

**GNADENHUTTEN-CLAY UNION CEMETERY DISTRICT
TUSCARAWAS COUNTY
Regular Audit
For the Years Ended December 31, 2011 and 2010**

Perry & Associates
Certified Public Accountants, A.C.



Dave Yost • Auditor of State

Board of Trustees
Gnadenhutzen Clay Union Cemetery District
156 Spring Street
Gnadenhutzen, Ohio 44629

We have reviewed the *Independent Accountants' Report* of the Gnadenhutzen Clay Union Cemetery District, Tuscarawas County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2010 through December 31, 2011. 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.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Accountants' Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Accountants' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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 Gnadenhutzen Clay Union Cemetery District is responsible for compliance with these laws and regulations.

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

Dave Yost
Auditor of State

November 15, 2012

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**GNADENHUTTEN-CLAY UNION CEMETERY DISTRICT
TUSCARAWAS COUNTY**

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INDEPENDENT ACCOUNTANTS' REPORT

July 19, 2012

Gnadenhutten-Clay Union Cemetery District
Tuscarawas County
156 Spring Street
Gnadenhutten, Ohio 44629

We have audited the accompanying financial statements of the **Gnadenhutten-Clay Union Cemetery District**, Tuscarawas County, Ohio, (the Cemetery) as of and for the years ended December 31, 2011 and 2010. These financial statements are the responsibility of the Cemetery's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As described more fully in Note 1, the Cemetery has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP requires presenting entity wide statements and also presenting the Cemetery's larger (i.e. major) funds separately. While the Cemetery does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of the State permits, but does not require the Cemetery to reformat their statements. The Cemetery has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2011 and 2010 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Cemetery as of December 31, 2011 and 2010 or its changes in financial position for the years then ended.

Gnadenhutzen-Clay Union Cemetery District
Tuscarawas County
Independent Accountants' Report
Page 2

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Gnadenhutzen-Clay Union Cemetery District, Tuscarawas County, Ohio as of December 31, 2011 and 2010, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 1F, during 2011 the Cemetery adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 19, 2012, on our consideration of the Cemetery's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Respectfully Submitted,

A handwritten signature in black ink that reads "Perry & Associates CPAs A.C." in a cursive script.

Perry and Associates
Certified Public Accountants, A.C.

**GNADENHUTTEN - CLAY UNION CEMETERY DISTRICT
TUSCARAWAS COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2011**

Cash Receipts:	
Property and Other Local Taxes	\$ 15,047
Intergovernmental	2,167
Internments	4,100
Sale of Lots	4,450
Earnings on Investments	40
	<hr/>
Total Cash Receipts	25,804
	<hr/>
Cash Disbursements:	
Current:	
Salaries	3,015
Medicare	167
Supplies	278
Equipment Repairs/Maintenance	2,818
Audit Fees/Expenses	995
Internment Expense	2,200
Contracts - Services	6,900
Public Employees Retirement	1,610
Workers' Compensation	231
Insurance	1,204
Utilities	224
Miscellaneous	2,406
Debt Service:	
Redemption of Principal	2,594
Interest	530
	<hr/>
Total Cash Disbursements	25,172
	<hr/>
Net Change in Fund Cash Balance	632
Fund Cash Balances, January 1	12,915
	<hr/>
Fund Cash Balances, December 31	
Unassigned	13,547
	<hr/>
Fund Cash Balances, December 31	\$ 13,547
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The notes to the financial statements are an integral part of this statement.

**GNADENHUTTEN - CLAY UNION CEMETERY DISTRICT
TUSCARAWAS COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2010**

Cash Receipts:	
Property and Other Local Taxes	\$ 16,273
Intergovernmental	2,194
Internments	5,700
Sale of Lots	1,300
Earnings on Investments	54
Miscellaneous	<u>1,009</u>
 Total Cash Receipts	 <u>26,530</u>
 Cash Disbursements:	
Current:	
Salaries	3,015
Medicare	178
Supplies	172
Equipment Repairs/Maintenance	1,405
Audit Fees/Expenses	3,840
Internment Expense	3,650
Contracts - Services	6,200
Public Employees Retirement	1,715
Workers' Compensation	246
Insurance	816
County Auditor Fees	730
Utilities	238
Miscellaneous	493
Debt Service:	
Redemption of Principal	2,450
Interest	<u>695</u>
 Total Cash Disbursements	 <u>25,843</u>
 Total Receipts Over Disbursements	 687
 Fund Cash Balances, January 1	 <u>12,228</u>
 Fund Cash Balances, December 31	 <u><u>\$ 12,915</u></u>

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

**GNADENHUTTEN – CLAY UNION CEMETERY DISTRICT
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

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 for the Gnadenhutten-Clay Union Cemetery District, Tuscarawas County, (the Cemetery). The Village of Gnadenhutten and Clay Cemetery appoint a three-member Board of Trustees to direct cemetery operations. The Cemetery provides grounds maintenance, opening and closing of graves, and the sale of grave lots.

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

B. Basis of Accounting

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Cemetery recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Deposits

All cash is maintained in interest-bearing checking, savings and certificates of deposit accounts.

D. Fund Accounting

The Cemetery reports all financial resources received and disbursed in a General Fund.

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 fund, function, and object level of control and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year-end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1.

**GNADENHUTTEN – CLAY UNION CEMETERY DISTRICT
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

3. Encumbrances

The Ohio Revised Code requires the Cemetery to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Cemetery did not encumber all commitments required by Ohio law.

A summary of 2011 and 2010 budgetary activity appears in Note 3.

F. Fund Balance

For December 31, 2011, fund balance is divided into five classifications based primarily on the extent to which the Cemetery must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

The Cemetery 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 it is imposed by law through constitutional provisions.

3. Committed

Trustees can *commit* amounts via formal action (resolution). The Cemetery must adhere to these commitments unless the Trustees amend 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.

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 Cemetery Trustees or a Cemetery official delegated that authority by resolution, or by State Statute.

**GNADENHUTTEN – CLAY UNION CEMETERY DISTRICT
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(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 Cemetery 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 Cemetery records disbursements for acquisitions of property, plant and equipment when paid. The accompanying financial statements do not report these items as assets.

2. EQUITY IN POOLED DEPOSITS

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

	<u>2011</u>	<u>2010</u>
Demand deposits	\$ 7,729	\$ 7,131
Certificates of Deposit	5,273	5,240
Savings accounts	545	544
Total deposits	<u>\$ 13,547</u>	<u>\$ 12,915</u>

Deposits are insured by the Federal Deposit Insurance Corporation.

**GNADENHUTTEN – CLAY UNION CEMETERY DISTRICT
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2011 and 2010 follows:

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 32,700	\$ 25,804	\$ (6,896)

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 42,235	\$ 25,172	\$ 17,063

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 29,450	\$ 26,530	\$ (2,920)

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 40,664	\$ 25,843	\$ 14,821

Contrary to the Ohio Rev. Code Section 5705.41(D), certain expenditures tested were not certified as to the availability of funds by the clerk prior to incurring the obligations.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees 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 make semiannual payment, 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 Cemetery.

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 Cemetery.

**GNADENHUTTEN – CLAY UNION CEMETERY DISTRICT
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

5. DEBT

Debt outstanding at December 31, 2011 was as follows:

	Principal	Interest Rate
Bank Loan - Tractor/Backhoe	\$ 8,651	5.19%
Total	\$ 8,651	

The Cemetery entered into a bank loan to purchase a new tractor/backhoe on December 9, 2009 for \$13,695, maturing December 15, 2014. Ohio Revised Code Chapter 759 does not authorize a Cemetery to enter into a loan agreement.

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

Year Ending December 31:	Tractor/Backhoe
2012	\$ 3,124
2013	3,124
2014	3,124
Total	\$ 9,372

6. RETIREMENT SYSTEMS

The Cemetery’s employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multi-employer plan. The Ohio Revised Code prescribes this plan’s benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2011 and 2010, members of OPERS contributed 10% of their gross salaries. The Cemetery contributed an amount equal to 14% of participants’ gross salaries. The Village of Gnadenhutten handles payroll for the Cemetery and then bills the Cemetery. The Cemetery has not paid all contributions required through December 31, 2011.

7. RISK MANAGEMENT

Commercial Insurance

The Cemetery has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

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

July 19, 2012

Gnadenhutzen-Clay Union Cemetery District
Tuscarawas County
156 Spring Street
Gnadenhutzen, Ohio 44629

To the Board of Trustees:

We have audited the financial statements of the **Gnadenhutzen-Clay Union Cemetery District**, Tuscarawas County, Ohio, (the Cemetery) as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated July 19, 2012, wherein we noted the Cemetery followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America, and the Cemetery adopted Governmental Accounting Standards Board Statement No. 54 (GASB 54). We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Cemetery's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Cemetery's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Cemetery's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of audit findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

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 deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2011-001 through 2011-003, and 2011-005 described in the accompanying schedule of audit findings to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Cemetery's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of audit findings as items 2011-001 through 2011-005.

We also noted certain matters not requiring inclusion in this report that we reported to the Cemetery's management in a separate letter dated July 19, 2012.

We intend this report solely for the information and use of management, the Board of Trustees and others within the Cemetery. We intend it for no one other than these specified parties.

Respectfully Submitted,

A handwritten signature in cursive script that reads "Perry & Associates CPAs A.C.".

Perry and Associates
Certified Public Accountants, A.C.

**GNADENHUTTEN-CLAY UNION CEMETERY DISTRICT
TUSCARAWAS COUNTY**

**SCHEDULE OF AUDIT FINDINGS
DECEMBER 31, 2011 AND 2010**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2011-001

Noncompliance/Material Weakness

Ohio Revised Code Section 507.04 states that the clerk must keep an accurate record of all of the Cemetery's accounts and transactions.

Our receipt and expenditure testing revealed the Cemetery recorded several transactions incorrectly. Improperly recording transactions included, but were not limited, to the following:

- For both 2011 and 2010, the Financial Statements were adjusted for other immaterial amounts to agree with the Cemetery ledgers and bank statements ranging from \$1 to \$200.
- In 2011, \$327 of Auditor and Treasurer Fees associated with the collection of property taxes were not posted to the Cemetery's ledgers. These amounts were reported to management as unadjusted items.
- In 2011 and 2010, \$1,164 and \$1,769, respectively, of intergovernmental revenues were posted as local taxes. These amounts were reported to management as unadjusted items.
- For both 2011 and 2010, principal and interest payments for the tractor/backhoe loan were posted to capital outlay instead of redemption of principal and interest.

The accompanying financial statements reflect all reclassifications and adjustments.

The Cemetery should exercise due care when posting transactions to help ensure receipts and expenditures are posted to the correct account. Additionally, the Cemetery Board should review cash reconciliations and monthly receipt and expenditure activity reports to help ensure transactions are properly accounted for and classified. This will help more accurately reflect the Cemetery's financial activity and will aid in more accurate financial reporting.

Management's Response – We did not receive a response from officials to this finding.

FINDING NUMBER 2011-002

Noncompliance/Material Weakness

Ohio Admin. Code §117-2-02(A) provides that all local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, document compliance with finance-related legal and contractual requirements and prepare financial statements required by rule 117-2-03 of the Administrative Code.

Ohio Admin. Code §117-2-02(C)(1) provides that all public offices should integrate the budgetary account, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations. **Ohio Admin. Code Section 117-2-02(C)(2)** provides that purchase orders should be used to approve purchase commitments and to encumber funds against the applicable appropriation accounts as required by 5705.41(D) of the Revised Code.

**GNADENHUTTEN-CLAY UNION CEMETERY DISTRICT
TUSCARAWAS**

**SCHEDULE OF AUDIT FINDINGS
DECEMBER 31, 2011 AND 2010
(Continued)**

FINDING NUMBER 2011-002 (Continued)

Noncompliance/Material Weakness (Continued)

Ohio Admin. Code §117-2-02(D)(3), provides that an appropriation ledger, which may assemble and classify disbursements into separate accounts for, at a minimum, each account listed in the appropriation resolution should be used. The amount, fund, date, check number, purchase order number, encumbrance amount, unencumbered balance, amount of disbursement, and any other information required may be entered in the appropriate columns.

During our audit we noted the following:

1. The Cemetery uses One Write Plus Software (a Microsoft Office Application) to maintain financial transactions. The clerk does not include the certificate of deposit and the savings account balance in the monthly reconciliations.
2. The Cemetery does not encumber funds and the budgetary process is not integrated with the manual accounting system. Budgeted receipt amounts as approved by the Trustees did not correspond to the amounts on the certificate of estimated resources obtained from the County Budget Commission.
3. The Cemetery maintains a monthly general ledger but the ledger does not include columns for encumbrances, unencumbered balance, or purchase order number.

We recommend the Cemetery evaluate the necessity to computerize the accounting system according to comply with Ohio Admin. Code §117-02-2. This will ensure all activity is included in the revenue and disbursements ledgers. It will also enable the Cemetery to comply with several budgetary requirements (encumbrance accounting and certifying availability of funds).

Management's Response – We did not receive a response from officials to this finding.

FINDING NUMBER 2011-003

Noncompliance/Material Weakness

Budgetary Controls

The budget is an instrument of public policy: A governing board expresses its desires for using a government's limited resources through its appropriations. Ohio Rev. Code Section 5705 deals with a variety of budgetary requirements that all subdivisions must comply with in order to ensure fiscal responsibility.

In performing the audit we noted several violations of budgetary law which, although they do not in and of themselves, result in errors in financial reporting, may lead to the Cemetery making financial decisions based on incorrect or incomplete information. We noted the following:

- Violations of 5705.36 relating to certification of estimated resources and beginning balances;
- Violations of 5705.41(D) relating to expenditures having prior certification of availability of funds.

The Cemetery Clerk does not accurately or appropriately complete the Certification of Estimated Resources, beginning fund balances were incorrect as well as the total estimated receipts for the year were inaccurate.

**GNADENHUTTEN-CLAY UNION CEMETERY DISTRICT
TUSCARAWAS**

**SCHEDULE OF AUDIT FINDINGS
DECEMBER 31, 2011 AND 2010
(Continued)**

FINDING NUMBER 2011-003 (Continued)

Noncompliance/Material Weakness (Continued)

Budgetary Controls (Continued)

In addition the Cemetery does not have an accounting system that provides the Trustees with necessary budgetary information such as amounts encumbered and remaining unencumbered balances. The encumbrance method of accounting is required for the Cemetery and this enables the Trustees to see how much uncommitted funds are available to spend.

The Trustees do not monitor for budgetary compliance. Although the Trustees approve budgets for revenue and expenses and receive monthly reports of actual information, it does not compare budget to actual and provides no information the budgets are done in compliance with laws and regulations. The Trustees also has not assured that the accounting system is adequate to incorporate budgetary requirements.

The Trustees should review the requirements of ORC section 5705 to be familiar with these laws and to make sure the Cemetery is complying with applicable sections. We recommend the Cemetery establish a procedure that ensures budgetary forms are submitted to the County accurately and timely. This could include a checklist of forms and due dates. The Trustees should also consider the need to move to a better computerized system that will incorporate budgetary requirements. If the Trustees do not consider this necessary steps should be taken to make sure amounts are encumbered (purchase orders are used and assigned to each purchase prior to ordering), certifications of available funds are done by the Cemetery Clerk prior to purchasing and unencumbered balances are tracked for each line item.

Management's Response – We did not receive a response from officials to this finding.

FINDING NUMBER 2011-004

Noncompliance

Ohio Revised Code § 5705.41(D) prohibits a subdivision or taxing entity 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.

**GNADENHUTTEN-CLAY UNION CEMETERY DISTRICT
TUSCARAWAS**

**SCHEDULE OF AUDIT FINDINGS
DECEMBER 31, 2011 AND 2010
(Continued)**

FINDING NUMBER 2011-004 (Continued)

Noncompliance (Continued)

Ohio Revised Code § 5705.41(D) (Continued)

1. “Then and Now” certificate - If the fiscal officer can certify that both at the time that the contract or order was made (“then”), and at the time that the fiscal officer is completing the certification (“now”), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority (Board of Trustees) can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has thirty days from the receipt of the “then and now” certificate to approve payment by ordinance or resolution. Amounts of less than \$1,000 (which was increased to \$3,000 on April 7, 2003) may be paid by the fiscal officer without a resolution or ordinance upon completion of the “then and now” certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Township.

2. Blanket Certificate – fiscal officers may prepare “blanket” certificates not exceeding \$5,000 against any specific line item account over a period not exceeding three months or running beyond the current year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation. Effective September 26, 2003, certificates may not exceed an amount established by resolution or ordinance of the legislative authority, and cannot extend beyond the end of the fiscal year. Blanket certificates cannot be issued unless there has been an amount approved by the legislative authority for the blanket.

3. Super Blanket Certificate – The Township may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line-item appropriation.

During fiscal years 2011 and 2010, 100% of expenditures tested were not certified as to the availability of funds by the Cemetery Clerk prior to incurring the obligations. The Cemetery Clerk should inform the Board of Trustees the requirements of Ohio Rev. Code Section 5705.41(D). The Cemetery 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 arise from time to time.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Cemetery’s funds exceeding budgetary spending limitations, we recommend that the cemetery clerk certify that the funds are or will be available prior to an obligation being incurred by the Cemetery. When prior certification is not possible, “then and now” certification should be used.

Management’s Response – We did not receive a response from officials to this finding.

**GNADENHUTTEN-CLAY UNION CEMETERY DISTRICT
TUSCARAWAS**

**SCHEDULE OF AUDIT FINDINGS
DECEMBER 31, 2011 AND 2010
(Continued)**

FINDING NUMBER 2011-005

Material Weakness/Non-Compliance with Repayment Agreement

In an agreement signed and approved by the Board of Trustees on November 10, 2008, the Cemetery Clerk agreed to work from January 1, 2009 through December 31, 2011 for no compensation in order to repay cash advances that she received totaling \$2,650 from September 2005 through July 31, 2008. During 2010, the Clerk deposited her pay of \$900 from 2009 into the Cemetery General Fund. During 2011, there was no evidence that her salary from 2010 was deposited into the General Fund as per the agreement. There are no controls over the agreement which would require the Trustees to question the repayment plan and to ensure that the terms of the agreement are being followed.

We recommend the Clerk abide by the terms of the repayment agreement and the Trustees monitor the activity to ensure the repayments are made timely and in accordance with the agreement.

The Clerk has repaid her 2010 and 2011 salary in the amount of \$1,800 on July 18, 2012.

Management's Response – We did not receive a response from officials to this finding.

**GNADENHUTTEN-CLAY UNION CEMETERY DISTRICT
TUSCARAWAS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2011 AND 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2009-001	Receipt and Expenditure Posting Errors	No	Part of the previous Finding is not applicable to current year and the remaining finding was repeated as Finding Number 2011-001
2009-002	ORC 5705.41(D) – expenditures not properly certified	No	Repeat as Finding Number 2011-004
2009-003	ORC 5705.41(B) – expenditures exceeded appropriations	Yes	
2009-004	ORC Chapter 759 – borrowing from financial institutions	Yes	N/A

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Dave Yost • Auditor of State

GNADENHUTTEN CLAY UNION CEMETERY DISTRICT

TUSCARAWAS COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 27, 2012**