

Village of Stone Creek

Audited Financial Statements

December 31, 2005 and 2004



Mary Taylor, CPA

Auditor of State

Village Council
Village of Stone Creek
P.O. Box 117
Stone Creek, Ohio 43840

We have reviewed the *Independent Auditor's Report* of the Village of Stone Creek, Tuscarawas County, prepared by Rea & Associates, Inc., for the audit period January 1, 2004 through December 31, 2005. 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 Auditor's 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 Auditor's 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 Village of Stone Creek is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

March 12, 2007

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VILLAGE OF STONE CREEK
TUSCARAWAS COUNTY

DECEMBER 31, 2005 AND 2004

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Rea & Associates, Inc.
ACCOUNTANTS AND BUSINESS CONSULTANTS

December 27, 2006

Mayor and Members of Council
Village of Stone Creek
Stone Creek, OH 43840

Independent Auditor's Report

We have audited the accompanying financial statements of the Village of Stone Creek (the "Village") as of and for the years ended December 31, 2005 and 2004, as listed in the table of contents. 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 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit 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 described more fully in Note 1, the Village 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. Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, we presume they are material.

Revisions to generally accepted accounting principles would require the Village to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2005 and 2004. Instead of the funds the accompanying financial statements present for 2005 and 2004, the revisions require presenting the entity wide statements and also to present its larger (i.e. major) funds separately for 2005 and 2004. While the Village does not follow generally accepted accounting principles, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new generally accepted accounting principles presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since the Village does not use generally accepted accounting principles to measure financial statement amounts, 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, 2005 and 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2005 and 2004, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Stone Creek, Tuscarawas County, as of December 31, 2005 and 2004 and its combined cash receipts and disbursements for the year then ended on the basis of accounting described in Note 1.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the years ended December 31, 2005 and 2004. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we also have issued our report dated December 27, 2006 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in assessing the results of our audits.

Hea & Associates, Inc.

VILLAGE OF STONE CREEK
TUSCARAWAS COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005

	General	Special Revenue	Capital Projects	(Memorandum Only) Total
CASH RECEIPTS:				
Property and other Local Taxes	\$ 6,135	\$ 0	\$ 0	\$ 6,135
Municipal Income Tax	15,234	0	6,529	21,763
Intergovernmental Revenue	8,374	12,860	3,000	24,234
Charges For Services	0	25	0	25
Fines, Licenses and Permits	90	0	0	90
Interest	298	37	0	335
Miscellaneous	550	435	0	985
Total Cash Receipts	30,681	13,357	9,529	53,567
CASH DISBURSEMENTS:				
Current:				
Security of Persons	3,327	0	0	3,327
Public Health Services	104	0	0	104
Leisure Time Activities	0	663	0	663
Community Environment	25	0	0	25
Basic Utility Services	1,900	0	0	1,900
Transportation	0	6,721	0	6,721
General Government	24,019	0	0	24,019
Capital Outlay	0	27,866	7,545	35,411
Debt Service:				
Principal	0	0	3,000	3,000
Total Cash Disbursements	29,375	35,250	10,545	75,170
Total Cash Receipts Over (Under) Cash Disbursements	1,306	(21,893)	(1,016)	(21,603)
OTHER FINANCING RECEIPTS (DISBURSEMENTS):				
Transfers - In	0	95	0	95
Advances - In	1,940	1,940	0	3,880
Transfers - Out	(95)	0	0	(95)
Advances - Out	(1,940)	(1,940)	0	(3,880)
Total Other Financing Receipts (Disbursements)	(95)	95	0	(0)
Total Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements and Other Financing Disbursements	1,211	(21,798)	(1,016)	(21,603)
FUND CASH BALANCES, January 1, 2005	11,948	35,624	12,362	59,934
FUND CASH BALANCES, December 31, 2005	\$ 13,159	\$ 13,826	\$ 11,346	\$ 38,331

The accompanying notes are an integral part of these financial statements.

VILLAGE OF STONE CREEK
TUSCARAWAS COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004

	General	Special Revenue	Capital Projects	(Memorandum Only) Total
CASH RECEIPTS:				
Property and Other Local Taxes	\$ 5,264	\$ 0	\$ 0	\$ 5,264
Municipal Income Taxes	19,257	0	8,253	27,510
Intergovernmental Revenue	4,538	32,418	3,000	39,956
Charges For Services	0	125	0	125
Fines, Licenses and Permits	67	0	0	67
Interest	254	31	0	285
Miscellaneous	761	376	0	1,137
Total Cash Receipts	30,141	32,950	11,253	74,344
CASH DISBURSEMENTS:				
Current:				
Security of Persons	5,860	0	0	5,860
Public Health Services	265	0	0	265
Leisure Time Activities	356	7,268	0	7,624
Community Environment	25	0	0	25
Basic Utility Services	6,430	0	0	6,430
Transportation	0	5,771	0	5,771
General Government	28,794	0	0	28,794
Capital Outlay	0	0	11,233	11,233
Debt Service:				
Principal	0	0	3,000	3,000
Total Cash Disbursements	41,730	13,039	14,233	69,002
Total Cash Receipts Over (Under) Cash Disbursements	(11,589)	19,911	(2,980)	5,342
OTHER FINANCING RECEIPTS (DISBURSEMENTS):				
Transfers - In	0	1,000	0	1,000
Transfers - Out	(1,000)	0	0	(1,000)
Total Other Financing Receipts (Disbursements)	(1,000)	1,000	0	0
Total Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements and Other Financing Disbursements	(12,589)	20,911	(2,980)	5,342
FUND CASH BALANCES, January 1, 2004	24,537	14,713	15,342	54,592
FUND CASH BALANCES, December 31, 2004	\$ 11,948	\$ 35,624	\$ 12,362	\$ 59,934

The accompanying notes are an integral part of these financial statements.

**VILLAGE OF STONE CREEK
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Stone Creek, Tuscarawas County, (the Village) is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general governmental services, including street maintenance and repair, park operations (leisure time activities), and police service.

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 and Investments

Investments are included in fund cash balances. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

The Village maintains all cash in a checking or money market savings account, which is valued at cost.

D. Fund Accounting

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

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.

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 had the following significant Special Revenue Funds:

**VILLAGE OF STONE CREEK
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Capital Projects Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except for those financed through enterprise or trust funds). The Village has the following significant Capital Projects Funds:

Capital Improvement Fund – This fund receives a portion of income tax revenues to pay for certain capital improvements of the Village.

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 level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are cancelled, and reappropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law.

A summary of 2005 and 2004 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

**VILLAGE OF STONE CREEK
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004**

NOTE 2: EQUITY IN POOLED CASH AND INVESTMENTS

The Village maintains a cash investment 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:

	2005	2004
Demand deposits	\$ 38,331	\$ 59,934

Deposits

Deposits are insured by the Federal Depository Insurance Corporation.

NOTE 3: BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2005 and 2004 is as follows:

2005 Budgeted vs. Actual Receipts

<u>Fund Type</u>	Budgeted Receipts	Actual Receipts	Variance
General	\$ 34,542	\$ 32,621	\$ (1,921)
Special Revenue	11,924	15,392	3,468
Capital Projects	9,785	9,529	(256)
Total	\$ 56,251	\$ 57,542	\$ 1,291

2005 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 65,524	\$ 31,410	\$ 34,114
Special Revenue	83,370	37,190	46,180
Capital Projects	19,147	10,545	8,602
Total	\$ 168,041	\$ 79,145	\$ 88,896

**VILLAGE OF STONE CREEK
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004**

NOTE 3: BUDGETARY ACTIVITY (Continued)

2004 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 34,158	\$ 30,141	\$ (4,017)
Special Revenue	10,600	33,950	23,350
Capital Projects	9,500	11,253	1,753
Total	<u>\$ 54,258</u>	<u>\$ 75,344</u>	<u>\$ 21,086</u>

2004 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 83,482	\$ 42,730	\$ 40,752
Special Revenue	36,944	13,039	23,905
Capital Projects	40,184	14,233	25,951
Total	<u>\$ 160,610</u>	<u>\$ 70,002</u>	<u>\$ 90,608</u>

NOTE 4: PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the financial statements as intergovernmental receipts. Payments are due to the County by December 31. If the property owner elects to make semi-annual 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 each April 30.

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

**VILLAGE OF STONE CREEK
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004**

NOTE 5: LOCAL INCOME TAX

The Village levies a municipal income tax of 1% on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income tax of residents earned outside 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.

Income tax revenue is recorded in the General Fund and the Capital Projects Fund in accordance with Ordinance #1996-150.

NOTE 6: DEBT

Debt outstanding at December 31, 2005 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority – EV0423	\$ 1,500	0%
Ohio Water Development Authority – EV0422	<u>1,500</u>	0%
Total	<u>\$ 3,000</u>	

The Ohio Water Development Authority (OWDA) loans relate to preliminary engineering plans for a new water supply system and wastewater treatment system. These loans will be repaid in annual installments of \$1,500 each, over 10 years.

NOTE 7: RETIREMENT SYSTEMS

The Village's full-time employees belong to the Public Employees' Retirement System (PERS) of Ohio. This plan provides 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 2005 and 2004 members of Ohio Police & Fire Pension Plan (OP&F) contributed 10% of their wages to the OP&F. The Village contributed an amount equal to 13.55% of participant's gross salaries. The Village has paid all contributions required through December 31, 2005.

**VILLAGE OF STONE CREEK
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004**

NOTE 8: RISK MANAGEMENT

The Government belongs to the Public Entities Pool of Ohio ("PEP"), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty insurance for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

PEP retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. Claims exceeding \$250,000 are reinsured with APEEP up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$12,000,000, from the General Reinsurance Corporation.

If losses exhaust PEP's retained earnings, APEEP covers PEP losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

Through 2004, PEP retains property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsures losses exceeding \$100,000 up to \$500,000 per occurrence. APEEP's Fund was responsible for losses and loss adjustment expenses should they exceed operating contributions.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable value. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2005 was \$1,682,589.

The aforementioned casualty and property reinsurance agreements do not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

Members may withdraw on each anniversary of the date they joined PEP. They must provide written notice to PEP 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contribution, minus the subsequent year's premium. Also upon withdrawal, payments for all property and casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the withdrawal.

**VILLAGE OF STONE CREEK
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004**

NOTE 8: RISK MANAGEMENT (Continued)

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2005 and 2004:

<u>Casualty Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$ 29,719,675	\$ 30,547,049
Liabilities	<u>(15,994,168)</u>	<u>(16,989,918)</u>
Retained earnings	<u>\$ 13,725,507</u>	<u>\$ 13,557,131</u>
 <u>Property Coverage</u>		
Assets	\$ 4,443,332	\$ 3,652,970
Liabilities	<u>(1,068,245)</u>	<u>(544,771)</u>
Retained Earnings	<u>\$ 3,375,087</u>	<u>\$ 3,108,199</u>

The Casualty Coverage assets and retained earnings above include approximately \$14.3 million on unpaid claims to be billed to approximately 430 member governments in the future, as of December 31, 2005. PEP will collect these amounts in future annual premium billings when PEP's related liabilities are due for payment.

December 27, 2006

Mayor and Members of Council
Village of Stone Creek
Stone Creek, OH 43840

Independent Auditor's Report on Internal Control Over Financial Reporting
And on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

We have audited the financial statements of the Village of Stone Creek (the "Village") as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated December 27, 2006, wherein we noted the Village follows accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the management of the Village in a separate letter dated December 27, 2006.

Compliance and Other Matters

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 grant agreements, 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 audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which is described below as item 2005-001. We also noted certain instances of noncompliance that we have reported to management of the Village in a separate letter dated December 27, 2006.

Mayor and Members of Council
Village of Stone Creek
Independent Auditor's Report on Internal Control over Financial Reporting
And on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*
December 27, 2006
Page 2

FINDING NUMBER	2005-001
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Ohio Rev. Code Section 5705.41(D) states no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Further, the Ohio Village Officers Handbook, Chapter 2, paragraph IV A indicates the fiscal officer is the Village Clerk. We noted in our testing the Village Clerk is not signing the purchase orders which contain the required certification.

The required certifications are not being properly obtained and the Village is in noncompliance with ORC. Not only is this a violation of ORC but the controls to be established by this certification are nonexistent. There is no fiscal officer authorization for expenditures and this could lead to purchases that are not proper or necessary for the Village.

We recommend the Village Clerk personally sign all purchase orders thereby ensuring the certification is done by the Village's fiscal officer. This will ensure compliance with ORC 5705.41(D) as to the certification and will also indicate the fiscal officer is reviewing and approving expenditures as proper and necessary for the Village.

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

Rea & Associates, Inc.

VILLAGE OF STONE CREEK
TUSCARAWAS COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2005

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2003-001	A noncompliance citation was issued under Ohio Rev. Code Section 5705.41(D) stating that no subdivision or taxing unit shall 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.	No	Not corrected; Expenditures of money were still processed without prior certification from the Village Clerk that the necessary appropriations were available before the expenditure occurred.

VILLAGE OF STONE CREEK
TUSCARAWAS COUNTY

CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED DECEMBER 31, 2005

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2005-001	The Village Clerk plans to implement procedures to ensure that purchase orders provide for the Village Clerk's certification of available funds and to ensure that funds be certified and encumbered prior to incurring obligations.	12/31/07	Pam Mizer, Village Clerk



Mary Taylor, CPA
Auditor of State

VILLAGE OF STONE CREEK

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
MARCH 22, 2007**