



Dave Yost • Auditor of State



**TUSCARAWAS COUNTY UNIVERSITY BRANCH DISTRICT  
TUSCARAWAS COUNTY  
DECEMBER 31, 2017 AND 2016**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Tuscarawas County University Branch District  
Tuscarawas County  
330 University Dr. NE  
New Philadelphia, Ohio 44663

To the Board of Trustees:

### ***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 Tuscarawas County University Branch District, Tuscarawas County, Ohio (the District), as of and for the years ended December 31, 2017 and 2016.

### ***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 Rev. Code § 117.38 and Ohio Admin. Code § 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 District'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 District's internal control. Accordingly, we express no such 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 2 of the financial statements, the District prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Rev. Code § 117.38 and Ohio Admin. Code § 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 accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the District does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Rev. Code § 117.38 and Ohio Admin. 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 District as of December 31, 2017 and 2016, and the respective changes in financial position 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 cash balances, receipts and disbursements by fund type, and related notes of the Tuscarawas County University Branch District, Tuscarawas County, as of December 31, 2017 and 2016, for the years then ended in accordance with the financial reporting provisions Ohio Rev. Code § 117.38 and Ohio Admin. Code § 117-2-03(D) permit, described in Note 2.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2018, on our consideration of the District'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 District's internal control over financial reporting and compliance.



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

December 20, 2018

**Tuscarawas County University Branch District**  
*Tuscarawas County University Branch District*  
*Combined Statement of Receipts, Disbursements*  
*and Changes in Fund Balances (Regulatory Cash Basis)*  
*All Governmental Fund Types*  
*For the Year Ended December 31, 2017*

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Earnings on Investments	\$ 160,516	\$ 0	\$ 160,516
Royalties	1,138	0	1,138
Donations	0	19,992	19,992
Miscellaneous	15,772	0	15,772
<i>Total Cash Receipts</i>	<u>177,426</u>	<u>19,992</u>	<u>197,418</u>
<b>Cash Disbursements</b>			
Current:			
General Government	78,617	0	78,617
Educational	0	14,921	14,921
<i>Total Cash Disbursements</i>	<u>78,617</u>	<u>14,921</u>	<u>93,538</u>
<i>Net Change in Fund Cash Balances</i>	98,809	5,071	103,880
<i>Fund Cash Balances, January 1</i>	<u>2,131,087</u>	<u>11,430</u>	<u>2,142,517</u>
<b>Fund Cash Balances, December 31</b>			
Restricted	0	16,501	16,501
Unassigned	2,229,896	0	2,229,896
<i>Fund Cash Balances, December 31</i>	<u>\$ 2,229,896</u>	<u>\$ 16,501</u>	<u>\$ 2,246,397</u>

*See accompanying notes to the financial statements*

**Tuscarawas County University Branch District**  
*Tuscarawas County*  
*Statement of Receipts, Disbursements*  
*and Changes in Fund Balances (Regulatory Cash Basis)*  
*Fiduciary Fund Type*  
*For the Year Ended December 31, 2017*

	Fiduciary Fund Type
	Private Purpose Trust
<b>Operating Cash Receipts</b>	
Earnings on Investments	\$ 11,085
<b>Operating Cash Disbursements</b>	
Purchased and Contracted Services	2,070
<i>Net Change in Fund Cash Balances</i>	9,015
<i>Fund Cash Balances, January 1</i>	172,252
<i>Fund Cash Balances, December 31</i>	\$ 181,267

*See accompanying notes to the financial statements*



**Tuscarawas County University Branch District**  
*Tuscarawas County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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**Note 1 – Reporting Entity**

The Tuscarawas County University Branch District (the District), Tuscarawas County, is a body politic and corporate established under Chapter 3355 of the Ohio Revised Code. The Tuscarawas County Commissioners appoint a seven-member Board of Trustees to govern the District. The County's accountability does not extend beyond making the appointment. The District was organized for the purpose of establishing, owning and operating a branch university district within Tuscarawas County.

***Related Organization***

The District is associated with a related organization. Note 6 to the financial statements provides additional information for this entity. The District's management believes these financial statements present all activities for which the District is financially accountable.

**Note 2 – Summary of Significant Accounting Policies**

***Basis of Presentation***

The District's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for the fiduciary fund type which are organized on a fund type basis.

***Fund Accounting***

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the District are presented below:

***General Fund*** The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the District for any purpose provided it is expended or transferred according to the general laws of Ohio.

***Special Revenue Fund*** This fund accounts for and reports the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The District had the following significant Special Revenue Fund:

***Shumaker Trust Fund*** The Shumaker trust fund accounts for and reports donations restricted for the purchase of works of literature for the library of the Tuscarawas campus.

***Fiduciary Fund*** Fiduciary funds include private purpose trust funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the District's own programs.

The District's private purpose trust fund is used to account for scholarships for students.

**Tuscarawas County University Branch District**  
*Tuscarawas County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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***Basis of Accounting***

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred.

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

***Deposits and Investments***

The District'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 District values mutual funds at cost.

***Capital Assets***

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

***Fund Balance***

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

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

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

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

***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 Board of Trustees or a District official delegated that authority by resolution, or by State Statute.

**Tuscarawas County University Branch District**

*Tuscarawas County*

*Notes to the Financial Statements*

*For the Year Ended December 31, 2017*

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**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 District 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.

**Note 3 – Deposits and Investments**

The District maintains a deposit and investments 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:

	2017
Demand Deposits	\$ 184,159
Certificates of Deposit	2,063,542
Total Deposits	<u>2,247,701</u>
Mutual Funds	<u>179,963</u>
Total Deposits and Investments	<u>\$ 2,427,664</u>

**Deposits**

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized by a Letter of Credit specifically pledged by the financial institution to the District.

**Investments**

Investments in mutual funds are not evidenced by securities that exist in physical or book-entry form.

**Note 4 – Risk Management**

**Commercial Insurance**

The District has obtained commercial insurance for comprehensive property and general liability.

**Tuscarawas County University Branch District**

*Tuscarawas County*

*Notes to the Financial Statements*

*For the Year Ended December 31, 2017*

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**Note 5 – Fund Balance**

Fund balance can be classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in governmental funds.

The constraints placed on fund balance for the governmental funds are presented as follows:

	<u>General</u>	<u>Special Revenue</u>	<u>Total</u>
Restricted for:			
Library Purchases	\$ 0	\$ 16,501	\$ 16,501
Unassigned	<u>2,229,896</u>	<u>0</u>	<u>2,229,896</u>
Total Fund Balance	<u>\$ 2,229,896</u>	<u>\$ 16,501</u>	<u>\$ 2,246,397</u>

**Note 6 – Related Organization**

The Tuscarawas County University Foundation (the Foundation) is a not-for-profit organization created to carry on charitable, scientific, and educational purposes for the use of the Tuscarawas County University Branch District to provide a vehicle by which those interested may lend their support to the Tuscarawas County University Branch; meet the cost of projects for which funds are not available from other sources in support of the University Branch Campus and its program; meet the cost of long range capital improvements and additions to campus facilities; and do any and all things necessary and incidental to promote higher education in Tuscarawas County and the surrounding area. Directors of the Foundation are appointed by the District with three Trustees of the District appointed as director to the Foundation. As the District can not access nor are legally entitled to the Foundation's resources and as the Foundation's resources are held almost entirely for the benefit of the students, this organization has been excluded from the reporting entity of the District.

**Note 7 – Subsequent Events**

The District was approved for a grant from the Appalachian Regional Commission in the amount of \$450,000 to address the needs of advanced manufacturing for industries in the area. The grant will be used to invest in robotics and upgrade machinery on campus and at Buckeye Career Center.

**Tuscarawas County University Branch District**  
*Tuscarawas County University Branch District*  
*Combined Statement of Receipts, Disbursements*  
*and Changes in Fund Balances (Regulatory Cash Basis)*  
*All Governmental Fund Types*  
*For the Year Ended December 31, 2016*

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Earnings on Investments	\$ 56,645	\$ 0	\$ 56,645
Rentals	2,200	0	2,200
Royalties	907	0	907
Donations	0	32,151	32,151
<i>Total Cash Receipts</i>	<u>59,752</u>	<u>32,151</u>	<u>91,903</u>
<b>Cash Disbursements</b>			
Current:			
General Government	77,053	0	77,053
Educational	0	20,721	20,721
Capital Outlay	33,865	0	33,865
<i>Total Cash Disbursements</i>	<u>110,918</u>	<u>20,721</u>	<u>131,639</u>
<i>Net Change in Fund Cash Balances</i>	(51,166)	11,430	(39,736)
<i>Fund Cash Balances, January 1</i>	<u>2,182,253</u>	<u>0</u>	<u>2,182,253</u>
<b>Fund Cash Balances, December 31</b>			
Restricted	0	11,430	11,430
Unassigned	2,131,087	0	2,131,087
<i>Fund Cash Balances, December 31</i>	<u>\$ 2,131,087</u>	<u>\$ 11,430</u>	<u>\$ 2,142,517</u>

*See accompanying notes to the financial statements*

**Tuscarawas County University Branch District**  
*Tuscarawas County*  
*Statement of Receipts, Disbursements*  
*and Changes in Fund Balances (Regulatory Cash Basis)*  
*Fiduciary Fund Type*  
*For the Year Ended December 31, 2016*

	Fiduciary Fund Type
	Private Purpose Trust
<b>Operating Cash Disbursements</b>	
Loss on Investments	\$ 18,591
Purchased and Contracted Services	1,893
<i>Total Operating Cash Disbursements</i>	20,484
<i>Net Change in Fund Cash Balances</i>	(20,484)
<i>Fund Cash Balances, January 1</i>	192,736
<i>Fund Cash Balances, December 31</i>	\$ 172,252

*See accompanying notes to the financial statements*

**Tuscarawas County University Branch District**  
*Tuscarawas County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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**Note 1 – Reporting Entity**

The Tuscarawas County University Branch District (the District), Tuscarawas County, is a body politic and corporate established under Chapter 3355 of the Ohio Revised Code. The Tuscarawas County Commissioners appoint a seven-member Board of Trustees to govern the District. The County's accountability does not extend beyond making the appointment. The District was organized for the purpose of establishing, owning and operating a branch university district within Tuscarawas County.

***Related Organization***

The District is associated with a related organization. Note 6 to the financial statements provides additional information for this entity. The District's management believes these financial statements present all activities for which the District is financially accountable.

**Note 2 – Summary of Significant Accounting Policies**

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The District's private purpose trust fund is used to account for scholarships for students.

## Tuscarawas County University Branch District

*Tuscarawas County*

*Notes to the Financial Statements*

*For the Year Ended December 31, 2016*

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### ***Basis of Accounting***

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred.

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

### ***Deposits and Investments***

The District'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 District values mutual funds at cost.

### ***Capital Assets***

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

### ***Fund Balance***

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

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

***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 Board of Trustees or a District official delegated that authority by resolution, or by State Statute.



**Tuscarawas County University Branch District**

*Tuscarawas County*

*Notes to the Financial Statements*

*For the Year Ended December 31, 2016*

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**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 District 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.

**Note 3 – Deposits and Investments**

The District maintains a deposit and investments 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:

	2016
Demand Deposits	\$ 73,771
Certificates of Deposit	2,072,530
Total Deposits	<u>2,146,301</u>
Mutual Funds	<u>168,468</u>
Total Deposits and Investments	<u>\$ 2,314,769</u>

**Deposits**

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized by a Letter of Credit specifically pledged by the financial institution to the District.

**Investments**

Investments in mutual funds are not evidenced by securities that exist in physical or book-entry form.

**Note 4 – Risk Management**

**Commercial Insurance**

The District has obtained commercial insurance for comprehensive property and general liability.

**Tuscarawas County University Branch District**

*Tuscarawas County*

*Notes to the Financial Statements*

*For the Year Ended December 31, 2016*

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**Note 5 – Fund Balance**

Fund balance can be classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in governmental funds.

The constraints placed on fund balance for the governmental funds are presented as follows:

	<u>General</u>	<u>Special Revenue</u>	<u>Total</u>
Restricted for:			
Library Purchases	\$ 0	\$ 11,430	\$ 11,430
Unassigned	<u>2,131,087</u>	<u>0</u>	<u>2,131,087</u>
Total Fund Balance	<u>\$ 2,131,087</u>	<u>\$ 11,430</u>	<u>\$ 2,142,517</u>

**Note 6 – Related Organization**

The Tuscarawas County University Foundation (the Foundation) is a not-for-profit organization created to carry on charitable, scientific, and educational purposes for the use of the Tuscarawas County University Branch District to provide a vehicle by which those interested may lend their support to the Tuscarawas County University Branch; meet the cost of projects for which funds are not available from other sources in support of the University Branch Campus and its program; meet the cost of long range capital improvements and additions to campus facilities; and do any and all things necessary and incidental to promote higher education in Tuscarawas County and the surrounding area. Directors of the Foundation are appointed by the District with three Trustees of the District appointed as director to the Foundation. As the District can not access nor are legally entitled to the Foundation's resources and as the Foundation's resources are held almost entirely for the benefit of the students, this organization has been excluded from the reporting entity of the District.

**Note 7 – Subsequent Events**

The District was approved for a grant from the Appalachian Regional Commission in the amount of \$450,000 to address the needs of advanced manufacturing for industries in the area. The grant will be used to invest in robotics and upgrade machinery on campus and at Buckeye Career Center.



# Dave Yost • Auditor of State

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

Tuscarawas County University Branch District  
Tuscarawas County  
330 University Dr. NE  
New Philadelphia, Ohio 44663

To the Board of Trustees:

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 Tuscarawas County University Branch District, Tuscarawas County, Ohio (the District), as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements and have issued our report thereon dated December 20, 2018 wherein we noted the District followed financial reporting provisions Ohio Rev. Code § 117.38 and Ohio Admin. Code § 117-2-03(D) permit.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the District'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 District's internal control. Accordingly, we have not opined on it.

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 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 District'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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings that we consider a material weakness. We consider Finding 2017-001 to be a material weakness.

***Compliance and Other Matters***

As part of reasonably assuring whether the District'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 an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2017-002.

***District's Response to Findings***

The District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. We did not subject the District's responses to the auditing procedures applied in the audit of the financial statements 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 District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



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

December 20, 2018

**TUSCARAWAS COUNTY UNIVERSITY BRANCH DISTRICT  
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2017 AND 2016**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2017-001**

**Material Weakness**

In our audit engagement letter, as required by AU-C Section 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in AU-C Section 210 paragraphs .A14 & .A16.

As a result of audit procedures performed, errors were noted in the District's financial statements that required audit adjustments as follows:

- Opening Fund Balance in the Private Purpose Trust Fund for 2016 was overstated by \$5,968 as Net Unsettled Purchases/Sales reported as part of the District's Mutual Funds were improperly included in the fund balance. This also caused Loss on Investment to be overstated by \$5,968 for 2016.

Sound financial reporting is the responsibility of the Fiscal Officer and Board and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. The financial statements have been adjusted accordingly.

To help assure the District's financial statements and notes to the financial statements are complete and accurate, the District should adopt policies and procedures, including a final review of the statements and notes by the Fiscal Officer and Board, to identify and correct errors and omissions.

**Officials' Responses:** The Tuscarawas County University Branch District will ensure this type of transaction is properly classified on the financial statements in future reports. The Branch District will review the reconciliation of the investment statements to the financial statements.

**FINDING NUMBER 2017-002**

**Noncompliance**

Ohio Rev. Code § 3355.07 states that the board of trustees of a university branch district may, by resolution, provide that moneys of such district be invested in obligations of such district, in bonds or other obligations of the United States or those for which the payment of principal and interest of which the faith of the United States is pledged, bonds issued by the home owners' loan corporation, pursuant to "Home Owners Loan Act of 1933," 48 Stat. 128, 12 U.S.C. 1461, and any amendments thereto, bonds of the state, and bonds of any municipal corporation, village, county, township, or other political subdivision of the state as to which there is no default of principal, interest, or coupons. Such investments shall not be made at a price in excess of the current market value of such bonds or other interest-bearing obligations.

**TUSCARAWAS COUNTY UNIVERSITY BRANCH DISTRICT  
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2017 AND 2016  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2017-002 (Continued)**

**Noncompliance (Continued)**

During 2017 and 2016, the District invested monies held for the Manley Scholarship trust in Mutual Funds with Morgan Stanley. As of December 31, 2017 and December 31, 2016, this investment account reported a balance of \$181,267 and \$172,252, respectively. As the mutual fund invests in common stock of corporations, it is not an eligible investment for the District, based on the Rev. Code Section noted above.

Placing District monies in unallowable investments could lead to greater risk of investment losses.

This District should ensure that investments are only made in compliance with Ohio Rev. Code requirements. The District should divest itself of the mutual fund investment account when it is economically feasible and place these funds in eligible investments.

**Officials' Response:** The Tuscarawas County University Branch District shall divest itself of the Manley Scholarship trust in Mutual Funds with Morgan Stanley by the end of the first quarter 2019. All assets received as the result of the transaction shall be invested in compliance with Ohio Rev. Code § 3355.07.



# Dave Yost • Auditor of State

**TUSCARAWAS COUNTY UNIVERSITY BRANCH 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  
JANUARY 3, 2019**