

VILLAGE OF SUGARCREEK

TUSCARAWAS COUNTY, OHIO

AUDIT REPORT

For the Years Ended December 31, 2015 and 2014





Dave Yost • Auditor of State

Village Council
Village of Sugarcreek
410 S. Broadway
Sugarcreek, OH 44681

We have reviewed the *Independent Auditor's Report* of the Village of Sugarcreek, Tuscarawas County, prepared by Charles E. Harris & Associates, 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 Sugarcreek is responsible for compliance with these laws and regulations.

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

Dave Yost
Auditor of State

June 30, 2016

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**VILLAGE OF SUGARCREEK
TUSCARAWAS COUNTY
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

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INDEPENDENT AUDITOR'S REPORT

Village of Sugarcreek
Tuscarawas County
410 South Broadway
Sugarcreek, Ohio 44681

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 Sugarcreek, Tuscarawas County, (the Village) 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 reporting provisions 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 of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory basis of accounting and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United State 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 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 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 Sugarcreek, 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 our report dated April 14, 2016, 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. 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.



Charles E. Harris & Associates, Inc.
April 14, 2016

**VILLAGE OF SUGARCREEK
TUSCARAWAS COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$ 294,512	\$ 218,509	\$ -	\$ 513,021
Municipal Income Tax	1,042,850	420,231	-	1,463,081
Intergovernmental	89,060	182,930	-	271,990
Charges for Services	5,266	102,000	-	107,266
Fines, Licenses and Permits	7,135	-	-	7,135
Earnings on Investments	802	-	-	802
Miscellaneous	12,685	3,589	-	16,274
<i>Total Cash Receipts</i>	<u>1,452,310</u>	<u>927,259</u>	<u>-</u>	<u>2,379,569</u>
Cash Disbursements				
Current:				
Security of Persons and Property	403,330	134,660	-	537,990
Public Health Services	3,255	-	-	3,255
Leisure Time Activities	39,398	-	-	39,398
Community Environment	13,561	-	-	13,561
Basic Utility Services	124,230	-	-	124,230
Transportation	4,389	346,502	-	350,891
General Government	339,507	3,777	-	343,284
Capital Outlay	485,524	313,930	32,944	832,398
Debt Service:				
Principal Retirement	38,519	32,732	-	71,251
Interest and Fiscal Charges	3,811	2,134	-	5,945
<i>Total Cash Disbursements</i>	<u>1,455,524</u>	<u>833,735</u>	<u>32,944</u>	<u>2,322,203</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(3,214)	93,524	(32,944)	57,366
Other Financing Receipts (Disbursements)				
Sale of Notes	85,000	-	-	85,000
Sale of Capital Assets	-	3,050	-	3,050
Transfers In	-	-	32,439	32,439
Transfers Out	(50,000)	-	-	(50,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>35,000</u>	<u>3,050</u>	<u>32,439</u>	<u>70,489</u>
<i>Net Change in Fund Cash Balances</i>	31,786	96,574	(505)	127,855
<i>Fund Cash Balances, January 1</i>	<u>406,894</u>	<u>309,541</u>	<u>1,483</u>	<u>717,918</u>
Fund Cash Balances, December 31				
Restricted	-	406,115	-	406,115
Committed	-	-	978	978
Unassigned	438,680	-	-	438,680
<i>Fund Cash Balances, December 31</i>	<u>\$ 438,680</u>	<u>\$ 406,115</u>	<u>\$ 978</u>	<u>\$ 845,773</u>

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

**VILLAGE OF SUGARCREEK
TUSCARAWAS COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts	
Charges for Services	\$ 1,061,857
Fines, Licenses and Permits	9,285
Miscellaneous	21,249
<i>Total Operating Cash Receipts</i>	<i>1,092,391</i>
Operating Cash Disbursements	
Personal Services	307,582
Employee Fringe Benefits	230
Contractual Services	77,233
Supplies and Materials	281,728
<i>Total Operating Cash Disbursements</i>	<i>666,773</i>
<i>Operating Income (Loss)</i>	<i>425,618</i>
Non-Operating Receipts (Disbursements)	
OPWC Debt Proceeds	82,550
Capital Outlay	(166,166)
Principal Retirement	(460,250)
Interest and Other Fiscal Charges	(46,001)
<i>Total Non-Operating Receipts (Disbursements)</i>	<i>(589,867)</i>
<i>Income (Loss) before Transfers</i>	<i>(164,249)</i>
Transfers In	50,000
Transfers Out	(32,439)
<i>Net Change in Fund Cash Balances</i>	<i>(146,688)</i>
<i>Fund Cash Balances, January 1</i>	<i>1,467,235</i>
<i>Fund Cash Balances, December 31</i>	<i>\$ 1,320,547</i>

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

**VILLAGE OF SUGARCREEK
TUSCARAWAS COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$ 291,991	\$ 113,689	\$ -	\$ 405,680
Municipal Income Tax	1,071,905	448,365	-	1,520,270
Intergovernmental	83,307	179,937	-	263,244
Charges for Services	7,055	95,000	-	102,055
Fines, Licenses and Permits	5,267	-	-	5,267
Miscellaneous	41,243	9,589	-	50,832
<i>Total Cash Receipts</i>	<u>1,500,768</u>	<u>846,580</u>	<u>-</u>	<u>2,347,348</u>
Cash Disbursements				
Current:				
Security of Persons and Property	457,817	123,479	-	581,296
Public Health Services	2,248	-	-	2,248
Leisure Time Activities	54,695	-	-	54,695
Community Environment	10,805	-	-	10,805
Basic Utility Services	120,570	-	-	120,570
Transportation	4,371	326,186	-	330,557
General Government	330,604	2,245	-	332,849
Capital Outlay	210,747	206,739	236	417,722
Debt Service:				
Principal Retirement	39,413	72,661	-	112,074
Interest and Fiscal Charges	5,479	4,871	-	10,350
<i>Total Cash Disbursements</i>	<u>1,236,749</u>	<u>736,181</u>	<u>236</u>	<u>1,973,166</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	264,019	110,399	(236)	374,182
Other Financing Receipts (Disbursements)				
Premium and Accrued Interest on Debt	-	20	-	20
Transfers In	-	35,000	-	35,000
Transfers Out	(110,000)	-	-	(110,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(110,000)</u>	<u>35,020</u>	<u>-</u>	<u>(74,980)</u>
<i>Net Change in Fund Cash Balances</i>	154,019	145,419	(236)	299,202
<i>Fund Cash Balances, January 1</i>	<u>252,875</u>	<u>164,122</u>	<u>1,719</u>	<u>418,716</u>
Fund Cash Balances, December 31				
Restricted	-	309,541	-	309,541
Committed	-	-	1,483	1,483
Unassigned	406,894	-	-	406,894
<i>Fund Cash Balances, December 31</i>	<u>\$ 406,894</u>	<u>\$ 309,541</u>	<u>\$ 1,483</u>	<u>\$ 717,918</u>

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

**VILLAGE OF SUGARCREEK
TUSCARAWAS COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts	
Charges for Services	\$ 1,007,306
Fines, Licenses and Permits	4,175
Miscellaneous	24,140
<i>Total Operating Cash Receipts</i>	<i>1,035,621</i>
Operating Cash Disbursements	
Personal Services	294,639
Employee Fringe Benefits	260
Contractual Services	74,483
Supplies and Materials	266,778
<i>Total Operating Cash Disbursements</i>	<i>636,160</i>
<i>Operating Income (Loss)</i>	<i>399,461</i>
Non-Operating Receipts (Disbursements)	
Intergovernmental	703
Capital Outlay	(98,463)
Principal Retirement	(465,871)
Interest and Other Fiscal Charges	(64,585)
<i>Total Non-Operating Receipts (Disbursements)</i>	<i>(628,216)</i>
<i>Income (Loss) before Transfers</i>	<i>(228,755)</i>
Transfers In	75,000
<i>Net Change in Fund Cash Balances</i>	<i>(153,755)</i>
<i>Fund Cash Balances, January 1</i>	<i>1,620,990</i>
<i>Fund Cash Balances, December 31</i>	<i>\$ 1,467,235</i>

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

**VILLAGE OF SUGARCREEK
TUSCARAWAS COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED 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 Sugarcreek, Tuscarawas County, Ohio (the Village) as a body corporate and politic. A publicly-elected, six-member Council directs the Village. The Village provides general government services, maintenance of Village roads and bridges, park operations, water and sewer utilities, and police services. The Village appropriates general fund money to support a volunteer fire department.

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 permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 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 117.8 and Ohio Administrative Code Section 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 deposit 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:

1. General Fund

The General Fund accounts for and reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

**VILLAGE OF SUGARCREEK
TUSCARAWAS COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Continued)**

1. Summary of Significant Accounting Policies (continued)

D. Fund Accounting (continued)

2. Special Revenue Funds (continued)

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

Fire and Emergency Services Levy Fund - This fund receives tax proceeds to fund Village emergency medical response services.

3. Capital Projects Fund

This fund accounts for and reports financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant Capital Project Fund:

Traffic Light Fund - This fund receives grant monies, contributions and transfers from the General fund for the design and installation of a traffic light at one of the Village's busiest intersections.

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.

Sewer Fund - This fund receives charges for services from residents to cover sewer service costs.

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 control and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

**VILLAGE OF SUGARCREEK
TUSCARAWAS COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Continued)**

1. Summary of Significant Accounting Policies (continued)

E. Budgetary Process (continued)

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual 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:

1. Nonspendable

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

2. 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.

3. Committed

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

4. 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 the 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 the Village Council or a Village official delegated that authority by resolution, or by State Statute.

**VILLAGE OF SUGARCREEK
TUSCARAWAS COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Continued)**

1. Summary of Significant Accounting Policies (continued)

F. Fund Balance (continued)

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included 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 (committed, assigned, and 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

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

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 Deposits

The Village maintains a deposit 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:

	2015	2014
Demand deposits	\$ 2,081,320	\$ 2,185,153
Certificates of deposit	85,000	-
Total deposits	<u>\$ 2,166,320</u>	<u>\$ 2,185,153</u>

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

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2015 and 2014 follows:

Fund Type	2015 Budgeted vs. Actual Receipts		
	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,542,800	\$ 1,537,310	\$ (5,490)
Special Revenue	950,739	930,309	(20,430)
Capital Projects	-	32,439	32,439
Enterprise	1,192,550	1,224,941	32,391

**VILLAGE OF SUGARCREEK
TUSCARAWAS COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Continued)**

3. Budgetary Activity (continued)

2015 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$ 1,694,326	\$ 1,505,524	\$ 188,802
Special Revenue	1,110,833	866,175	244,658
Capital Projects	33,922	32,944	978
Enterprise	2,529,343	1,371,629	1,157,714

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,304,384	\$ 1,500,768	\$ 196,384
Special Revenue	799,009	881,600	82,591
Capital Projects	-	-	-
Enterprise	1,096,400	1,111,324	14,924

2014 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$ 1,557,259	\$ 1,346,749	\$ 210,510
Special Revenue	786,290	736,181	50,109
Capital Projects	1,719	236	1,483
Enterprise	2,461,192	1,265,079	1,196,113

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.

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

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 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.

**VILLAGE OF SUGARCREEK
TUSCARAWAS COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Continued)**

6. Debt

Debt outstanding at December 31, 2015 was as follows:

	Principal	Interest Rate
General Obligation Notes	\$ 148,912	2.70 to 3.39%
General Obligation Bonds	515,000	5.50 to 8.00%
Ohio Public Works Commission Loans	226,757	0%
Ohio Water Development Authority Loans	633,288	2.00 to 3.85%
Total	\$ 1,523,957	

The prior audit's ending General Obligation Bonds debt balance was understated by \$199,058.

The Ohio Water Development Authority (OWDA) loans were issued to finance water and sewer system improvement projects, including the construction of the wastewater treatment plant. The Village overpaid on OWDA Loan # 3461 from July 1, 2002 to July 1, 2012 for a total of \$2,496; this reduced the remaining payments from \$19,228 a year to \$18,737. The debt is scheduled to be paid off on January 1, 2022. Payments are made from user charges in the enterprise funds.

The General Obligation Bond proceeds were used to finance water and sewer system improvements, purchase road equipment and the clock tower. Payments are made from a combination of user charges in the enterprise funds, funds restricted for street construction, maintenance and repair, and general funds.

The Ohio Public Works Commission (OPWC) loan proceeds were used for the construction of the Shanesville Water Tank. Payments are made from user charges in the enterprise funds.

The General Obligation Notes proceeds were used to purchase and renovate a new Village Hall, to make improvements to the sewer system and for improvements to the salt storage building. It was originally issued in 2003 and the Village rolls it over every year. Payments are made a combination of user charges in the enterprise funds and funds restricted for street construction, maintenance and repair.

During 2015, the Village issued a General Obligation Note to Baltic Bank totaling \$85,000, the proceeds of which were used to purchase land for the new police department. Payments are made from the General Fund.

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

Year ending December 31:	OPWC Loans	OWDA Loans	General Obligation Notes	General Obligation Bonds
2016	\$ 21,979	\$ 267,434	\$ 48,074	\$ 169,402
2017	21,979	150,558	41,770	164,358
2018	21,979	33,680	41,769	144,312
2019	21,979	33,680	17,878	65,000
2020	21,979	33,680	8,939	-
2021-2025	61,828	102,823	-	-
2026-2030	13,758	67,246	-	-
2031-2035	13,758	-	-	-
2036-2040	13,758	-	-	-
2041-2045	13,760	-	-	-
Total	\$ 226,757	\$ 689,101	\$ 158,430	\$ 543,072

**VILLAGE OF SUGARCREEK
TUSCARAWAS COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Continued)**

7. Retirement Systems

The Village's full-time police officers belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). 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.

The Ohio Revised Code also prescribes contribution rates. For January 2014 – June 2014, OP&F participants contributed 10.75% of their earnable salaries. For July 2014 – June 2015, OP&F participants contributed 11.5% of their earnable salaries. For July 2015 – December 2015, OP&F participants contributed 12.25% of their earnable salaries. For 2015 and 2014, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' earnable salaries. For 2015 and 2014, OPERS members contributed 10% of their earnable salaries and the Village contributed an amount equaling 14% of participants' earnable salaries. The Village has paid all contributions required through December 31, 2015.

8. Risk Management

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Commercial inland marine;
- Employers liability;
- Employees benefits liability;
- Vehicles; and
- Errors and omissions.

There have been no settlements paid in excess of insurance coverage nor has insurance coverage been significantly reduced in the past three years.

The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is based on accident history and administrative costs.

9. Contingent Liabilities

The Village may be a defendant in various lawsuits. Although management cannot presently determine the outcome of these suits, management believes that the resolution of these matters will not materially adversely affect the Village's financial condition.

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

10. Transfers

Transfers were made from the General Fund to various funds to subsidize operations and capital projects. Also, a transfer was made to close out the Sewer Debt Service fund to the Capital Projects fund. All transfers were made in accordance with the Ohio Revised Code.

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

Village of Sugarcreek
Tuscarawas County
410 South Broadway
Sugarcreek, Ohio 44681

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Village of Sugarcreek, Tuscarawas County (the Village) 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 April 14, 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 the Village'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 preceding 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 2015-001 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, opining 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 2015-001 and 2015-002.

Entity's Responses to Findings

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.

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.



Charles E. Harris and Associates, Inc.
April 14, 2016

**VILLAGE OF SUGARCREEK
TUSCARAWAS COUNTY**

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

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number: 2015-001 – Material Weakness and Noncompliance

Audit Adjustments and Reclassifications

Ohio Administrative Code Section 117-2-02(A) provides that all local public 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 and finance-related legal and contractual requirements and prepare financial statements.

The Village Officer's Handbook and UAN accounting system provide suggested account classifications. These accounts classify receipts by fund and source (taxes or charges for services, for example). Using these classifications and the aforementioned accounting records will provide the Village with information required to monitor compliance and with the budget and prepare annual reports in the format required by the Auditor of State.

During audit procedures performed, errors were noted in the Village's financial statements that required audit adjustments and reclassifications as follows:

- During 2015 and 2014, capital outlay and leisure time activities were classified as other financing uses instead of operating expenses in the General fund.
- During 2015 and 2014, debt payments were not properly classified as principal retirement and interest and other fiscal charges on the financial statements in the General and Enterprise funds.
- During 2015 and 2014, the Traffic Light fund was misclassified as a Special Revenue fund on the filed financial statements. This fund has been reclassified as a Capital Projects fund in the audit report.
- During 2015 and 2014, various revenues were misclassified as other financing sources instead of miscellaneous operating revenue in the Special Revenue funds.

The accompanying financial statements and the Village's records have been adjusted to properly reflect these transactions.

During 2014 and 2015, we noted during testing of property tax rollback and homestead exemption revenue that all revenue is being posted to the General fund. We noted that this revenue should be allocated to the Fire and EMS Fund (#205) as well as the General fund. Due to the immateriality of these amounts, no adjustments were made to the financial statements regarding these mispostings.

Sound financial reporting is the responsibility of the Village and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. We recommend the Village adopt policies and procedures to identify and correct errors and omissions in a timely manner. Management can use the UAN Handbook, the Village Officer's Handbook and other Auditor of State guidance to aid in properly identifying account classifications.

VILLAGE OF SUGARCREEK
TUSCARAWAS COUNTY

SCHEDULE OF FINDINGS - Continued
DECEMBER 31, 2015 AND 2014

<p>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - Continued</p>

Finding Number: 2015-001 – Material Weakness and Noncompliance - Continued

Official's Response:

The Village will change this going forward to comply with the Auditor of State requirements.

Finding Number: 2015-002 – Noncompliance

Posting of Transfers Without Approval

Ohio Rev. Code Section 5705.14(e) states, in part, that no transfer can be made from one fund of a subdivision to any other fund, except money may be transferred from the general fund to any other fund of the subdivision. 1989 Op. Atty. Gen. No 89-075 requires a governing board resolution or ordinance passed by a simple majority of the board members to transfer funds.

During our testing of transfers, we noted one transfer for \$50,000 from the General Fund to the Water Enterprise fund in 2015 and one transfer for \$75,000 from the General Fund to the Water Enterprise fund in 2014 that were not approved by Council in a resolution or ordinance, as required.

We recommend that all transfers be formally approved by resolution or ordinance of Council. The resolution or ordinance should include the amount to be transferred, the name of the fund paying the money and the name of the fund receiving the money. The Village should ensure there is proper statutory authority to use the money in the fund transferring the cash for the same purpose for which the fund receiving the cash was established.

Official's Response:

The Village will change this going forward.

**VILLAGE OF SUGARCREEK
TUSCARAWAS COUNTY
SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2015 AND 2014**

FINDING NUMBER	FUNDING SUMMARY	FULLY CORRECTED?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2013-001	Appropriations Exceeded Estimated Resources	Yes	Finding No Longer Valid
2013-002	Negative Cash Fund Balances	Yes	Finding No Longer Valid
2013-003	Budgetary Expenditures Exceeded Appropriations	Yes	Finding No Longer Valid

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Dave Yost • Auditor of State

VILLAGE OF SUGARCREEK

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
JULY 12, 2016