



**VILLAGE OF GNADENHUTTEN
TUSCARAWAS COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2001-2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

VILLAGE OF GNADENHUTTEN
TUSCARAWAS COUNTY

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STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

111 Second Street, NW
Fourth Floor
Canton, Ohio 44702
Telephone 330-438-0617
800-443-9272
Facsimile 330-471-0001
www.auditor.state.oh.us

REPORT OF INDEPENDENT ACCOUNTANTS

Village of Gnadenhutten
Tuscarawas County
131 South Walnut Street
Gnadenhutten, Ohio 44629

To Village Council:

We have audited the accompanying financial statements of the Village of Gnadenhutten, Tuscarawas County, Ohio, (the Village) as of and for the years ended December 31, 2001 and 2000. 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 auditing standards generally accepted in the United States of America 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, 2001 and 2000, 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 March 20, 2002 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, 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

March 20, 2002, except Note 10, as to which the date is April 29, 2002

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**VILLAGE OF GNADENHUTTEN
TUSCARAWAS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2001**

	Governmental Fund Types			Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Expendable Trust	
Cash Receipts:					
Property Tax and Other Local Taxes	\$58,678	\$17,939		\$178,194	\$254,811
Intergovernmental	74,413	58,388			132,801
Charges for Services	23,406	10,682			34,088
Fines, Licenses, and Permits	3,361				3,361
Rent		4,939			4,939
Earnings on Investments	199	199		11	409
Debt Reimbursement	6,812				6,812
Miscellaneous	8,433	1,474			9,907
Total Cash Receipts	175,302	93,621		178,205	447,128
Cash Disbursements:					
Current:					
Security of Persons and Property	84,565				84,565
Public Health Services	686				686
Leisure Time Activities	6,267				6,267
Community Environment	681				681
Basic Utility Services	38,070	73,603			111,673
Transportation	102,500				102,500
General Government	54,991	336		18,687	74,014
Debt Service:					
Principal Payments	9,773	1,825	\$9,078		20,676
Interest Payments	1,673	132	9,778		11,583
Capital Outlay	30,435	10,619	594		41,648
Total Cash Disbursements	329,641	86,515	19,450	18,687	454,293
Total Cash Receipts Over/(Under) Cash Disbursements	(154,339)	7,106	(19,450)	159,518	(7,165)
Other Financing Receipts/(Disbursements):					
Proceeds of Notes	16,000	4,000			20,000
Sale of Fixed Assets	165				165
Transfers-In	138,720		20,680		159,400
Transfers-Out				(159,400)	(159,400)
Total Other Financing Receipts/(Disbursements)	154,885	4,000	20,680	(159,400)	20,165
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	546	11,106	1,230	118	13,000
Fund Cash Balances, January 1	(87)	(7,403)	(49)	350	(7,189)
Fund Cash Balances, December 31	\$459	\$3,703	\$1,181	\$468	\$5,811
Reserves for Encumbrances, December 31	\$5,157	\$424	\$0	\$0	\$5,581

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

**VILLAGE OF GNADENHUTTEN
TUSCARAWAS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2001**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$228,741
Interest	666
Miscellaneous	604
Total Operating Cash Receipts	230,011
Operating Cash Disbursements:	
Personal Services	97,527
Contractual Services	54,734
Supplies and Materials	70,418
Capital Outlay	85,828
Total Operating Cash Disbursements	308,507
Operating (Loss)	(78,496)
Non-Operating Cash Receipts:	
Intergovernmental	50,394
Proceeds of Notes	32,000
Gifts and Donations	7,024
Total Non-Operating Cash Receipts	89,418
Non-Operating Cash Disbursements:	
Debt Service	26,219
Net Receipts (Under) Disbursements	(15,297)
Fund Cash Balances, January 1	38,098
Fund Cash Balances, December 31	\$22,801
Reserves for Encumbrances, December 31	\$8,207

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

**VILLAGE OF GNADENHUTTEN
TUSCARAWAS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2000**

	Governmental Fund Types			Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Expendable Trust	
Cash Receipts:					
Property Tax and Other Local Taxes	\$58,596	\$17,865		\$136,902	\$213,363
Intergovernmental	109,418	56,651			166,069
Charges for Services	12,121	13,523			25,644
Fines, Licenses, and Permits	2,583		\$124		2,707
Gifts and Donations		11,000			11,000
Rent		3,667			3,667
Insurance Claims Reimbursements	8,373				8,373
Debt Reimbursement	6,832				6,832
Miscellaneous	2,275	2,277		62	4,614
Total Cash Receipts	200,198	104,983	124	136,964	442,269
Cash Disbursements:					
Current:					
Security of Persons and Property	86,744	80,218			166,962
Public Health Services	713	306			1,019
Leisure Time Activities	6,537				6,537
Community Environment	600				600
Basic Utility Services	51,865				51,865
Transportation	65,713	18,789			84,502
General Government	58,745	4,052		13,839	76,636
Debt Service:					
Principal Payments	8,264		7,018		15,282
Interest Payments	2,040		633		2,673
Capital Outlay		3,974	25,538		29,512
Total Cash Disbursements	281,221	107,339	33,189	13,839	435,588
Total Cash Receipts Over/(Under) Cash Disbursements	(81,023)	(2,356)	(33,065)	123,125	6,681
Other Financing Receipts/(Disbursements):					
Sale of Fixed Assets	270				270
Transfers-In	102,200		25,700		127,900
Transfers-Out				(127,900)	(127,900)
Total Other Financing Receipts/(Disbursements)	102,470		25,700	(127,900)	270
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	21,447	(2,356)	(7,365)	(4,775)	6,951
Fund Cash Balances, January 1	(21,534)	(5,047)	7,316	5,125	(14,140)
Fund Cash Balances, December 31	(\$87)	(\$7,403)	(\$49)	\$350	(\$7,189)
Reserves for Encumbrances, December 31	\$5,842	\$1,068	\$0	\$0	\$6,910

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

**VILLAGE OF GNADENHUTTEN
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	\$181,270
Miscellaneous	11,404
	192,674
Total Operating Cash Receipts	192,674
Operating Cash Disbursements:	
Personal Services	100,573
Supplies and Materials	123,806
Capital Outlay	298,908
	523,287
Total Operating Cash Disbursements	523,287
Operating (Loss)	(330,613)
Non-Operating Cash Receipts:	
Intergovernmental	243,494
Non-Operating Cash Disbursements:	
Debt Service	5,109
Net Receipts (Under) Disbursements	(92,228)
Fund Cash Balances, January 1	130,326
Fund Cash Balances, December 31	\$38,098
Reserves for Encumbrances, December 31	\$5,534

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

**VILLAGE OF GNADENHUTTEN
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Gnadenhutten, 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 government services, including water and sewer service, park operations (leisure time activities) and police and fire services.

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

B. Basis of Accounting

These financial statements follow the 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

Certificates of deposit are valued at cost.

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.

2. Special Revenue Funds

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

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

**VILLAGE OF GNADENHUTTEN
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

Fire Levy Fund - This fund receives tax revenues to provide basic fire and ambulance service.

3. Capital Projects Fund

This fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects. The Village has the following Capital Projects Fund:

Capital Projects Fund - This fund receives revenues from income tax to pay for major capital projects of 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 significant Enterprise Funds:

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

Sewer Fund - This fund receives charges for services from residents to cover the cost of providing sewer service.

5. Fiduciary Fund (Expendable Trust)

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. Other trust funds are classified as expendable.

Income Tax Fund - This expendable trust fund is used to record the collection of self assessed taxes, the cost of collecting such tax and the distribution to various other funds in accordance with Village ordinances.

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 or object level of control, and appropriations may not exceed estimated resources. The 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.

VILLAGE OF GNADENHUTTEN
TUSCARAWAS COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus 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 2001 and 2000 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

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>2001</u>	<u>2000</u>
Demand deposits	\$ 28,612	\$ 30,909

Deposits: Deposits are insured by the Federal Depository Insurance Corporation.

**VILLAGE OF GNADENHUTTEN
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2001 and 2000 follows:

2001 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$295,988	\$330,187	34,199
Special Revenue	87,500	97,621	10,121
Capital Projects	25,075	20,680	(4,395)
Enterprise	191,000	319,429	128,429
Expendable Trust	130,436	178,205	47,769
Total	<u>\$729,999</u>	<u>\$946,122</u>	<u>\$216,123</u>

2001 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$300,000	\$334,798	(\$34,798)
Special Revenue	75,000	86,939	(11,939)
Capital Projects	25,000	19,450	5,550
Enterprise	191,000	342,933	(151,933)
Expendable Trust	130,000	178,087	(48,087)
Total	<u>\$721,000</u>	<u>\$962,207</u>	<u>(\$241,207)</u>

2000 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$264,880	\$302,668	\$37,788
Special Revenue	92,060	104,983	12,923
Capital Projects	36,000	25,824	(10,176)
Enterprise	158,000	436,168	278,168
Expendable Trust	140,000	136,964	(3,036)
Total	<u>\$690,940</u>	<u>\$1,006,607</u>	<u>\$315,667</u>

2000 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$302,466	\$287,063	\$15,403
Special Revenue	86,000	108,407	(22,407)
Capital Projects	41,000	33,189	7,811
Enterprise	208,000	533,930	(325,930)
Expendable Trust	145,000	141,739	3,261
Total	<u>\$782,466</u>	<u>\$1,104,328</u>	<u>(\$321,862)</u>

**VILLAGE OF GNADENHUTTEN
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

During 2001 and 2000, certain Village expenditures were not certified by the Clerk until after incurring the obligation, which is contrary to Ohio Revised Code § 5705.41 (D).

During 2001 and 2000, expenditures exceeded appropriations in several Village funds, which is contrary to Ohio Revised Code § 5705.41(B).

During 2001 and 2000, several funds had a negative cash balances throughout the year and at year-end, which is contrary to Ohio Revised Code § 5705.10.

During 2001 and 2000, appropriations exceeded estimated resources in several Village funds, which is contrary to Ohio Revised Code § 5705.39.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by 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.

5. LOCAL INCOME TAX

The Village levies a municipal income tax of 1.5 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually. 1% of the income tax is used for general Village operations while the remaining 1/2% is used for police department operations.

**VILLAGE OF GNADENHUTTEN
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

6. DEBT

Debt outstanding at December 31, 2001 was as follows:

	Principal	Interest Rate
Lot Note	\$9,200	5.50%
Cemetery Note	14,787	6.00%
OPWC Note	183,912	0.00%
Operating Note	36,000	4.00%
Dump Truck Note	14,756	5.00%
OWDA Note	89,797	6.13%
Total	\$348,452	

In February 1999, the Village took out a note from Indian Village Community Bank to purchase a lot. At the same time, a note was taken out in the name of the Village for the Gnadenhutten-Clay Union Cemetery to purchase land.

The Village has loans from OWDA and OPWC, originating in 1999, to update the Water and Sewer Plant.

In November 2001, the Village took out a \$36,000 note from the First National Bank of Dennison to operate the Water, Sewer and Street Fund. This is a six month note and is due in May 2002.

In November 2001, the Village took out a \$16,000 note from the First National Bank of Dennison to purchase a dump truck for general and street operations. The loan will be repaid from the General and Special Revenue Street Funds.

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

Year ending December 31:	Operating Note	Cemetery Note	Lot Note	Dump Truck Note	OWDA Note	OPWC Note
2002	\$36,000	\$4,929	\$3,066	\$5,133	\$879	\$5,109
2003		4,929	3,067	5,396	1,839	10,217
2004		4,929	3,067	4,227	1,953	10,217
2005					2,075	10,217
2006					2,196	10,217
Thereafter					80,855	137,935
Total	\$36,000	\$14,787	\$9,200	\$14,756	\$89,797	\$183,912

**VILLAGE OF GNADENHUTTEN
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

7. RETIREMENT SYSTEMS

The Village's law enforcement officers and firefighters belong to the Ohio Police and Fire Pension Fund (OP&F). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. OP&F and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including post-retirement 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 2001 and 2000, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of their wages. PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of PERS participants' gross salaries for 2001 and from January 1, 2000 through June 30, 2000. PERS temporarily reduced employer contributions to 8.13% effective July 1, 2000 through December 31, 2000.

During 2000, the Village did not always remit employer contributions to PERS. As of December 31, 2000, the Village owed \$3,169 to PERS, including interest and penalties, which was subsequently paid by May 2001. The Village was assessed late fees and interest approximately \$900 and \$300, respectively. The Village has paid all contributions required through December 31, 2001.

8. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles
- General Liability
- Public Official's Liability
- Employers Liability
- Law Enforcement Liability

9. JOINTLY GOVERNED ORGANIZATIONS

A. Gnadenhutten-Clay Union Cemetery (Cemetery)

The Cemetery is a jointly governed organization under Ohio Revised Code § 759.27, and is directed by an appointed three-member board. The Village of Gnadenhutten and Clay Township each appoint one member to the board. The third member is a citizen appointed by the other two members. The Cemetery provides burial services, operations and maintenance of the cemetery. During 2001 and 2000, no monies were paid to the Cemetery by the Village.

**VILLAGE OF GNADENHUTTEN
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

9. JOINTLY GOVERNED ORGANIZATIONS (Continued)

B. Community Improvement Corporation of Tuscarawas County (Corporation)

The Corporation is operated by Tuscarawas County, New Philadelphia, Dover, Uhrichsville, Dennison, Strasburg, Sugar Creek and Gnadenhutten. It is controlled by 25 trustees consisting of the three County Commissioners, the mayor of each participating city and 15 self-elected trustees. The board exercises total control over the operations of the Corporation including budgeting, appropriating, contracting and designating management. Each participant's degree of control is limited to its representation on the board. During 2001 and 2000, no monies were paid to the Corporation by the Village.

C. Tuscarawas County Regional Planning Commission (Commission)

The Commission is a statutorily created political subdivision of the State. The Commission is jointly governed among Tuscarawas County municipalities and townships. Each member's control over the operation of the Commission is limited to its representation on the board. The Commission makes studies, maps, plans, recommendations and reports concerning the physical, environmental, social, economical and governmental characteristics, functions and services of the county. In 2001 and 2000, \$128 and \$122 was paid to the Commission by the Village, respectively.

10. SUBSEQUENT EVENT

On April 29, 2002, the Village rolled over the outstanding principal balance from the operating note into a 6 month, 3.75%, \$24,000 note which matures on October 29, 2002.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

111 Second Street, NW
Fourth Floor
Canton, Ohio 44702
Telephone 330-438-0617
800-443-9272
Facsimile 330-471-0001
www.auditor.state.oh.us

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

Village of Gnadenhutten
Tuscarawas County
131 South Walnut Street
Gnadenhutten, Ohio 44629

To Village Council:

We have audited the accompanying financial statements of the Village of Gnadenhutten, Tuscarawas County, Ohio, (the Village) as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated March 20, 2002, except for Note 10, as to which the date is April 29, 2002. We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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 2001-31279-001 through 2001-31279-004.

We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated March 20, 2002.

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 a certain matter involving the internal control over financial reporting and its operations that we consider to be a reportable condition. 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 judgement, 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. The reportable condition is described in the accompanying Schedule of Findings as item 2001-31279-005.

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, we believe the reportable condition described above is not a material weakness.

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 March 20, 2002.

This report is intended solely 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

March 20, 2002

VILLAGE OF GNADENHUTTEN
TUSCARAWAS COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000

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

Noncompliance Citations

FINDING NUMBER 2001-31279-001

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 purpose 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 thereon.

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

1. 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
2. If the amount involved is less than \$1,000, the Clerk-Treasurer may authorize payment through a Then and Now Certificate without affirmation of the Village Council, if such expenditure is otherwise valid

Of the 60 transactions tested, 46 expenditures (22 in 2001 and 24 in 2000) were not certified by the Clerk-Treasurer prior to the obligation date of the expenditure.

In addition, certain liabilities, contracts, and open purchase commitments incurred prior to December 31 which were not encumbered were improperly charged against the following year's appropriations. Also, the unencumbered fund balances reported to the County Auditor for budgetary purposes were overstated due to the failure to properly encumber.

Not properly certifying the availability of funds (and failure to encumber) could cause the Village to overspend appropriations. The Clerk/Treasurer should notify all Village officials and employees of the requirements of Ohio Rev. Code Section 5705.41(D). In addition, the Village should implement the use of Then and Now certificates and Blanket Certificates as permitted by Ohio Rev. Code Section 5705.41.

Noncompliance Citations (Continued)

FINDING NUMBER 2001-31279-002

Ohio Rev. Code Section 5705.39 requires that total appropriations from each fund not exceed total estimated 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.

During fiscal year 2001, total appropriations exceeded total estimated resources as follows:

<u>Fund</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Variance</u>
General Fund	\$276,267	\$300,000	(\$23,733)

During fiscal year 2000, total appropriations exceeded total estimated resources as follows:

<u>Fund</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Variance</u>
General Fund	\$243,346	\$302,466	(\$59,120)
Special Revenue Fire Fund	29,886	36,000	(6,114)

To avoid overspending, the Village should not appropriate in excess of estimated resources.

FINDING NUMBER 2001-31279-003

Ohio Rev. Code Section 5705.41(B) requires that no subdivision or taxing unit is to expend money unless it has been appropriated.

At year end, expenditures exceeded appropriations within the following fund types:

2001

<u>Fund Type</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
General Fund	\$300,000	\$327,986	(\$27,986)
Special Revenue	75,000	86,939	(11,939)
Enterprise	191,000	342,933	(151,933)
Expendable Trust	130,000	178,086	(48,086)

2000

<u>Fund Type</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
General Fund	\$300,000	\$327,986	(\$27,986)
Special Revenue	75,000	86,939	(11,939)

In addition, object level expenditures exceeded appropriations in most funds throughout both years. The Clerk should frequently compare actual expenditures to appropriations at the object level to avoid potential overspending, both at year end and during the year.

Noncompliance Citations (Continued)

FINDING NUMBER 2001-31279-004

Ohio Rev. Code Section 5705.10 states that money paid into a fund must be used only for the purposes for which such fund has been established. A negative fund balance would indicate that money from one fund was used to cover the expenses of another fund.

The following funds had negative fund balances throughout the year for both 2001 and 2000.

<u>Month/Year</u>	<u>Fund</u>	<u>Balance</u>
January 2000	General	(\$20,613)
January 2000	Fire Protection	(\$8,265)
June 2000	General	(\$42,089)
June 2000	Fire Protection	(\$5,150)
March 2001	Street	(\$10,855)
March 2001	Waterline Loan Repayment	(\$3,631)
March 2001	Income Tax	(\$1,365)
September 2001	Water	(\$6,559)
September 2001	Sewer	(\$2,226)
September 2001	Waterline Loan Repayment	(\$3,631)

Fund activity should be monitored to prevent future expenditures in excess of available revenue.

Reportable Condition

FINDING NUMBER 2001-31279-005

Water and Sewer Billings

The following conditions were noted during our testing of industrial water and sewer billings:

- The industrial cost recovery charge was incorrectly calculated due to the Village not updating employee "head count" numbers provided by the respective customers yearly. Effective fiscal year 2002, the Village will no longer assess this cost recovery charge (Village Ordinance No. 295).
- The high strength surcharge calculation was based upon Village Ordinance No. 295 which established the fee. However, the billing calculation misplaced a "decimal" which caused over billings.
- The "miscellaneous" fees for the water line loans and the trash hauling were incorrectly charged each month when Village Ordinance No. 559 reflected those assessments would be charged bimonthly which resulted over billings.

Reportable Condition

**FINDING NUMBER 2001-31279-005
(Continued)**

Water and Sewer Billings (Continued)

- The tiered billings were incorrectly applied during many monthly billing cycles. The Village periodically double billed the first 5,000 gallons of consumption which resulted in over billings.

The above issues resulted in 2 net over billings of \$1,187 and \$654, respectively, and one under billing of \$892, net.

The following conditions were noted regarding general water and sewer operations:

- The Clerk maintains an billing adjustment report which reflects non cash adjustments. However, that report is not reviewed or approved by Village management independent of the utility processing; therefore, unauthorized adjustments could occur and remain undetected.
- The Clerk generally forwards longer over due account balances to the County Auditor for property lien action. However, we noted several customers maintain long outstanding balances ranging \$100 to approximately \$33,000 for which no action has occurred.

To help ensure the Village accurately calculates the industrial customer utility billings, the Village should establish guidelines which prescribe the exact procedures needed to calculate monthly bills or even modify the specific variables which “generate” the additional fees on the bill. The Village should also develop management review processes which may help identify billing errors or irregularities timely. Finally, the Village should either credit impacted customer accounts or adjust future billings as needed to address the issues reflected within this finding.

**VILLAGE OF GNADENHUTTEN
TUSCARAWAS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2001 AND 2000**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
1999-31279-001	Ohio Revised Code § 5705.41(B) expenditures exceeded appropriations	No	Not Corrected; see Finding 2001-31279-003
1999-31279-002	Ohio Revised Code § 5705.41 (D) certifying expenditures	No	Not Corrected; see Finding 2001-31279-001
1999-31279-003	Ohio Revised Code § 5705.39 appropriations exceeding estimated resources	No	Not Corrected; see Finding 2001-31279-002
1999-31279-004	Ohio Revised Code § 5705.10 negative fund balances	No	Not Corrected; see Finding 2001-31279-004
1999-31279-005	Note proceeds posted to improper fund	Yes	Corrected



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

VILLAGE OF GNADENHUTTEN

TUSCARAWAS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 9, 2002**