohio Rev. Code § 135.13 or 135.14. We noted no exceptions.

### **Property Taxes, Intergovernmental and Other Confirmable Cash Receipts**

1. We selected a property tax receipt from one *Statement of Semiannual Apportionment of Taxes* (the Statement) for 2014 and one from 2013:
  - a. We traced the gross receipts from the *Statement* to the amount recorded in the Revenue Ledger. The amounts agreed.
  - b. We determined whether the receipt was allocated to the proper funds as required by Ohio Rev. Code §§ 5705.05-.06 and 5705.10. We found no exceptions.
  - c. We determined whether the receipt was recorded in the proper year. The receipt was recorded in the proper year.
2. We scanned the Revenue Ledger to determine whether it included two real estate tax receipts for 2014 and 2013. We noted the Revenue Ledger included the proper number of tax receipts for each year.
3. We selected five receipts from the State Distribution Transaction Lists (DTL) from 2014 and five from 2013. We also selected five receipts from the County Auditor's Vendor Audit Trail Report from 2014 and five from 2013.
  - a. We compared the amount from the above reports to the amount recorded in the Receipt Detail Report. We noted one exception as amounts recorded for tax reimbursements were posted net of expenses. As the Village did not post the gross amount, revenues and expenditures were understated by \$34. The Village should post the gross amount of revenues received to ensure that all revenues and expenses are properly accounted for.
  - b. We determined whether these receipts were allocated to the proper funds. We found no exceptions.
  - c. We determined whether the receipts were recorded in the proper year. We found no exceptions.

#### **Property Taxes, Intergovernmental and Other Confirmable Cash Receipts (Continued)**

4. We confirmed the amounts paid from the Ohio Public Works Commission to the Village during 2014 and 2013 to the distribution listing from the OPWC website.
  - a. We determined whether these receipts were allocated to the proper fund.
  - b. We determined whether the receipts were recorded in the proper year.

We noted the following exceptions in regards to receipts paid to the Village from the Ohio Public Works Commission:

For the School Street Improvement Grant, the Village failed to post on behalf grant receipts in the amount of \$17,424 in 2013 and \$236,480 in 2014. The Village did post 2013 grant receipts totaling \$19,096 in the proper year. However, as the Village did not create a capital projects fund to record the activity related to this project as was required in the project agreement, these receipts were not allocated to the proper fund.

For the Wastewater Treatment Plant Improvement Grant, the Village failed to post on behalf grant receipts in the amount of \$56,498 in 2014. The Village did post 2013 grant receipts totaling \$85,942 in the proper year. However, as the Village did not create a capital projects fund to record the activity related to this project as was required in the project agreement, these receipts were not allocated to the proper fund.

For the Main Street Storm Sewer Grant, the Village failed to post on behalf grant receipts totaling \$39,920 in 2014. The Village did post 2014 grant receipts in the amount of \$8,250. However, as the Village did not create a capital projects fund to record the activity related to this project as was required in the project agreement, these receipts were not allocated to the proper fund.

For the Heritage Drive Storm Sewer Improvement Grant, the Village failed to post \$3,071 of on behalf grant receipts in 2014.

As the Village did not record these receipts nor the related expenditures, revenues and expenditures were understated.

We confirmed the amounts paid from the Local Government Innovation Fund to the Village during 2014 to the distribution listing from the Ohio.gov website. We found no exceptions.

- a. We determined whether these receipts were allocated to the proper fund. We found no exceptions.
- b. We determined whether the receipts were recorded in the proper year. We found no exceptions.

#### **Income Tax Receipts**

1. We selected five income tax returns filed during 2014 and five from 2013.
  - a. We compared the payment amount recorded on the tax return to the amount recorded on the daily and monthly Batch Report. The amounts agreed.
  - b. We compared the monthly Batch Report total from step a. to the amount recorded as income tax receipts in the Revenue Ledger for that month. The amounts agreed.
2. We determined whether the receipts were recorded in the year received. We found no exceptions.

### Income Tax Receipts (Continued)

3. We selected all four income tax refunds from 2014 and both from 2013.
  - a. We compared the refund paid from Payment Register Detail Report to the refund amount requested in the tax return. The amounts agreed for 3 of the six tested. The Village was unable to provide the tax return submitted by the taxpayer for two refunds in the amounts of \$27 and \$265, respectively. Therefore, we were unable to determine if the proper amount was refunded. For one refund issued in the amount of \$219, a refund was issued to the taxpayer as wages earned by the taxpayer were from retirement which are not taxable. However, we reviewed the 1099-R submitted by the taxpayer and determined that taxes were never withheld from the individual or paid into the Village. Therefore, a refund should not have been issued. The Village should ensure that refunds issued to taxpayers are properly calculated and that returns are maintained for each taxpayer. This will reduce the risk of over/under collecting from Village taxpayers.
  - b. We noted that a Tax Refund Request Form was completed in order for the Fiscal Officer to prepare each refund. These forms were not signed as approved by the Income Tax Administrator, therefore, we were unable to determine who authorized the refund. Refund requests submitted for payment should include an authorization from the Income Tax Administrator. This will help ensure that only valid refunds authorized by the appropriate individuals are being processed for payment.
  - c. We noted the refunds were paid from the General Fund, as is required.

### Utility Receipts

1. We haphazardly selected 10 utility cash receipts from the year ended December 31, 2014 and 10 utility cash receipts from the year ended 2013 recorded in the Daily Cash Receipts Journal and determined whether the:
  - a. Receipt amount per the Daily Cash Receipts Journal agreed to the amount recorded to the credit of the customer's account in the Balance Report. The amounts agreed.
  - b. Amount charged for the related billing period:
    - i. Agreed with the debit to accounts receivable in the Balance Report for the billing period. We found no exceptions.
    - ii. Complied with rates in force during the audit period, plus any applicable late penalties, plus unpaid prior billings.

We found one exception as a receipt collected in 2013 for a billing for December 2012 refuse charges was billed at the rate in force for 2011. It was determined that the rates approved by Council were not updated in the system for 2012. The Village should ensure that changes in rates are communicated to employees responsible for changing standing data and that the rates are properly updated in the system. This will help ensure that the appropriate amounts are billed and that the Village receives all revenues due to them.
  - c. Receipt was posted to the proper funds, and was recorded in the year received. We found no exceptions.
2. We read the Aged Accounts Receivable report at December 11, 2014 and December 12, 2013 as this was the last report printed for each year and noted the following:
  - a. We noted this report listed \$23,883 and \$22,481 of accounts receivable as of December 11, 2014 and December 12, 2013, respectively.
  - b. Of the total receivables reported in the preceding step, \$20,557 and \$19,922 were recorded as more than 90 days delinquent.

**Utility Receipts (Continued)**

3. We read the monthly Balance Report.
  - a. We noted this report listed a total of \$32,631 and \$51,443 non-cash receipts adjustments for the years ended December 31, 2014 and 2013, respectively.
  - b. We reviewed the adjustments as noted in the month end Balance Reports for 2014 and 2013 and also adjustment support maintained by the Utility Clerk. We noted that adjustments are not signed as reviewed by a supervisor. As the clerk prepares all billings, receipts, and adjustments, there is an increased risk that unapproved adjustments could be made resulting in a loss of revenue for the Village. The Council or Village Administrator should review the monthly adjustments made by the Utility clerk to ensure that all adjustments are appropriate. The Administrator should document his review of the adjustments by signing off on the monthly Balance Report.

**Debt**

1. From the prior audit documentation, we noted the following loan outstanding as of December 31, 2012. This loan was listed on the Village's summary we used in step 3, however, the Village did not list any balance amounts for the debt on their summary. Therefore we could not agree the beginning balance to their summary.

Issue	Principal outstanding as of December 31, 2012:
OPWC Park Drive Lift Station Loan	\$19,418

2. We inquired of management, and scanned the Receipt Register Report and Payment Register Detail Report for evidence of debt issued during 2014 or 2013 or debt payment activity during 2014 or 2013. We noted that the Village did not maintain a complete debt summary as beginning and ending balances as well as proceed and payment amounts were not included on their schedule. Additionally, the schedule for 2013 failed to list a bank loan obtained for backhoe, and the 2014 schedule did not included a capital lease for a police cruiser. We did not note any other debt other than those listed below or those previously referenced. We recommend that the Village maintain a complete debt schedule. This will assist Council in planning and decision making situations.
3. We obtained a summary of loan and lease debt activity for 2014 and 2013 and agreed principal and interest payments from the related debt amortization schedules to debt payments reported in the Payment Register Detail Report. We also compared the date the debt service payments were due to the date the Village made the payments. We also determined if the Village retired the debt from a permissible fund. We found no exceptions.
4. We agreed the amount of debt proceeds from the debt documents to amounts recorded in the Receipt Register Report. We noted the following regarding the Village's various debt proceeds:

For the School Street Improvement Loan, the Village failed to post on behalf debt proceeds in the amount of \$152,704 in 2014. As the Village did not create a capital projects fund to record the activity related to this project as was required in the project agreement, these receipts were not allocated to the proper fund.

### Debt (Continued)

For the Wastewater Treatment Plant Improvement Loan, the Village failed to post on behalf debt proceeds in the amount of \$13,074 in 2014. The Village did post 2014 debt proceeds totaling \$7,464 in the proper year. However, as the Village did not create a capital projects fund to record the activity related to this project as was required in the project agreement, these receipts were not allocated to the proper fund.

For the Main Street Storm Sewer Loan, the Village failed to post on behalf debt proceeds totaling \$39,646 in 2014. The Village did post 2014 debt proceeds totaling \$8,073 in the proper year. However, as the Village did not create a capital projects fund to record the activity related to this project as was required in the project agreement, these receipts were not allocated to the proper fund.

For the Ohio Water Development Authority Main Street Storm Sewer Design Loan, we noted that the Village did not record debt proceeds in the amount \$586.

We noted that the Village did not record on behalf debt proceeds in the amount of \$20,000 from the Commercial and Savings Bank for a loan for the purchase of a Backhoe.

5. For new debt issued during 2014 and 2013, we inspected the debt legislation, noting the Village must use the proceeds for the purpose outlined in the agreement. We noted that the majority of the Village's debt proceeds were from payments made on behalf of the Village for capital projects and for the purchase of a backhoe. These payments were made for the proper purpose. We noted that the Village received three receipts directly for debt proceeds. An exception was noted regarding two of these receipts totaling \$4,341 as we were unable to determine what these proceeds were used for as the posted amounts were co-mingled with other funds and the exact payment could not be determined. This is also due to the Village's failure to create the required capital projects funds to record the project's activity.

### Payroll Cash Disbursements

1. We haphazardly selected one payroll check for six employees from 2014 and one payroll check for five employees from 2013 from the Wage Detail Report and:
  - a. We compared the hours and pay rate, or salary recorded in the Wage Detail Report to supporting documentation (timecard, legislatively or statutorily-approved rate or salary).

We found one instance where an employee was paid at a rate that was not approved by Council. Village Council should formally approve in the minutes the pay rates for all employees. These procedures will help reduce the risk of over/under compensation of Village employees.

- b. We recomputed gross and net pay and agreed it to the amount recorded in the payroll register. We found no exceptions.
  - c. We determined whether the fund and account code(s) to which the check was posted were reasonable based on the employees' duties as documented in the employees' personnel files or Employee Listing Report in the UAN system. We also determined whether the payment was posted to the proper year. We found no exceptions.
2. For any new employees selected in step 1 we determined whether the following information in the employees' personnel files was consistent with the information used to compute gross and net pay related to this check:
  - a. Name

**Payroll Cash Disbursements (Continued)**

- b. Authorized salary or pay rate
- c. Department(s) and fund(s) to which the check should be charged
- d. Retirement system participation and payroll withholding
- e. Federal, State & Local income tax withholding authorization and withholding
- f. Any other deduction authorizations (deferred compensation, etc.)

We found no exceptions related to steps a. – f. above.

- 3. We scanned the last remittance of tax and retirement withholdings for the year ended December 31, 2014 to determine whether remittances were timely paid, and if the amounts paid agreed to the amounts withheld, plus the employer's share where applicable, during the final withholding period during 2014. We noted the following:

<b>Withholding (plus employer share, where applicable)</b>	<b>Date Due</b>	<b>Date Paid</b>	<b>Amount Due</b>	<b>Amount Paid</b>
Federal income taxes & Medicare (and social security, for employees not enrolled in pension system)	January 31, 2015	November 19, 2014, December 10, 2014, and January 12, 2015	\$5,649	\$5,649
State income taxes	January 15, 2015	December 29, 2014	\$273	\$273
Village of Tuscarawas income taxes	January 31, 2015	December 29, 2014	\$163	\$163
OPERS retirement	January 30, 2015	January 11, 2015	\$3,404	\$3,404

**Non-Payroll Cash Disbursements**

- 1. We haphazardly selected ten disbursements from the Payment Register Detail Report for the year ended December 31, 2014 and ten from the year ended 2013 and determined whether:
  - a. The disbursements were for a proper public purpose. We found no exceptions.
  - b. The check number, date, payee name and amount recorded on the returned, canceled check agreed to the check number, date, payee name and amount recorded in the Payment Register Detail Report and to the names and amounts on the supporting invoices. We found no exceptions.
  - c. The payment was posted to a fund consistent with the restricted purpose for which the fund's cash can be used. We found two exceptions as payments were made from the Street and Water Operating Funds for expenses related to OPWC projects for which the Village was required to create a fund to segregate the activity of the project from the Village's other funds.

### Non-Payroll Cash Disbursements (Continued)

- d. The fiscal officer certified disbursements requiring certification or issued a *Then and Now Certificate*, as required by Ohio Rev. Code § 5705.41(D). We found six instances where the certification date was after the vendor invoice date, and there was also no evidence that a *Then and Now Certificate* was issued. Ohio Rev. Code § 5705.41(D) requires certifying at the time of a commitment, which should be on or before the invoice date, unless a *Then and Now Certificate* is used. Because we did not test all disbursements requiring certification, our report provides no assurance whether or not additional similar errors occurred.

### Compliance – Budgetary

1. We compared the total estimated receipts from the *Amended Official Certificate of Estimated Resources*, required by Ohio Rev. Code § 5705.36(A)(1), to the amounts recorded in the Revenue Status Report for the General, Street Levy, and Water Operating funds for the years ended December 31, 2014 and 2013. The amounts agreed.
2. We scanned the appropriation measures adopted for 2014 and 2013 to determine whether, for the General, Street Maintenance and Repair and Water Operating funds, the Council appropriated separately for “each office, department, and division, and within each, the amount appropriated for personal services,” as is required by Ohio Rev. Code § 5705.38(C). We found no exceptions.
3. We compared total appropriations required by Ohio Rev. Code §§ 5705.38 and 5705.40, to the amounts recorded in the Appropriation Status Report for 2014 and 2013 for the following funds: General, Street Maintenance and Repair, and Water Operating. The amounts on the appropriation resolutions agreed to the amounts recorded in the Appropriation Status report.
4. Ohio Rev. Code §§ 5705.36(A)(5) and 5705.39 prohibits appropriations from exceeding the certified resources. We compared total appropriations to total certified resources for the General, Street Maintenance and Repair and Water Operating funds for the years ended December 31, 2014 and 2013. We noted no funds for which appropriations exceeded certified resources.
5. Ohio Rev. Code § 5705.41(B) prohibits expenditures (disbursements plus certified commitments) from exceeding appropriations. We compared total expenditures to total appropriations for the years ended December 31, 2014 and 2013 for the General, Street Maintenance and Repair and Water Operating fund, as recorded in the Comparison of Disbursements/Encumbrances with Expenditure Authority report. We noted no funds for which expenditures exceeded appropriations.
6. Ohio Rev. Code § 5705.09 requires each subdivision to establish separate funds to segregate externally-restricted resources. We scanned the Receipt Register Report for evidence of new restricted receipts requiring a new fund during December 31, 2014 and 2013. We also inquired of management regarding whether the Village received new restricted receipts. We noted that the Village received revenues from several new OPWC projects entered into by the Village in 2013 and 2014. The project agreements require the activity for these projects to be segregated from the Village's other funds. Therefore, the Village should have created a fund for each project. As the Village failed to create these funds, they are not in compliance with Ohio Rev. Code § 5705.09. The Village should create these funds immediately and record all activity relating to these projects in each fund.

### **Compliance – Budgetary (Continued)**

7. We scanned the 2014 and 2013 Revenue Status Reports and Appropriation Status Reports for evidence of interfund transfers which Ohio Rev. Code §§ 5705.14 - .16 restrict. We found no evidence of transfers these §§ prohibit, or for which § 5705.16 would require approval by the Tax Commissioner and Court of Common Pleas.
8. We inquired of management and scanned the Appropriation Status Reports to determine whether the Village elected to establish reserve accounts permitted by Ohio Rev. Code § 5705.13. The Village has established Fund 5901 Sewer Capital Assessment Fund which appears to be a fund created for capital reserves under Ohio Rev. Code § 5705.13. As the Village was unable to provide documentation as to the purpose of this fund, we were unable to determine if it was intended to be created under Ohio Rev. Code § 5705.13. We recommend that the Village research the creation of this fund and determine its purpose.
9. We scanned the Cash Summary by Fund Report for the years ended December 31, 2014 and 2013 for negative cash fund balance. Ohio Rev. Code § 5705.10 (I) provides that money paid into a fund must be used for the purposes for which such fund is established. As a result, a negative fund cash balance indicates that money from one fund was used to cover the expenses of another. We noted no funds having a negative cash fund balance.

### **Compliance – Contracts & Expenditures**

We inquired of management and scanned the Payment Register Detail Report for the years ended December 31, 2014 and 2013 to determine if the Village proceeded by force account (i.e. used its own employees) to maintain or repair roads (cost of project exceeding \$30,000) or to construct or reconstruct Village roads (cost of project \$30,000/per mile) for which Ohio Rev. Code §§ 117.16(A) and 723.52 requires the Village engineer, or officer having a different title but the duties and functions of an engineer, to complete a force account project assessment form (i.e., cost estimate). We identified no projects requiring the completion of the force account assessment form.

We were not engaged to, and did not conduct an examination, the objective of which would be the expression of an opinion on the Village's receipts, disbursements, balances and compliance with certain laws and regulations. Accordingly, we do not express an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of management, those charged with governance, and others within the Village, and is not intended to be, and should not be used by anyone other than these specified parties.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

November 19, 2015

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# Dave Yost • Auditor of State

**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  
DECEMBER 1, 2015**