



Mary Taylor, CPA
Auditor of State

VILLAGE OF SUGARCREEK
TUSCARAWAS COUNTY

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Mary Taylor, CPA
Auditor of State

Village of Sugarcreek
Tuscarawas County
410 S. Broadway
Sugarcreek, Ohio 44681

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your Village 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. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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

Mary Taylor, CPA
Auditor of State

February 18, 2010

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Sugarcreek
Tuscarawas County
410 S. Broadway
Sugarcreek, Ohio 44681

To the Village Council:

We have audited the accompanying financial statements of the Village of Sugarcreek, Tuscarawas County, Ohio, (the Village) as of and for the years ended December 31, 2009 and 2008. 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the 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 (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

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

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2009 and 2008 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, 2009 and 2008, or its changes in financial position or cash flows, where applicable.

Also, 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 of Sugarcreek, Tuscarawas County, Ohio, as of December 31, 2009 and 2008, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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 have also issued our report dated February 18, 2010, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Mary Taylor, CPA
Auditor of State

February 18, 2010

**VILLAGE OF SUGARCREEK
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, 2009**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash Receipts:				
Property and Local Taxes	\$256,801	\$142,155		\$398,956
Municipal Income Tax	445,927	229,716		675,643
Intergovernmental	938,505	184,315		1,122,820
Charges for Services	70,457			70,457
Fines, Licenses and Permits	2,366			2,366
Earnings on Investments	39,252	7,708		46,960
Miscellaneous	35,892			35,892
Total Cash Receipts	1,789,200	563,894		2,353,094
Cash Disbursements:				
Current:				
Security of Persons and Property	409,706	30,929		440,635
Public Health Services	1,841			1,841
Leisure Time Activities	25,990			25,990
Community Environment	6,013			6,013
Basic Utility Service	118,084			118,084
Transportation	4,278	259,505		263,783
General Government	479,983	2,680		482,663
Debt Service:				
Redemption of Principal		225,867		225,867
Interest and Fiscal Charges		19,573		19,573
Capital Outlay	856,411	260,025		1,116,436
Total Cash Disbursements	1,902,306	798,579		2,700,885
Total Cash Receipts (Under) Cash Disbursements	(113,106)	(234,685)		(347,791)
Other Financing Receipts / (Disbursements):				
Proceeds from Sale of Public Debt:				
Sale of Notes		162,000		162,000
Sale of Fixed Assets	25,667			25,667
Other Financing Sources		3,884		3,884
Other Financing Uses	(12,803)			(12,803)
Total Other Financing Receipts / (Disbursements)	12,864	165,884		178,748
Excess of Cash Receipts and Other Financing Receipts (Under) Cash Disbursements and Other Financing Disbursements	(100,242)	(68,801)		(169,043)
Fund Cash Balances, January 1	425,046	320,908	\$1,719	747,673
Fund Cash Balances, December 31	\$324,804	\$252,107	\$1,719	\$578,630
Reserve for Encumbrances, December 31	\$5,737	\$14,768	\$0	\$20,505

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

**VILLAGE OF SUGARCREEK
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, 2008**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property and Local Taxes	\$274,348	\$144,508	\$0	\$418,856
Municipal Income Tax	532,518	274,327		806,845
Intergovernmental	181,031	173,492		354,523
Charges for Services	68,010			68,010
Fines, Licenses and Permits	5,654			5,654
Earnings on Investments	81,311	10,107		91,418
Miscellaneous	74,087	2,699		76,786
	<u>1,216,959</u>	<u>605,133</u>		<u>1,822,092</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
Security of Persons and Property	362,397	95,354		457,751
Public Health Services	2,474			2,474
Leisure Time Activities	27,501			27,501
Community Environment	10,720			10,720
Basic Utility Service	109,819			109,819
Transportation	4,084	305,866		309,950
General Government	454,410	2,672		457,082
Debt Service:				
Redemption of Principal		204,124		204,124
Interest and Fiscal Charges		15,257		15,257
Capital Outlay	285,168	366,873	\$3,481	655,522
	<u>1,256,573</u>	<u>990,146</u>	<u>3,481</u>	<u>2,250,200</u>
Total Cash Disbursements				
Total Cash Receipts (Under) Cash Disbursements	<u>(39,614)</u>	<u>(385,013)</u>	<u>(3,481)</u>	<u>(428,108)</u>
Other Financing Receipts / (Disbursements):				
Proceeds from Sale of Public Debt:				
Sale of Notes		176,000		176,000
Sale of Fixed Assets	5,594			5,594
Transfers-In		150,000		150,000
Transfers-Out	(320,000)			(320,000)
Other Financing Sources		840		840
Other Financing Uses	(15,596)			(15,596)
	<u>(330,002)</u>	<u>326,840</u>	<u>0</u>	<u>(3,162)</u>
Total Other Financing Receipts / (Disbursements)				
Excess of Cash Receipts and Other Financing Receipts (Under) Cash Disbursements and Other Financing Disbursements	(369,616)	(58,173)	(3,481)	(431,270)
Fund Cash Balances, January 1	794,662	379,081	5,200	1,178,943
Fund Cash Balances, December 31	<u><u>\$425,046</u></u>	<u><u>\$320,908</u></u>	<u><u>\$1,719</u></u>	<u><u>\$747,673</u></u>
Reserve for Encumbrances, December 31	<u><u>\$2,225</u></u>	<u><u>\$13,515</u></u>	<u><u>\$0</u></u>	<u><u>\$15,740</u></u>

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

**VILLAGE OF SUGARCREEK
TUSCARAWAS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPES
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

	2009	2008
Operating Cash Receipts:		
Charges for Services	\$742,647	\$574,958
Fines, Licenses and Permits	5,640	3,940
Miscellaneous	17,363	7,940
	765,650	586,838
Operating Cash Disbursements:		
Personal Services	165,891	175,161
Transportation	1,487	1,289
Contractual Services	50,397	92,274
Supplies and Materials	230,562	256,282
Capital Outlay	5,512	89,526
	453,849	614,532
Operating Income/(Loss)	311,801	(27,694)
Non-Operating Cash Receipts:		
Property and Other Local Taxes	337,816	403,423
Sale of Notes	91,479	120,000
Sale of Fixed Assets		93,860
Other Non-Operating Cash Receipts		1,391
	429,295	618,674
Non-Operating Cash Disbursements:		
Redemption of Principal	451,496	468,686
Interest and Other Fiscal Charges	136,513	152,034
	588,009	620,720
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	153,087	(29,740)
Transfers-In		170,000
Net Receipts Over Disbursements	153,087	140,260
Fund Cash Balances, January 1	1,631,704	1,491,444
Fund Cash Balances, December 31	\$1,784,791	\$1,631,704
Reserve for Encumbrances, December 31	\$973	\$4,904

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

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**VILLAGE OF SUGARCREEK
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Sugarcreek, Tuscarawas County, Ohio, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, park operations, and police services. The Village appropriates general fund money to support a volunteer fire department.

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

B. Accounting Basis

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

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

C. Deposits and Investments

The Village'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 Village values certificates of deposit at cost.

D. Fund Accounting

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

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

**VILLAGE OF SUGARCREEK
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting

2. Special Revenue Funds

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

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

Fire and Emergency Medical Services Levy Fund – This fund is used to account for tax proceeds to fund Village emergency medical response services.

3. Capital Project Funds

This fund accounts for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project fund:

Traffic Light Fund – This fund receives grant monies and contributions for the design and installation of a traffic light at one of the Village's busiest intersections.

4. Enterprise Funds

These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Funds:

Water Fund - This fund receives charges for services from residents to cover water service costs.

Sewer Fund - This fund receives charges for services from residents to cover sewer service costs.

Sewer Debt Service Fund - This fund is used to account for income tax receipts used to pay OWDA debt related to the sewer improvement projects.

E. Budgetary Process

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

**VILLAGE OF SUGARCREEK
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

E. Budgetary Process (Continued)

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual 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 2009 and 2008 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

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

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. Equity in Pooled Deposits and Investments

The Village 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:

	2009	2008
Demand deposits	\$1,141,217	\$515,182
Certificates of deposit	1,222,204	1,864,195
Total deposits and investments	\$2,363,421	\$2,379,377

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

**VILLAGE OF SUGARCREEK
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2009 and 2008 follows:

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,131,897	\$1,814,867	\$682,970
Special Revenue	783,440	729,778	(53,662)
Capital Projects	0	0	0
Enterprise	1,264,307	1,194,945	(69,362)
Total	\$3,179,644	\$3,739,590	\$559,946

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,521,931	\$1,920,846	(\$398,915)
Special Revenue	838,785	813,347	25,438
Capital Projects	1,719	0	1,719
Enterprise	1,035,690	1,042,831	(7,141)
Total	\$3,398,125	\$3,777,024	(\$378,899)

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$811,312	\$1,222,553	\$411,241
Special Revenue	958,872	931,973	(26,899)
Capital Projects	0	0	0
Enterprise	1,938,860	1,375,512	(563,348)
Total	\$3,709,044	\$3,530,038	(\$179,006)

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,377,367	\$1,594,394	(\$217,027)
Special Revenue	1,067,775	1,003,661	64,114
Capital Projects	0	3,481	(3,481)
Enterprise	2,005,722	1,240,156	765,566
Total	\$4,450,864	\$3,841,692	\$609,172

Contrary to Ohio Rev. Code Section 5705.10(H), several funds incurred negative fund cash balances ranging from \$3,528 to \$179,441 throughout 2009 and 2008.

**VILLAGE OF SUGARCREEK
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

4. Property Tax

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, 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 one and one-half 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.

6. Debt

Debt outstanding at December 31, 2009 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan #1163	\$115,347	5.50%
Ohio Water Development Authority Loan #2524	\$1,510,243	3.85%
Ohio Water Development Authority Loan #3461	\$188,492	3.40%
OPWC Ohio Small Government Loan	\$259,575	0.00%
OPWC Downtown Gateway Street Repair Loan	\$135,913	0.00%
Various Purpose Improvement Bonds, Series 1998	\$170,000	8.00%
Water and Sewer Improvement Bonds, Series 1993	\$545,000	5.83%
Water System Refunding Bonds, Series 1999	\$419,645	5.75%
Various Purpose Note	\$252,000	4.57%
Total	<u>\$3,596,215</u>	

**VILLAGE OF SUGARCREEK
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

6. Debt (Continued)

The Ohio Water Development Authority (OWDA) loans were issued to finance water and sewer system improvement projects, including the construction of the wastewater treatment plant. The Various Improvement Bond proceeds were used to finance water and sewer system improvements and purchase road equipment. The Water and Sewer System Improvement Bond proceeds were used to make improvements to the Village's water and sewer systems. The Water System Refunding Bonds were used to refund water system improvement bonds. The OPWC Ohio Small Government Loan from the Ohio Public Works Commission was used for construction of the Shanesville Water Tank. The OPWC Downtown Gateway Street Repair Loan proceeds were used for the repair and replacement of Dover Road in downtown Sugar creek. The Various Purpose Note proceeds were used to purchase and renovate a new Village Hall, to make improvements to the sewer system and for improvements to the salt storage building. The Various Purpose Note was originally issued in 2003 and the note is a one year note that the Village rolls over each year.

The Village's taxing authority collateralizes the bonds.

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

Year ending December 31:	OWDA Loan #1163	OWDA Loan #2524	OWDA Loan #3461	OPWC Small Government Loan	OPWC Downtown Gateway Street Repair Loan
2010	\$27,008	\$233,754	\$19,168	\$19,228	\$4,687
2011	27,008	233,754	19,168	19,228	4,687
2012	27,008	233,754	19,168	19,228	4,687
2013	27,008	233,754	19,168	19,228	4,687
2014	27,009	233,754	19,168	19,228	4,687
2015-2019		584,385	95,838	96,140	112,478
2020-2023			19,167	67,294	
Total	<u>\$135,041</u>	<u>\$1,753,155</u>	<u>\$210,845</u>	<u>\$259,574</u>	<u>\$135,913</u>

Year ending December 31:	Various Purpose Improv. Bonds, Series 1998	Water and Sewer System Bonds, Series 1993	Water System Refunding Bonds, Series 1999
2010	\$34,250	\$76,338	\$69,480
2011	32,305	78,750	66,895
2012	26,080	75,875	69,255
2013	25,100	83,000	66,315
2014	24,080	79,550	68,315
2015-2019	66,120	321,112	330,000
Total	<u>\$207,935</u>	<u>\$714,625</u>	<u>\$670,260</u>

**VILLAGE OF SUGARCREEK
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

7. Capital Leases

Capital Leases outstanding at December 31, 2009 was as follows:

	Principal
Aerial Platform Truck	\$319,518
Fire Truck	191,233
Total	\$510,751

The Village entered into an agreement with Banc One Leasing Corporation on June 25, 2003 to lease, with the option to purchase at the conclusion of the lease, an aerial platform truck to be used in the Fire Department. The Village also entered into an agreement with Chase Equipment Leasing Inc. on February 15, 2008 to lease, with the option to purchase at the conclusion of the lease, a fire truck to be used in the Fire Department.

Lease payments including interest, are scheduled as follows:

Year ending	Aerial Fire Truck Lease	Fire Truck Lease
December 31:		
2010	\$85,495	\$42,019
2011	84,077	42,019
2012	82,633	42,019
2013	81,163	42,019
2014		42,019
Total	\$333,368	\$210,095

8. Retirement Systems

The Village's Police Officers belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2009 and 2008, OP&F participants contributed 19.5% of their wages. For 2009 and 2008, the Village contributed to OP&F an amount equal to 10% of full-time police members' wages. For 2009 and 2008, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2009.

**VILLAGE OF SUGARCREEK
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

9. Risk Management

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles;
- Public official's liability;
- Commercial inland marine;
- Employer's liability;
- Employee benefits liability; and
- Errors and omissions.

10. Subsequent Events

On January 18, 2010, Village Council approved Ordinance Number 10-1952 providing for the issuance and sale of \$209,000 notes. The proceeds of the notes will be used to pay off the Various Purpose Note.



Mary Taylor, CPA

Auditor of State

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

Village of Sugarcreek
Tuscarawas County
410 S. Broadway
Sugarcreek, Ohio 44681

To the Village Council:

We have audited the financial statements of the Village of Sugarcreek, Tuscarawas County, Ohio, (the Village) as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated February 18, 2010 wherein we noted the Village prepared its financial statements using accounting practices the Auditor of State prescribes or permits 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider Finding 2009-001 described in the accompanying Schedule of Findings to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2009-002 and 2009-003.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated February 18, 2010.

The Village's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. We did not audit the Village's responses and, accordingly, we express no opinion on them.

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

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

Mary Taylor, CPA
Auditor of State

February 18, 2010

VILLAGE OF SUGARCREEK
TUSCARAWAS COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008

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

FINDING NUMBER 2009-001

Material Weakness

Financial Reporting

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

- Income Tax daily receipts amounting to \$37,198 were improperly classified as Intergovernmental Revenue. The reclassification was posted to the Village's financial statements.
- Income Tax Daily receipts were overstated in the Special Revenue Street Fund by \$41,666. This amount should have been allocated between the General Fund and Enterprise Water Fund totaling \$28,981 and \$12,185, respectively. This allocation error was subsequently corrected by the client.
- Intergovernmental receipts amounting to \$113,298 in the General Fund were improperly recorded as Miscellaneous Revenue on the 2009 financial statements. An adjustment to reclassify the receipts was required to report the receipts properly.
- On behalf payments amounting to \$604,267 and \$49,815 in 2009 and 2008, respectively, were not recorded on the financial statements. An adjustment in the General Fund to record intergovernmental receipts and the corresponding capital outlay expenditures were required to report the on behalf payments properly.
- The rollover of notes payable was not reported in the 2008 financial statements. An adjustment to record \$176,000 of debt proceeds and debt payments in the Street Maintenance & Repair Fund was required to report the note rollover properly.

Sound financial reporting is the responsibility of the Fiscal Officer and Village Council and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

To ensure the Village's financial statements and notes to the financial statements are complete and accurate, the Village should adopt policies and procedures, including a final review of the statements and notes by the Fiscal Officer and Village Council, to identify and correct errors and omissions. The Fiscal Officer should also review the Village Handbook to ensure receipts and expenditures are posted to the proper fund and line item.

Officials' Response: The Fiscal Officer will closely monitor receipts and expenditures for proper classifications and or distribution where applicable.

FINDING NUMBER 2009-002

Noncompliance Citation

Finding for Recovery

The Village of Sugarcreek Personnel Policy and Procedure Manual Section 6.01 (Travel Expense Reimbursement) indicates that employees will be reimbursed for reasonable expenses incurred while traveling outside of the Village.

From November 2009 through December 2009, the Village Administrator Richard Rausch received \$232 in reimbursements for travel incurred within the Village.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Village Administrator Richard Rausch in the amount of \$232 and in favor of the Village's General Fund.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is liable for the amount of the expenditure. *Seward v. National Surety Corp.* (1929), 120 Ohio St. 47; 1980 Op. Att'y Gen. No. 80-074; Ohio Rev. Code Section 9.39; *State, ex. Rel. Village of Linndale v. Masten* (1985), 18 Ohio St.3d 228. Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 Op. Att'y Gen. No. 80-074.

Therefore, because the Fiscal Officer, Becky Crilow signed the warrants resulting in improper payments, she and the Western Surety Company, her bonding company, will be jointly and severally liable in the amount of \$232 to the extent that recovery is not obtained from Richard Rausch.

The Village should implement procedures to ensure employees are only reimbursed for allowable expenses in accordance to the Village's Personnel Policy and Procedure Manual.

Officials' Response: I questioned Council stating that it says out of town meetings and conferences, but they still voted to accept the invoices. I feel Council should also be held responsible if I am along with the Solicitor and Mayor who encouraged Council's decision.

FINDING NUMBER 2009-003

Noncompliance Citation

Ohio Rev. Code Section 5705.10(H) requires that monies paid into any fund be used only for the purposes for which such fund is established. The Village had negative cash fund balances during 2009 and 2008 in the following funds:

<u>Fund #</u>	<u>Fund Name</u>	<u>Range</u>
2009:		
205	Fire and EMS Levy	(\$11,977 - \$61,538)
501	Water	(\$3,528 - \$125,362)
2008:		
201	Street Construction and Repair	(\$11,295 - \$108,513)
205	Fire and EMS Levy	(\$23,791 - \$28,014)
501	Water	(\$10,274 - \$179,441)

And at December 31, 2009 and 2008 in the following fund:

<u>Fund #</u>	<u>Fund Name</u>	<u>Amount</u>
2009:		
501	Water	(\$64,315)
2008:		
501	Water	(\$113,478)

Negative cash fund balances are an indication that revenues from other sources were used to pay obligations of these funds. Additionally, money spent for purposes other than specified in grant agreements could result in the loss of future grant awards. The Fiscal Officer should monitor receipts and disbursements on a regular basis to ensure a sufficient fund balance exists before authorizing the expenditure of funds. In those cases where additional funds are required, the funds should either be transferred or advanced to the fund from the General Fund. In addition, the Fiscal Officer should obtain an amended certificate of estimated resources, in accordance with Ohio Rev. Code Section 5705.36 upon determining that the Village will not meet the estimated amount of revenue to be collected or appropriations to be expended. This will help to avoid overspending.

Officials' Response: The Fiscal Officer will monitor cash balances and water rates were increased to help reduce the negative cash balance in the Water Fund.

**VILLAGE OF SUGARCREEK
TUSCARAWAS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2009 AND 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2007-001	Financial Reporting – Several errors were noted that required audit adjustments and reclassifications.	No	Not Corrected – See Finding 2009-001
2007-002	Law Enforcement Support Office (LESO) Inventory – Lack of a formal policy regarding the use of the LESO program.	No	Partially Corrected – issued in the Management Letter
2007-003	Ohio Rev. Code Section 5705.10(H) – Negative cash balances within the Water Fund.	No	Not Corrected – See Finding 2009-005
2007-004	Ohio Rev. Code Section 5705.36(A)(4) – Expenditures exceeded total resources within the Water Fund.	Yes	Finding No Longer Valid
2007-005	Ohio Rev. Code Section 5705.39 – Appropriations exceeded available resources in several funds.	No	Partially Corrected – issued in the Management Letter
2007-006	Ohio Rev. Code Section 5705.41(D) – 31% of expenditures were not properly certified.	No	Partially Corrected – issued in the Management Letter



Mary Taylor, CPA
Auditor of State

VILLAGE OF SUGARCREEK

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
APRIL 1, 2010