



**VILLAGE OF TUSCARAWAS
TUSCARAWAS COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2000 - 1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

VILLAGE OF TUSCARAWAS
TUSCARAWAS COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

Village of Tuscarawas
Tuscarawas County
P.O. Box 388
Tuscarawas, Ohio 44682

To the Village Council:

We have audited the accompanying financial statements of the Village of Tuscarawas, Tuscarawas County, Ohio, (the Village) as of and for the years ended December 31, 2000 and 1999. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village as of December 31, 2000 and 1999, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 8, 2001 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

This report is intended solely for the information and use of management, the Village Council and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

May 8, 2001

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**VILLAGE OF TUSCARAWAS
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, 2000**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$79,195	\$20,327	\$0	\$99,522
Intergovernmental	21,767	37,521	8,925	68,213
Charges for Services	32,094	0	0	32,094
Fines, Licenses, and Permits	6,226	54	0	6,280
Earnings on Investments	9,448	1,667	0	11,115
Rent	7,852	0	0	7,852
Contributions and Donations	0	7,060	0	7,060
Miscellaneous	1,249	0	0	1,249
Total Cash Receipts	<u>157,831</u>	<u>66,629</u>	<u>8,925</u>	<u>233,385</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	87,682	0	0	87,682
Public Health Services	590	0	0	590
Leisure Time Activities	1,876	3,516	0	5,392
Basic Utility Services	20,093	0	0	20,093
Transportation	0	28,647	0	28,647
General Government	44,058	0	0	44,058
Capital Outlay	0	44,637	11,900	56,537
Total Cash Disbursements	<u>154,299</u>	<u>76,800</u>	<u>11,900</u>	<u>242,999</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>3,532</u>	<u>(10,171)</u>	<u>(2,975)</u>	<u>(9,614)</u>
Other Disbursements:				
Other Uses	0	(1,553)	0	(1,553)
Excess of Cash Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>3,532</u>	<u>(11,724)</u>	<u>(2,975)</u>	<u>(11,167)</u>
Fund Cash Balances, January 1	44,016	86,647	0	130,663
Fund Cash Balances, December 31	<u><u>\$47,548</u></u>	<u><u>\$74,923</u></u>	<u><u>(\$2,975)</u></u>	<u><u>\$119,496</u></u>
Reserves for Encumbrances, December 31	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

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

**VILLAGE OF TUSCARAWAS
TUSCARAWAS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2000**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$191,769
Miscellaneous	2,019
	193,788
Operating Cash Disbursements:	
Personal Services	70,336
Contractual Services	25,547
Supplies and Materials	36,613
Capital Outlay	51,121
	183,617
Operating Income	10,171
Non-Operating Cash Disbursements:	
Debt Service:	
Principal Payments	7,500
Interest Payments	533
	8,033
Net Receipts Over Disbursements	2,138
Fund Cash Balances, January 1	93,563
Fund Cash Balances, December 31	\$95,701
Reserves for Encumbrances, December 31	\$0

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

**VILLAGE OF TUSCARAWAS
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, 1999**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$77,512	\$19,142	\$96,654
Intergovernmental	18,257	59,384	77,641
Charges for Services	26,478	0	26,478
Fines, Licenses, and Permits	9,251	0	9,251
Earnings on Investments	3,315	585	3,900
Rent	7,452	0	7,452
Miscellaneous	8,568	551	9,119
	<u>150,833</u>	<u>79,662</u>	<u>230,495</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	66,163	21,715	87,878
Leisure Time Activities	1,558	4,116	5,674
Basic Utility Services	21,855	0	21,855
Transportation	0	27,546	27,546
General Government	46,972	0	46,972
Capital Outlay	0	22,248	22,248
	<u>136,548</u>	<u>75,625</u>	<u>212,173</u>
Total Cash Receipts Over Cash Disbursements	<u>14,285</u>	<u>4,037</u>	<u>18,322</u>
Other Financing Receipts/(Disbursements):			
Sale of Fixed Assets	0	1,550	1,550
Transfers-In	0	1,550	1,550
Transfers-Out	(1,550)	0	(1,550)
Other Uses	0	(495)	(495)
	<u>(1,550)</u>	<u>2,605</u>	<u>1,055</u>
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	12,735	6,642	19,377
Fund Cash Balances, January 1	<u>31,281</u>	<u>80,005</u>	<u>111,286</u>
Fund Cash Balances, December 31	<u>\$44,016</u>	<u>\$86,647</u>	<u>\$130,663</u>
Reserves for Encumbrances, December 31	<u>\$8,060</u>	<u>\$2,651</u>	<u>\$10,711</u>

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

VILLAGE OF TUSCARAWAS
TUSCARAWAS COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 1999**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$197,242
Miscellaneous	107
Total Operating Cash Receipts	197,349
Operating Cash Disbursements:	
Personal Services	70,170
Contractual Services	24,620
Supplies and Materials	38,664
Capital Outlay	47,786
Total Operating Cash Disbursements	181,240
Operating Income	16,109
Non-Operating Cash Disbursements:	
Debt Service:	
Principal Payments	7,500
Interest Payments	945
Total Non-Operating Cash Disbursements	8,445
Net Receipts Over Disbursements	7,664
Fund Cash Balances, January 1	85,899
Fund Cash Balances, December 31	\$93,563
Reserves for Encumbrances, December 31	\$39,146

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

**VILLAGE OF TUSCARAWAS
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Tuscarawas, Tuscarawas County, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general governmental services, including water and sewer utilities, park operations (leisure time activities), and police services. The Village provides joint fire protection services with the Warwick Township Volunteer Fire Department.

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

The Village is associated with certain organizations which are defined as Jointly Governed Organizations under Governmental Accounting Standards Board (GASB) Statement No. 14, Reporting Entity. These organizations are presented in Notes 10 and 11. These organizations include:

- Tuscarawas County Regional Planning Commission
- Tuscarawas County Tax Incentive Review Council

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

C. Cash

The Village maintains all cash in an interest bearing checking account.

D. Fund Accounting

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

1. General Fund

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

**VILLAGE OF TUSCARAWAS
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

2. Special Revenue Funds

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

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

Motor Vehicle License Tax Fund - This fund receives motor vehicle license tax money for constructing, maintaining and repairing Village streets.

Fire Equipment Levy Fund - This fund receives levy monies to assist in operating and maintaining the fire department.

Street Levy Fund - This fund receives levy monies to assist in repairing and maintaining Village streets.

3. Capital Projects Fund

This fund is 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 Capital Projects Fund:

Main/School Signal Fund - This fund receives grant monies for the installation of traffic signals within the Village.

4. 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 Enterprise Funds:

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

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

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

**VILLAGE OF TUSCARAWAS
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

1. 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. The Village 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.

2. 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.

3. 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. The Village did not encumber all commitments required by Ohio law.

A summary of 2000 and 1999 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements (capital outlays) when paid. These items are not reflected as assets on the accompanying financial statements.

G. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the Village.

2. EQUITY IN POOLED CASH

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

	<u>2000</u>		<u>1999</u>
Demand deposits	\$ 215,197	\$	224,226

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

**VILLAGE OF TUSCARAWAS
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2000 and 1999 follows:

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 155,713	\$ 157,831	\$ 2,118
Special Revenue	79,911	66,629	(13,282)
Capital Projects	0	8,925	8,925
Enterprise	197,348	193,788	(3,560)
Total	\$ 432,972	\$ 427,173	\$ (5,799)

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 190,000	\$ 154,299	\$ 35,701
Special Revenue	134,274	78,353	55,921
Capital Projects	2,975	11,900	(8,925)
Enterprise	257,900	191,650	66,250
Total	\$ 585,149	\$ 436,202	\$ 148,947

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 146,271	\$ 150,833	\$ 4,562
Special Revenue	86,210	82,762	(3,448)
Enterprise	199,600	197,349	(2,251)
Total	\$ 432,081	\$ 430,944	\$ (1,137)

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 177,080	\$ 146,158	\$ 30,922
Special Revenue	158,182	78,771	79,411
Enterprise	266,500	228,831	37,669
Total	\$ 601,762	\$ 453,760	\$ 148,002

1999 appropriations have been adjusted to reflect the 1999 Original Annual Appropriation Measure.

**VILLAGE OF TUSCARAWAS
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

4. NON-COMPLIANCE

Contrary to Ohio Revised Code Section 733.28, certain moneys received and expended were inaccurately recorded within the Village's financial records.

Contrary to Ohio Revised Code Section 5705.10, the Capital Projects and Enterprise Water Funds incurred negative fund cash balances during 2000.

Contrary to Ohio Revised Code Sections 5705.14, 5705.15, and 5705.16, a transfer was made from the Special Revenue Fund to the Capital Projects Fund during 2000.

Contrary to Ohio Revised Code Section 5705.39, appropriations exceeded total estimated fund resources for certain funds during 2000.

Contrary to Ohio Revised Code Section 5705.40, certain fund appropriations were amended during 1999 without Village Council approval.

Contrary to Ohio Revised Code Section 5705.41(B), certain cash disbursement transactions during 2000 and 1999 were not within the Village's legal level of budgetary control.

Contrary to Ohio Revised Code Section 135.21 and Ohio Constitution, Article XII, Section 5a, interest earned on money derived from a motor vehicle license or fuel tax was not properly allocated.

5. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, 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.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

**VILLAGE OF TUSCARAWAS
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

6. DEBT

Debt outstanding at December 31, 2000 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Note	\$ 4,834	5.5%

The General Obligation Note was used to finance the Village's storm sewer project. The note will be fully retired during 2001.

7. RETIREMENT SYSTEMS

The Village's full-time law enforcement officers belong to the Police and Firemen's Disability and Pension Fund (PFDPF). Other full-time and part-time employees belong to the Public Employees Retirement System (PERS) of Ohio. PFDPF and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2000 and 1999, members of PFDPF contributed 10% of their wages to the PFDPF. PERS members contributed 8.5% of their gross salaries. During 2000, the Village contributed an amount equal to 10.84% of participants' gross salaries. During 1999, the Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 2000.

8. RISK MANAGEMENT

The Village is a member of the Public Entities Pool of Ohio (the Pool). The Pool assumes the risk of loss up to the limits of the Village's policy. The Pool may assess supplemental premiums. The following risks are covered by the Pool:

- Real, Personal, and Miscellaneous Property Liability
- Vehicles
- Electronic Data Processing (EDP) Equipment
- Dishonesty
- Boiler and Equipment Breakdown
- Earthquake and Flood

The Village also provides health insurance and dental and vision coverage to full-time employees through the Tuscarawas County Benefit Plan.

**VILLAGE OF TUSCARAWAS
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

9. TUSCARAWAS COUNTY REGIONAL PLANNING COMMISSION

The Village participates in the Tuscarawas County Regional Planning Commission (Commission) which is a statutorily created political subdivision of the State. The Commission is jointly governed among Tuscarawas County, and other cities, villages, and townships. The principle aim of the Commission is to provide comprehensive planning, both long- and short-term, dealing with the economic and physical environment of Tuscarawas County. The board exercises total authority for the day-to-day operations of the Commission. These include budgeting, appropriating, contracting, and designating management. The Village has no financial responsibility for any the Commission's liabilities. Complete financial statements can be obtained from the Tuscarawas County Regional Planning Commission, Tuscarawas County, Ohio.

10. TUSCARAWAS COUNTY TAX INCENTIVE REVIEW COUNCIL

The Tuscarawas County Tax Incentive Review Council (Council) is a jointly governed organization, created as a regional council of governments pursuant to State statutes. The Council has 22 members, consisting of three members appointed by the County Commissioners, four members appointed by municipal corporations, six member appointed by township trustees, one member from the County Auditor's Office and eight members appointed by boards of education located within the County. The Council reviews and evaluates the performance of each Enterprise Zone Agreement. This body is advisory in nature and cannot directly impact an existing Enterprise Zone Agreement; however, the Council can make written recommendations to the legislative authority who approved the agreement. There is no cost associated with being a member of the Council. The continued existence of the Council is not dependent upon the Village's continued participation and no measurable equity interest exists.

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Village of Tuscarawas
Tuscarawas County
P.O. Box 388
Tuscarawas, Ohio 44682

To the Village Council:

We have audited the accompanying financial statements of the Village of Tuscarawas, Tuscarawas County, Ohio, (the Village) as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated May 8, 2001. We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2000-31279-001 through 2000-31279-008.

We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated May 8, 2001.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings as items 2000-31279-009 and 2000-31279-010.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 2000-31279-009 and 2000-31279-010 to be material weaknesses.

We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated May 8, 2001.

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

Jim Petro
Auditor of State

May 8, 2001

VILLAGE OF TUSCARAWAS
TUSCARAWAS COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2000 AND 1999

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

FINDING NUMBER 2000-31279-001

Noncompliance Citation

Ohio Rev. Code Section 733.28 states that the Village Clerk shall keep the books of the Village, exhibit accurate statements of all moneys received and expended, document all property owned by the Village and the income derived therefrom, and document all taxes and assessments. In addition, **Ohio Administrative Code Section 117-5-01** provides that each Village which uses the cash basis of accounting use the uniform system of accounting prescribed by **Ohio Administrative Code Sections 117-5-01 to 117-5-18**. The Village did not comply with these provisions as follows:

Classification of Expenditures

Ohio Administrative Code Sections 117-5-05, 117-5-06, and 117-5-08 establish guidelines for the proper coding and classification of Village disbursements. During both 2000 and 1999, the Village Clerk recorded principal payments approximating \$7,200 on the Village's outstanding general obligation note as Capital Outlay rather than Debt Service Principal expenditures. As a result, Capital Outlay and Debt Service Principal expenditures were initially overstated and understated, respectively.

The Village Clerk should accurately record all Village disbursements by code and classification using **Ohio Administrative Code Sections 117-5-05, 117-5-06 and 117-5-08** as a guideline.

Classification of Receipts

Ohio Administrative Code Section 117-5-07 establishes guidelines for the proper coding and classification of Village receipts. During both 2000 and 1999, the Village Clerk recorded Homestead and Rollback and Personal Property Tax Exemption receipts ranging between \$2,700 and \$5,000 within the General and Special Revenue funds as Taxes rather than Intergovernmental Revenue. As a result, Taxes and Intergovernmental Revenue were initially overstated and understated, respectively.

In addition, the Village Clerk did not initially allocate 1999 Homestead and Rollback receipts totaling \$1,995 and \$997 to the Special Revenue Street Improvement and Park funds, respectively. As a result, the General Fund fund cash balance was initially overstated while those Special Revenue Funds were understated.

FINDING NUMBER 2000-31279-001 (Continued)

Appropriation Ledger

Ohio Administrative Code Section 117-5-11 provides guidelines for the proper and complete maintenance of a Village appropriation ledger.

- During both 2000 and 1999, for 30 out of 88 (34%) non-payroll expenditures tested, the Village Clerk did not create specific vendor files in the budgetary computer application and record vendor names on the Village's Budget History Reports and Check Registers. Consequently, the Village Clerk utilized "Miscellaneous" as the vendor description. However, a specific vendor was recorded on the canceled check. As a result, expenditures could have been made to improper vendors.
- During both 2000 and 1999, the Village Clerk did not consistently issue checks in sequential order. Even though issuance of checks in sequential order is not specifically outlined in the Ohio Adm. Code, expenditures may be recorded in an inappropriate accounting period or monies may be misappropriated.
- Village checks are only signed by the Village Clerk. As a result, the risk of misappropriated funds is increased.

The Village Clerk should accurately record all Village appropriations and expenditures by code and classification using **Ohio Administrative Code Section 117-5-11** as a guideline. In addition, checks should be issued in sequential order and signed by the Village Clerk and, at least, one member of the Village Council. This will help ensure funds are properly recorded, classified, and not misappropriated.

Purchase Orders

Ohio Administrative Code Section 117-5-13 requires each purchase order be made out in triplicate with the original given to the vendor. Each executed purchase order shall provide the date, appropriation fund code classification, executed Village Clerk's certificate and other required information. For 29 out of 88 (33%) expenditures tested, purchase orders were not completed, approved, and maintained by the Village Clerk. For 7 of the items tested, the line-item charged by the Village Clerk could not be determined from the purchase order, voucher, canceled check, or vendor invoice. As a result, errors or irregularities relative to goods/services purchased, and the appropriations of such funds, may not be detected in a timely manner. Finally, for 6 of the items tested, vendor invoices were not maintained as supporting documentation. As a result, expenditures could have been made to unauthorized vendors.

The Village Clerk should utilize purchase orders for all expenditures. This will help ensure that sufficient source documentation and funds are available for expenditure, errors or irregularities are detected timely, and expenditures have been made to authorized vendors.

FINDING NUMBER 2000-31279-002

Noncompliance Citation

Ohio Rev. Code Section 5705.10 requires that monies paid into any fund be used only for the purposes for which such fund is established. During 2000, the Village had a negative cash fund balance in the Capital Projects Main/School Signal Fund totaling \$2,975.

Negative cash fund balances are an indication that revenues from other sources were used to pay obligations of these funds. Fund activity should be monitored to prevent future expenditures in excess of available resources. In those cases where additional funds are required, the resources could either be transferred or advanced to the fund in accordance with the Ohio Rev. Code.

FINDING NUMBER 2000-31279-003

Noncompliance Citation

Ohio Rev. Code Sections 5705.14, 5705.15 and 5705.16 provide guidelines pertaining to allowable inter-fund transfers. Generally, before an inter-fund transfer can be made, a resolution of the taxing authority of the political subdivision shall be passed by a majority of the governing board and such taxing authority shall prepare a petition to be presented to the tax commissioner and to the Court of Common Pleas of the County, requesting approval of said transfers.

However, during 2000, we noted the Village transferred \$2,975 from the Special Revenue State Highway Improvement Fund to the Capital Projects Main/School Signal Fund without the approval of the Tax Commissioner or the Court of Common Pleas. If permissible, the Village Clerk should directly record receipts or expenditures into the aforementioned fund rather than transferring these monies. Otherwise, the Village Clerk should obtain proper authorization for transfers from funds other than the General Fund. (The effect of the above transfer was reversed on the financial statements.)

FINDING NUMBER 2000-31279-004

Noncompliance Citation

Ohio Rev. Code Section 5705.39 requires that total appropriations from each fund not exceed total estimated fund resources from each fund. This section also requires the Village to obtain a County Auditor's certificate that total appropriations from each fund do not exceed the total official estimate or amended official estimate when amending estimated resources.

On March 28, 2000, the County Auditor certified that total appropriations exceeded total estimated resources as follows:

Fund	Variance
Special Revenue Funds	
Street Construction, Maintenance and Repair Fund	\$2,580
Park	1,248
Capital Projects Fund	
Capital Projects Main/School Signal Fund	888

**FINDING NUMBER 2000-31279-004
 (Continued)**

Enterprise Fund

Water 35,867

In addition, 2000 appropriations exceeded estimated resources by \$2,975 in the Capital Projects Main/School Signal Fund at year end.

Village Council should frequently monitor appropriations versus estimated resources to help avoid overspending funds.

FINDING NUMBER 2000-31279-005

Noncompliance Citation

Ohio Rev. Code Section 5705.40 provides that any appropriation measure may be amended or supplemented provided that such amendment or supplement complies with all provisions of law governing the tax authority in making the original appropriation.

During 1999, the Village Clerk amended certain fund appropriations ranging between approximately \$100 and \$33,000 without Village Council approval as evidenced in the minute records. As a result, the Appropriation Measure amendments were not legally adopted by the Village. Village Council should approve all appropriation amendments at the established "legal level of budgetary control" as evidenced in the minute records. This will help ensure Appropriation Measure amendments are valid. Accordingly, appropriations were subsequently adjusted on the Village's financial statements to reflect the original 1999 Annual Appropriation Measure. These adjustments created certain violations of Ohio Rev. Code Section 5705.41(B) as reflected in Finding Number 006.

FINDING NUMBER 2000-31279-006

Noncompliance Citation

Ohio Rev. Code Section 5705.41 (B) requires that no subdivision or taxing unit is to expend money unless it has been appropriated. Village expenditures exceeded appropriations at the legal level of control, the function level, within the following funds:

<u>Fund/Function</u>	2000		
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Special Revenue Fund			
Rosenberry Fund/ Capital Outlay	\$0	\$7,000	(\$7,000)
Capital Project Main/School Signal Fund			
Capital Outlay	0	11,900	(11,900)

FINDING NUMBER 2000-31279-006
(Continued)

	2000		
<u>Fund/Function</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Enterprise Fund			
Water Fund/ Contractual Services	9,000	18,140	(9,140)
Water Fund/ Capital Outlay	36,600	51,294	(14,694)
	1999		
General Fund			
Personal Services	\$25,000	\$44,601	(\$19,601)
Special Revenue Fund			
Street Construction Maintenance & Repair Fund/ Personal Service	8,500	13,197	(4,697)
Enterprise Funds			
Water Fund/ Contractual Services	6,500	17,930	(11,430)
Sewer Fund/ Supplies and Materials	17,000	26,560	(9,560)

Village Council should frequently compare actual expenditures plus outstanding encumbrances to appropriations at the legal level of control to avoid potential overspending.

FINDING NUMBER 2000-31279-007

Noncompliance Citation

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

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

- Then and Now Certificates - If no certificate is furnished as required, upon receipt of the fiscal officer’s certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, Village Council may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.
- If the amount involved is less than \$1,000, the Village Clerk may authorize payment through a Then and Now Certificate without affirmation of Village Council.

During 2000 and 1999, 40 out of 88 (45%) of the expenditures tested were not certified by the Village Clerk prior to incurring the commitment. It was also found that neither of the two exceptions above were utilized for the items found to be in non-compliance. The Village Clerk should inform all Village employees of the requirements of Ohio Rev. Code Section 5705.41(D). The Village Clerk should implement the use of so called Then and Now certificates and Blanket Certificates as further permitted by Ohio Rev. Code Section 5705.41. However, such certifications should only be used for recurring and reasonably predictable matters or emergency matters which may arise from time to time.

FINDING NUMBER 2000-31279-008

Noncompliance Citation

Article XII, Section 5a Ohio Constitution, and Ohio Attorney General Opinion 1982 Op. Attorney General No. 82-031 mandates that interest earned on money derived from a motor vehicle license or fuel tax must follow the principal. Ohio Rev. Code Section 135.21 requires all other interest earned be credited to the General Fund of the subdivision, with certain exceptions.

During 2000 and 1999, the Village pooled cash from all funds into an interest bearing checking account. However, the Village Clerk did not initially distribute interest earned on motor vehicle license and fuel tax monies in accordance with the above requirements as follows:

Fiscal Year	Interest Distributed	Interest Required to be Distributed	Variance
2000	\$5,590	\$1,667	\$3,923
1999	2,667	585	2,082

Interest required to be distributed was calculated by determining what percentage the General Fund, Street Construction, Maintenance and Repair Fund and Motor Vehicle License Tax Funds, cash fund balances represented to the total monthly fund cash balances and an monthly equitable portion of interest was distributed accordingly.

FINDING NUMBER 2000-31279-008
(Continued)

As a result, interest earnings in the Special Revenue Street Construction, Maintenance and Repair and Motor Vehicle License Tax Funds and General Fund were initially overstated and understated, respectively. The Village Clerk should apportion interest earnings on motor vehicle license and fuel tax monies to the Special Revenue Street Construction, Maintenance and Repair and Motor Vehicle License Tax Funds based on an equitable portion of the investment pool. (Interest entitled to each eligible fund has been subsequently adjusted on the financial statements.)

FINDING NUMBER 2000-31279-009

Material Weakness - Utility Receipts

The following weaknesses were noted during testing of utility receipts:

- During testing of January 1999 utility receipts, we noted a shortage of \$5,138 existed between the total monthly deposit slips prepared by the Utility Billing Clerk and the monies actually deposited in the Village's bank account. Conversely, during our testing of November 1999 and January 2000 utility receipts, we noted overages of \$1,067 and \$4,071, respectively, totaling \$5,138 between the total respective monthly deposit slips prepared by the Utility Billing Clerk and the total respective monthly utility receipts recorded on the Village's November 1999 and January 2000 pay-in books.
- The Utility System Cash Receipts Journal does not document the method of payment for each utility customer account (e.g., cash, check, money order). In addition, numerous unsupported water, sewer, and refuse adjustments were posted to individual customer accounts and utility billing stubs. As a result, utility receipts could have been misappropriated.
- The November 2000 Utility Billing Delinquent List totaled \$11,294 as of the November 15, 2000, billing period. Village Council does not have a formal policy for collection of delinquent utility accounts. As a result, the Village has an increased risk of not receiving monies owed for utility services.
- For 8 out of 20 utility receipts tested, we noted those receipts were not deposited with the Treasurer or designated depository for a period ranging between 2 to 15 days after the initial receipt of the money. Delays of this nature could cause Village utility receipts to be lost or misplaced without being detected in a timely manner. In addition, the Utility Billing Clerk collects and maintains utility receipts in a safe in her home until deposited with the bank. As a result, utility receipts could be misappropriated.

FINDING NUMBER 2000-31279-009
(Continued)

We recommend the following:

- The Utility Billing Clerk should document the method of payment for each utility customer account receipt in the Utility System Cash Receipts Journal. The Utility Billing Clerk should also maintain supporting documentation for adjustments made to utility customer accounts and utility billing stubs. Finally, the Utility Billing Clerk should provide the following information to the Village Clerk bi-monthly:

- H Utility System Cash Receipts Journal
- H Utility Billing Delinquent List
- H Deposit slips prepared by the Utility Billing Clerk
- H Bank validated deposit slips
- H Utility billing stubs

- The Village Clerk should reconcile the Utility System Cash Receipt Journal to the billing stubs and initial and date the Utility System Cash Receipt Journal as evidence this reconciliation was performed. The Village Clerk should also ensure cash, check, and money order totals documented on the Utility System Cash Receipt Journal reconcile to the cash, check, and money order totals on the daily deposit slips. Unreconciled differences should be documented as evidence to support any adjustments. Finally, the daily deposit slip should indicate each individual check number, amount and payee to assist the village in validating the amounts recorded on the Utility System Cash Receipt Journal and billing stub. This will help reduce the risk of misappropriation of utility receipts as well as provide evidence to support the amounts collected are deposited intact.

- Village Council should adopt a delinquent utility customer account policy as evidenced in the minute records. This policy could address the following:

- H Monitoring and frequency of review for delinquent accounts
- H Procedures to be utilized in an attempt to collect a delinquent account
- H Period of time an account may remain delinquent before being classified as uncollectible
- H Procedures for writing off an account as uncollectible

This will help ensure the Village has adequate policies and procedures in place for collecting delinquencies. (The Village passed Ordinance No. 581, an ordinance establishing a policy for owner/tenant water bill responsibility and shut-off procedures in the Village of Tuscarawas, Ohio and declaring an emergency on December 28, 2000.)

- The Village should properly safeguard receipts according to **Ohio Rev. Code Section 9.38** and implement House Bill 220 (Auditor of State Bulletin 99-020) relative to depositing requirements and procedures. This House Bill requires that monies be deposited on the next business day if the amount of the daily receipts exceed \$1,000. If daily receipts do not exceed \$1,000, the public official has the option of either depositing the money on the next business day following the day of receipt or adopting a policy permitting a different time period. However, this alternative time period shall not exceed three business days following the day of receipt. Additionally, the policy must include procedures to safeguard the moneys until the time of deposit. Village Council should also consider implementing the use of a utility payment “drop box” near Village Hall. This will help reduce the risk of misappropriation of utility receipts.

FINDING NUMBER 2000-31279-010

Material Weakness - Computer Environment

The following weaknesses were noted during review of the Village's computer environment:

- During 2000 and 1999, the Village's computerized budgetary, payroll, and utility applications did not permit the use of password restrictions. As a result, the risk that standing computer data could be altered was increased. In addition, during 1999, the Village's computer module failed and this failure remained undetected for several months. As a result, the Village Clerk had to completely re-enter Village transactions into the computerized budgetary and payroll accounting systems.
- During 2000 and 1999, the Village Clerk did not always issue checks in sequential order due to technical difficulties associated with the Village's budgetary computer application. As a result, expenditures can be recorded in an inappropriate accounting period or monies may be misappropriated.
- During 2000 and 1999, the Village's computerized budgetary accounting application allowed the Village Clerk to reuse purchase order numbers in a particular fiscal year once the purchase order numbers were closed. As a result, purchase orders were not always numbered sequentially and were difficult to locate when used more than once.
- During 2000 and 1999, the Village's computerized payroll application was not integrated with the computerized budgetary application. As a result, the Village's Budget History Reports did not accurately reflect fringe benefit amounts for Village employees.
- For 30 out of 88 (34%) of the expenditures tested, the Village Clerk did not set up specific vendor files in the budgetary computer system and recorded vendor names on the Village's Check Registers during 2000 and 1999 as "Miscellaneous" due to the infrequent use of those vendors. However, a specific payee was documented on each canceled check. As a result, expenditures could have been made to inappropriate vendors.

We recommend the following:

- Village Council should prepare and adopt a formal disaster recovery plan which documents the actions necessary to restore business operations in the event of a disaster which may temporarily or permanently disable data processing capabilities as evidenced in the minute records. This will help increase the timeliness and accuracy of the Village's data recovery process.
- Village Council should prepare and adopt a formal computer security policy as evidenced in the minute records. This will help reduce the risk of alteration to standing computer data.
- Village Council should consider upgrading its current computer application systems or implementing the use of the Uniform Accounting Network (UAN). UAN provides villages with a complete computer system (hardware and software), along with training and support. UAN's accounting, payroll and other applications, such as inventory tracking, help local governments reduce the time it takes to process accounting transactions and maintain related accounting records. UAN also promotes timely and useful information for the governing body.
- The Village Clerk should set up specific vendor files for all non-payroll expenditures in the budgetary computer system and limit expenditures made to "Miscellaneous" vendors. This will help ensure expenditures have been made to authorized vendors.

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**VILLAGE OF TUSCARAWAS
TUSCARAWAS COUNTY
DECEMBER 31, 2000 AND 1999**

SCHEDULE OF PRIOR AUDIT FINDINGS

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
1998-31279-001	43% of the Village's expenditures were not certified in accordance with Ohio Rev. Code Section 5705.41(D)	No	During 2000 and 1999, 40 out of 88 cash disbursements were not properly certified. Village Council is working in cooperation with the Village Clerk to strengthen internal controls over cash disbursements.
1998-31279-002	Monies receipted by the Utility Clerk were not deposited with the Treasurer or a designated depository in accordance with Ohio Rev. Code Section 9.38	No	During 2000 and 1999, the Utility Clerk did not deposit utility monies with the Treasurer or a designated depository within 24 hours. Village Council is working in cooperation with the Administrator and Village Clerk to strengthen internal controls over utility collections and deposits.
1998-31279-003	A Village Council member and employee of the Township Fire Department voted on a contract with the Township Fire Department contrary to Ohio Rev. Code Sections 2921.42(A) and 102.03(D), (E)	Yes	During 2000 and 1999, Village Council members abstained from voting on matters which represented a conflict of interests.



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OFFICE OF THE AUDITOR

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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
JULY 19, 2001**