

**VILLAGE OF GNADENHUTTEN**

**AUDIT REPORT**

**JANUARY 1, 2014 - DECEMBER 31, 2015**

**Wilson, Phillips & Agin, CPA's, Inc.  
1100 Brandywine Blvd. Building G  
Zanesville, Ohio 43701**





# Dave Yost • Auditor of State

Village Council  
Village of Gnadenhutten  
P.O. Box 129  
Gnadenhutten, Ohio 44629

We have reviewed the *Independent Auditors' Report* of the Village of Gnadenhutten, Tuscarawas County, prepared by Wilson, Phillips & Agin, CPA's, Inc., for the audit period January 1, 2014 through December 31, 2015. 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 black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

August 25, 2016

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**VILLAGE OF GNADENHUTTEN  
TUSCARAWAS COUNTY  
JANUARY 1, 2014 - DECEMBER 31, 2015**

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**WILSON, PHILLIPS & AGIN, CPA'S, INC.  
1100 BRANDYWINE BLVD. BUILDING G  
ZANESVILLE, OHIO 43701**

**INDEPENDENT AUDITORS' REPORT**

Village of Gnadenhutten  
Tuscarawas County  
P.O. Box 129  
Gnadenhutten, Ohio 44629

To the Village Council:

**Report on the Financial Statements**

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type and related notes of the Village of Gnadenhutten, Tuscarawas County, as of and for the years ended December 31, 2015 and 2014.

**Management's Responsibility For the Financial Statements**

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

**Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles**

As described in Note 1 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States, to satisfy these requirements.

Independent Auditors' Report  
Page Two

Although the effects on the financial statements of the variances between the regulatory basis of accounting and GAAP are not reasonably determinable, are presumed to be material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis permitted is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

**Adverse Opinion on U.S. Generally Accepted Accounting Principles**

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village of Gnadenhutten as of December 31, 2015 and 2014, or changes in financial position or cash flows thereof for the years then ended.

**Opinion on Regulatory Basis of Accounting**

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Gnadenhutten, Tuscarawas County as of December 31, 2015 and 2014, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued a report dated May 25, 2016, on our consideration of the Village of Gnadenhutten'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. That report describes the scope of our internal control testing over financial reporting and compliance and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

**Wilson, Phillips & Agin, CPA's, Inc.**  
Zanesville, Ohio  
May 25, 2016

**VILLAGE OF GNADENHUTTEN  
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, 2015**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
<b>Cash Receipts:</b>				
Property Taxes	\$ 83,814	\$ 19,207	\$ -	\$ 103,021
Municipal Income Tax	149,334	140,409	37,333	327,076
Intergovernmental	21,291	86,786	-	108,077
Special Assessments	2,188	-	-	2,188
Charges for Services	72,749	8,137	-	80,886
Fines, Licenses, Permits	1,134	-	-	1,134
Earnings on Investments	706	-	-	706
Miscellaneous	46,015	25,081	3,267	74,363
<b>Total Cash Receipts</b>	<b>377,231</b>	<b>279,620</b>	<b>40,600</b>	<b>697,451</b>
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	26,608	38,946	-	65,554
Public Health	662	-	-	662
Leisure Time Activities	12,443	-	-	12,443
Community Environment	924	-	-	924
Basic Utility Services	58,327	-	-	58,327
Transportation	141,612	78,451	-	220,063
General Government	81,951	169,401	-	251,352
Debt Service:				
Principal Retirement	-	9,034	-	9,034
Interest and Fiscal Charges	-	595	-	595
Capital Outlay	1,633	5,419	4,169	11,221
<b>Total Cash Disbursements</b>	<b>324,160</b>	<b>301,846</b>	<b>4,169</b>	<b>630,175</b>
<b>Net Change in Fund Cash Balance</b>	<b>53,071</b>	<b>(22,226)</b>	<b>36,431</b>	<b>67,276</b>
<b>Fund Cash Balances, January 1</b>	<b>44,100</b>	<b>74,535</b>	<b>36,175</b>	<b>154,810</b>
<b>Fund Cash Balances, December 31</b>				
Restricted	-	52,309	72,606	124,915
Unassigned (Deficit)	97,171	-	-	97,171
<b>Fund Cash Balances, December 31</b>	<b>\$ 97,171</b>	<b>\$ 52,309</b>	<b>\$ 72,606</b>	<b>\$ 222,086</b>

See notes to financial statements.

**VILLAGE OF GNADENHUTTEN  
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, 2014**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
<b>Cash Receipts:</b>				
Property Taxes	\$ 83,151	\$ 19,080	\$ -	\$ 102,231
Municipal Income Tax	136,224	115,526	34,053	285,803
Intergovernmental	20,627	100,308	-	120,935
Special Assessments	2,980	-	-	2,980
Charges for Services	78,191	32,610	-	110,801
Fines, Licenses, Permits	3,217	-	-	3,217
Earnings on Investments	723	-	-	723
Miscellaneous	32,023	5,834	-	37,857
<b>Total Cash Receipts</b>	<b>357,136</b>	<b>273,358</b>	<b>34,053</b>	<b>664,547</b>
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	46,779	97,955	-	144,734
Public Health	566	-	-	566
Leisure Time Activities	14,582	-	-	14,582
Community Environment	924	-	-	924
Basic Utility Services	54,104	-	-	54,104
Transportation	167,219	70,121	-	237,340
General Government	67,882	44,139	-	112,021
Debt Service:				
Principal Retirement	17,105	5,962	-	23,067
Interest and Fiscal Charges	273	504	-	777
Capital Outlay	2,927	59,620	15,529	78,076
<b>Total Cash Disbursements</b>	<b>372,361</b>	<b>278,301</b>	<b>15,529</b>	<b>666,191</b>
<b>Excess of Receipts Over/(Under) Disbursements</b>	<b>(15,225)</b>	<b>(4,943)</b>	<b>18,524</b>	<b>(1,644)</b>
<b>Other Cash Financing Sources (Uses)</b>				
Transfers In	-	25,056	-	25,056
<b>Total Other Cash Financing Sources (Uses)</b>	<b>-</b>	<b>25,056</b>	<b>-</b>	<b>25,056</b>
<b>Net Change in Fund Cash Balance</b>	<b>(15,225)</b>	<b>20,113</b>	<b>18,524</b>	<b>23,412</b>
<b>Fund Cash Balances, January 1</b>	<b>59,325</b>	<b>54,422</b>	<b>17,651</b>	<b>131,398</b>
<b>Fund Cash Balances, December 31</b>				
Restricted	-	74,535	36,175	110,710
Unassigned (Deficit)	44,100	-	-	44,100
<b>Fund Cash Balances, December 31</b>	<b>\$ 44,100</b>	<b>\$ 74,535</b>	<b>\$ 36,175</b>	<b>\$ 154,810</b>

See notes to 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 YEARS ENDED DECEMBER 31, 2015 AND 2014**

	Enterprise Fund	
	2015	2014
<b>Operating Cash Receipts:</b>		
Charges for Services	\$ 517,677	\$ 529,192
<b>Total Operating Cash Receipts:</b>	<u>517,677</u>	<u>529,192</u>
<b>Operating Cash Disbursements:</b>		
Personal Services	46,597	51,931
Fringe Benefits	16,124	25,070
Contractual Services	35,839	7,267
Supplies and Materials	247,302	273,052
Other	200	300
<b>Total Operating Cash Disbursements</b>	<u>346,062</u>	<u>357,620</u>
<b>Operating Income</b>	171,615	171,572
<b>Non-Operating Receipts/(Disbursements)</b>		
Miscellaneous	4,664	13,542
Principal Retirement	(189,720)	(189,491)
Interest and Other Fiscal Charges	(3,379)	(3,738)
<b>Total Non-Operating Receipts/(Disbursements)</b>	<u>(188,435)</u>	<u>(179,687)</u>
<b>Net Change in Cash Fund Balance</b>	(16,820)	(8,115)
<b>Fund Cash Balances, January 1</b>	<u>336,370</u>	<u>344,485</u>
<b>Fund Cash Balances, December 31</b>	<u>\$ 319,550</u>	<u>\$ 336,370</u>

See notes to financial statements.

**VILLAGE OF GNADENHUTTEN  
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 and 2014**

**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 Gnadenhutten, Tuscarawas County, Ohio (the Village) as a body corporate and politic. A publicly-elected six-member council directs the Village. The Village provides water and sewer utilities, park operations, road maintenance and repair, and police and fire services.

The Village participates in three jointly governed organizations and the Public Entities Pool of Ohio public entity risk pool. Notes 7 and 8 to the financial statements provides additional information on these entities. These organizations are:

Jointly Governed Organizations:

*Gnadenhutten-Clay Union Cemetery*

*Community Improvement Corporation of Tuscarawas County*

*Tuscarawas County Regional Planning Commission*

Public Entity Risk Pool:

*Public Entities Pool of Ohio*

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

**B. Basis of Accounting**

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code 117-2-03(D). 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code 117-2-03(D) permit.

**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.

The Village values certificates of deposits at cost.

**D. Fund Accounting**

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

**VILLAGE OF GNADENHUTTEN  
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 and 2014**

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

**D. Fund Accounting (Continued)**

**Governmental Funds**

**General Fund**

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

**Special Revenue Funds**

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

**Street Construction, Maintenance and Repair Fund** – This fund receives gasoline tax and motor vehicle tax money for construction, maintaining, and repairing Village street.

**Police Fund** - This fund receives income tax money for providing police services.

**Fire Fund** – This fund receives property tax money to pay for providing fire protection and emergency medical services.

**Capital Projects Funds**

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

**Capital Improvement Fund** - This fund receives income tax money for capital projects.

**Enterprise Funds**

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

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

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

**VILLAGE OF GNADENHUTTEN  
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 and 2014**

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

**E. Budgetary Process**

The Ohio Revised Code requires that the Village budget annually.

**Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

**Estimated Resources**

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

**Encumbrances**

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2015 and 2014 budgetary activity appears in Note 3.

**F. Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

**Nonspendable** – The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

**Restricted** – Fund balance is restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

**Committed** – Council can *commit* via formal action (resolution). The Village must adhere to these commitments unless council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

**VILLAGE OF GNADENHUTTEN  
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 and 2014**

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

**F. Fund Balance (Continued)**

**Assigned** – Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by ordinance, or by State Statute.

**Unassigned** – Unassigned fund balance is the residual classification for the general fund and includes amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**G. Property, Plant, and Equipment**

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

**H. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

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

	<u>2015</u>	<u>2014</u>
Demand Deposits	\$ 376,406	\$ 326,255
Certificates of Deposit	165,230	164,925
Total Deposits	<u>\$ 541,636</u>	<u>\$ 491,180</u>

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

**VILLAGE OF GNADENHUTTEN  
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 and 2014**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the year ended December 31, 2015 and 2014 is as follows:

**2015 Budgeted vs. Actual Receipts**

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 351,368	\$ 377,231	\$ 25,863
Special Revenue	392,816	279,620	(113,196)
Capital Projects	34,000	40,600	6,600
Enterprise	481,126	522,341	41,215
Total	<u>\$ 1,259,310</u>	<u>\$ 1,219,792</u>	<u>\$ (39,518)</u>

**2015 Budgeted vs. Actual Budgetary Basis Expenditures**

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 366,100	\$ 324,160	\$ 41,940
Special Revenue	436,500	301,846	134,654
Capital Project	56,000	4,169	51,831
Enterprise	528,200	539,161	(10,961)
Total	<u>\$ 1,386,800</u>	<u>\$ 1,169,336</u>	<u>\$ 217,464</u>

**2014 Budgeted vs. Actual Receipts**

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 351,900	357,136	\$ 5,236
Special Revenue	402,600	298,414	(104,186)
Capital Projects	56,000	34,053	(21,947)
Enterprise	453,126	542,734	89,608
Total	<u>\$ 1,263,626</u>	<u>\$ 1,232,337</u>	<u>\$ (31,289)</u>

**2014 Budgeted vs. Actual Budgetary Basis Expenditures**

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 360,000	\$ 372,361	\$ (12,361)
Special Revenue	402,000	278,301	123,699
Capital Projects	56,000	15,529	40,471
Enterprise	453,126	550,849	(97,723)
Total	<u>\$ 1,271,126</u>	<u>\$ 1,217,040</u>	<u>\$ 54,086</u>

Contrary to ORC 5705.39, the Village has funds where appropriations are greater than estimated resources.

Contrary to ORC 5705.41(B), the Village had funds where expenditures exceed appropriation authority.

Contrary to ORC 5705.41(D), the Village had purchases made prior to commitment of funds.

**VILLAGE OF GNADENHUTTEN  
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 and 2014**

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted 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 make semiannual payment, the first half is due be December 31. The second half payment is due the following June 20.

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

**5. DEBT**

Debt outstanding at December 31, 2015 was as follows:

	2015	
	Principal	% _____ _____
First National Bank Cruiser Loan	\$ 10,060	3.25
Ohio Public Works Commission Loan CN16C	40,870	0.00
Ohio Water Development Authority Loan #3185	51,723	6.13
Ohio Water Development Authority Loan #4157	1,668,121	0.00
Total	<u>\$ 1,770,774</u>	

The Ohio Water Development Authority (OWDA) loan #3185 was awarded for a waterline replacement project. The loan is repaid semi-annually from the Waterline Replacement Debt Service Fund. The loan is collateralized by user fees.

The Ohio Water Development Authority (OWDA) loan #4157 was awarded for a WWTP Improvement project. The loan is repaid semi-annually from the Sewer Upgrade Debt Service Fund. The loan is collateralized by the user fees.

The Ohio Public Works Commission loan CN16C was obtained to complete a waterline project. This loan is repaid semi-annually from the Waterline Replacement Debt Service Fund. The loan is collateralized by user fees.

In 2014, the Village borrowed \$25,056 to purchase a police cruiser. Payments are made monthly, from the Police Fund, with an interest rate of 3.25%. The cruiser collateralizes the loan.

**VILLAGE OF GNADENHUTTEN  
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 and 2014**

**5. DEBT (Continued)**

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

Year Ending December 31	OWDA #3185	OWDA 4157	OPWC #CN16C	Cruiser Loan
2016	\$ 6,182	\$ 175,592	\$ 10,218	\$ 6,701
2017	6,271	175,592	10,218	6,701
2018	6,368	175,592	10,218	-
2019	6,469	175,592	10,216	-
2020	6,576	175,592	-	-
2021-2025	<u>31,117</u>	<u>790,161</u>	<u>-</u>	<u>-</u>
	<u>\$ 62,983</u>	<u>\$1,668,121</u>	<u>\$ 40,870</u>	<u>\$ 13,402</u>

**6. RETIREMENT SYSTEMS**

The Village's certified Fire Fighters and full-time Police Officers belong to the Police and Firemen's Disability and Pension Funds (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS) of Ohio. OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans benefits, which include postretirement healthcare and survivor and disability benefits.

Contribution rates are also prescribed by the Ohio Revised Code. For 2015 and 2014, members of OP&F contributed 10.75% from January 1, 2014 to June 30, 2014, they contributed 11.50% from July 1, 2014 through June 30, 2015 and contributed 12.25% from July 1, 2015 through December 31, 2015. For 2015 and 2014, the Village contributed an amount equal to 19.5% of full-time police members' wages and 24% of full-time fire fighters wages, respectively. For 2015 and 2014, OPERS members contributed 10.0% of their gross wages and the Village contributed an amount equal to 14.00% of participant's gross salaries. The Village has paid all contributions required through December 31, 2015.

**7. INCOME TAX**

The Village levies a municipal income tax of 1.5 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.

Of the 1.5 percent income tax that the Village collects, 80 percent of the first one percent is designated to support general Village operations and 20 percent is designated to support the Village police department.

**VILLAGE OF GNADENHUTTEN  
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 and 2014**

**8. RISK MANAGEMENT**

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

The Village insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services of PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**Casualty and Property Coverage**

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2015, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

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

**Financial Position**

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2014 and 2015 (the latest information available).

	<b>2014</b>	<b>2015</b>
Assets	\$ 35,402,177	\$ 38,307,677
Liabilities	(12,363,257)	(12,759,127)
Retained Earnings	<u>\$ 23,038,920</u>	<u>\$ 25,548,550</u>

At December 31, 2014 and 2015, respectively, the liabilities above include approximately \$11.1 million and 11.5 million of estimated claims payable. The assets above also include approximately \$10.8 million and 11.0 million of unpaid claims to be billed. The Pool's membership increased from 488 members in 2014 to 499 members in 2015. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2015, the Village's share of these unpaid claims is approximately \$17,643.

**VILLAGE OF GNADENHUTTEN  
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 and 2014**

**8. RISK MANAGEMENT (Continued)**

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

Contributions to PEP	
2014	2015
\$ 29,556	\$ 28,005

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

**9. JOINTLY GOVERNED ORGANIZATIONS**

*Gnadenhutten-Clay Union Cemetery*

The cemetery is a jointly governed organization under Ohio Revised Code Section 729.27, 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 Village funding provides burial services and operations and maintenance of the cemetery. The cemetery reimburses the Village for funding provided. At December 31, 2015, the Cemetery was paid in full.

*Community Improvement Corporation of Tuscarawas County*

The Corporation is operated by Tuscarawas County, New Philadelphia, Dover, Urichsville, 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-elected 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 2015 and 2014, no monies were paid to the Corporation by the Village.

*Tuscarawas County Regional Planning Commission (the 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, recommendation and reports concerning the physical, Environmental, social, economical and governmental characteristics, functions and services of the County. In 2015 and 2014, \$206 was paid to the Commission by the Village for each year.

**WILSON, PHILLIPS & AGIN, CPA'S, INC.  
1100 BRANDYWINE BLVD. BUILDING G  
ZANESVILLE, OHIO 43701**

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

Village of Gnadenhutten  
Tuscarawas County  
P.O. Box 129  
Gnadenhutten, Ohio 44629

To the Village Council:

We have audited, in accordance with auditing standards general accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Village of Gnadenhutten, Tuscarawas County as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements and have issued our report thereon dated May 25, 2016, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered Village of Gnadenhutten's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. 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 a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider Finding 2015-002 and 2015-004 described in the accompanying schedule of findings to be material weaknesses.

Independent Auditors' Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Required by Government Auditing Standards  
Page Two

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether Village of Gnadenhutten'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, opining on compliance was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed three instances of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as items 2015-001, 2015-003 and 2015-004.

***Entity's Response to Finding***

The Village's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Village's response and, accordingly, we express no opinion on it.

We noted certain matters not requiring inclusion in this report that we have reported to the management of the Village of Gnadenhutten in a separate letter dated May 25, 2016.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

***Wilson, Phillips & Agin, CPA's, Inc..***  
Zanesville, Ohio  
May 25, 2016

**VILLAGE OF GNADENHUTTEN  
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2015 AND 2014**

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

**FINDING NUMBER 2015-001**

**Noncompliance – Certification of Funds**

Ohio Revised Code Section 5705.41(D) prohibits a subdivision or taxing authority from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

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.

- 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 30 days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts 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 the expenditures by the Village.
- Blanket Certificates. Fiscal officers may prepare "blanket" certificates if the Village has approved their use and established maximum amounts.
- Super Blanket Certificates. 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 reasonable predictable operation expense. This certification is not to extend beyond the current year. More than one so-called "super blanket" certificate may be outstanding at a particular time for any line item appropriation.

**VILLAGE OF GNADENHUTTEN  
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2015 AND 2014**

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

**FINDING NUMBER 2015-001 (Continued)**

The Village did not certify the availability of funds prior to the purchase commitment for 100% of expenditures tested for 2015 and 2014. For these item the Village also did not prepare blanket certificates, super blankets certificates or then and now certificates in accordance with the Ohio Revised Code. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

We recommend the Village certify purchases to which Section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification at the time the Village incurs a commitment and only when the requirements of 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase commitments to the proper code, to reduce available appropriations.

Client Response: We have no response from the client.

**FINDING 2015-002**

**Material Weakness – Financial Reporting**

All local offices should maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

The Village Officer's Handbook (Revised march 2013) provides suggested accounts classifications. These accounts classify receipts by fund and source (Taxes or charges for services, for example) and classify disbursements by fund, program (general government, for example) or object (personal services, for example). Using these classifications and the aforementioned accounting records will provide the Village with information required to monitor compliance with the budget, and prepare annual reports in the format required by the Auditor of State.

The Village did not properly post and classify all receipts and expenditures. Errors were made in recording various transactions. Amounts were not always posted to the correct fund and/or line item. The following reclassifications were made.

Reclassifications:

- In 2015, reclassifications were made to properly state principal and interest in the Police Fund and the Waterline Replacement Debt Service Fund in the amount of \$9,629 and \$3,379, respectively. Reclassification came from general government and capital outlay.
- In 2014, , reclassifications were made to properly state principal and interest in the General Fund, Police Fund and the Waterline Replacement Debt Service Fund in the amount of \$2,378, \$866 and \$4,738, respectively. Reclassification came from general government and capital outlay.

**VILLAGE OF GNADENHUTTEN  
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2015 AND 2014**

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

**FINDING 2015-002 (Continued)**

The reclassifications are reflected in the accompanying financial statements and posted to the accounting records.

We recommend the Village utilize available authoritative resources to appropriately classify and record all receipt and expenditure transactions.

Client Response: We received no response from the client.

**FINDING NUMBER 2015-003**

**Noncompliance – Appropriations Exceeding Estimated Resources**

Ohio Revised Code Section 5705.39 provides that total appropriations from each fund shall not exceed the total of the estimated revenues available for expenditure as certified by the budget commission. In addition, no appropriation measure is to become effective until the County Auditor files a certificate that the total appropriations from each fund do not exceed the total estimate or amended official estimate.

		Estimated			
Fund	Year	Resources	Appropriations	Variance	
Star Cross	2015	\$ -	\$ 15,500	\$ (15,500)	
Income Tax	2014	151,193	200,000	(48,807)	

We recommend Council review estimated resources versus appropriations throughout the year. Also, Council should not approve appropriations greater than estimated resources. This could result in the Village spending more money than it receives and could cause possible negative fund balances.

Client Response: We have not received a response from client.

**VILLAGE OF GNADENHUTTEN  
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2015 AND 2014**

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

**FINDING NUMBER 2015-004**

**Material Weakness/Noncompliance – Expenditures Exceeding Appropriations**

Ohio Revised Code Section 5705.41 (B) states no subdivision or taxing unit is to expend money unless it has been appropriated. The Village had the following funds which had expenditures greater than appropriation authority.

Fund	Year	Appropriation		Expenditures	Variance
		Authority			
Street Fund	2015	\$ 73,000		\$ 78,451	\$ (5,451)
Fire Protection Fund	2015	45,000		50,104	(5,104)
Police Fund	2015	85,000		111,109	(26,109)
Sewer Fund	2015	175,000		252,307	(77,307)
General Fund	2014	360,000		372,361	(12,361)
Street Fund	2014	65,000		72,915	(7,915)
Fire Protection Fund	2014	37,000		54,647	(17,647)
Police Fund	2014	100,000		122,095	(22,095)
Water Fund	2014	100,000		182,296	(82,296)
Sewer Fund	2014	160,000		175,467	(15,467)

We recommend Council review expenditures versus appropriation authority throughout the year. Also, Council should not approve expenditures greater than appropriations. This results in the Village spending more money than it appropriated and could cause possible negative fund balances.

Client Response: We have not received a response from the client.

**VILLAGE OF GNADENHUTTEN**  
**TUSCARAWAS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS**  
**YEARS ENDED DECEMBER 31, 2015 AND 2014**

Finding Number	Finding Summary	Fully Corrected	Not Corrected, Partially Corrected Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain:</b>
2013-001	Noncompliance ORC 5705.41(B) Expenditures exceeding appropriations	No	Not Corrected; Reported as Finding 2015-004
2013-002	Noncompliance Transfers not authorized	Yes	Finding No Longer Valid
2013-003	Noncompliance Payout of Vacation/Personal Time	Yes	Finding No Longer Valid
2013-004	Noncompliance ORC 5705.41(D) prior certification not made	No	Not Corrected; Reported as Finding 2015-001
2013-005	Noncompliance ORC 5705.10 negative fund balance	Yes	Finding No Longer Valid
2013-006	Material Weakness Financial Reporting balance	No	Not Corrected; Reported as Finding 2015-003

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# Dave Yost • Auditor of State

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.

A handwritten signature in cursive script that reads "Susan Babbitt".

CLERK OF THE BUREAU

CERTIFIED  
SEPTEMBER 6, 2016