



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

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2009-2008



Mary Taylor, CPA
Auditor of State



Dave Yost • Auditor of State

January 25, 2011

The attached audit report was completed and prepared for release prior to the commencement of my term of office on January 10, 2011. Thus, I am certifying this audit report for release under the signature of my predecessor.

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DAVE YOST
Auditor of State

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

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Mary Taylor, CPA Auditor of State

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

To the Board of Trustees:

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 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. 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

November 22, 2010

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Trustees:

We have audited the accompanying financial statements of the Gnadenhutten-Clay Union Cemetery District, Tuscarawas County, Ohio (the Cemetery) as of and for the years ended December 31, 2009 and 2008. These financial statements are the responsibility of the Cemetery's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

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

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 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 Cemetery as of December 31, 2009 and 2008, 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 fund cash balance of the Gnadenhutten-Clay Union Cemetery District, Tuscarawas County, Ohio, as of December 31, 2009 and 2008, and its cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes

The Cemetery 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 November 22, 2010, on our consideration of the Cemetery's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

Mary Taylor, CPA
Auditor of State

November 22, 2010

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

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

	2009	2008
Cash Receipts:		
Local Taxes	\$15,926	\$14,918
Intergovernmental	2,159	2,125
Internments	7,625	6,825
Sale of Lots	3,900	2,000
Interest	76	112
Donations	11,979	
 Total Cash Receipts	 41,665	 25,980
Cash Disbursements:		
Current:		
Salaries	5,520	4,010
Medicare	310	166
Supplies	1,504	345
Equipment	169	97
Audit Fees/Expenses	2,283	2,812
Contracts - Repair	1,684	2,336
Internment Expense	4,150	3,050
Contracts - Services	6,966	12,795
Public Employees' Retirement	2,925	1,552
Workers' Compensation	649	350
Insurance	1,108	1,282
Miscellaneous	1,191	1,218
Capital Outlay	25,663	
 Total Disbursements	 54,122	 30,013
 Total Receipts Over/(Under) Disbursements	 (12,457)	 (4,033)
Other Financing Receipts:		
Loan Proceeds	13,695	
 Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	 1,238	 (4,033)
 Fund Cash Balances, January 1	 10,990	 15,023
 Fund Cash Balances, December 31	 \$12,228	 \$10,990

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

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**GNADENHUTTEN-CLAY UNION CEMETERY DISTRICT
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 for the Gnadenhutten-Clay Union Cemetery District, Tuscarawas County, (the Cemetery) as a body corporate and politic. The Village of Gnadenhutten and Clay Township appoint a three-member Board of Trustees to direct cemetery operations. The Cemetery provides grounds maintenance, opening and closing of graves, and the sale of grave lots.

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

B. Basis of Accounting

These financial statements follow the basis of accounting the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Cemetery recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred.

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

C. Deposits and Investments

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

D. Fund Accounting

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

E. Budgetary Process

The Ohio Revised Code requires the Board to budget each fund annually.

1. Appropriations

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

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

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

3. Encumbrances

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

2. Equity in Pooled Deposits and Investments

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	\$7,033	\$5,888
Certificates of Deposit	5,195	5,102
Total deposits	12,228	10,990

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

3. Budgetary Activity

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

2009 Budgeted vs. Actual Receipts			
	Budgeted	Actual	
Fund Type	Receipts	Receipts	Variance
General	\$23,900	\$55,360	\$31,460

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
	Appropriation	Budgetary	
Fund Type	Authority	Expenditures	Variance
General	\$29,538	\$54,122	(\$24,584)

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

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

3. Budgetary Activity (Continued)

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$25,457	\$25,980	\$523

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$37,971	\$30,013	\$7,958

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

Contrary to the Ohio Rev. Code Section 5705.41(B), expenditures exceeded appropriations in 2009 by \$24,584.

4. Property Tax

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

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

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

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

5. Debt

Debt outstanding at December 31, 2009 was as follows:

	Principal	Interest Rate
Bank Loan - Tractor/Backhoe	\$13,695	5.19%

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

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

Year ending December 31:	Tractor/Backhoe
2010	\$3,124
2011	3,124
2012	3,124
2013	3,124
2014	3,124
Total	\$15,620

6. Retirement System

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

The Ohio Revised Code also prescribes contribution rates. For 2009 and 2008, OPERS members contributed 10% of their gross salaries and the Cemetery contributed an amount equaling 14% of participants' gross salaries. The Village of Gnadenhutten handles payroll for the Cemetery and then bills the Cemetery. The Cemetery has not paid all contributions required through December 31, 2009.

7. Risk Management

Commercial Insurance

The Cemetery has obtained commercial insurance for the following risks:

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



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

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

To the Board of Trustees:

We have audited the financial statements of the Gnadenhutten-Clay Union Cemetery District, Tuscarawas County, Ohio (the Cemetery) as of and for the years ended December 31, 2009 and 2008 and have issued our report thereon dated November 22, 2010, wherein we noted the Cemetery followed 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 Cemetery's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Cemetery's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Government'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 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 Cemetery's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2009-002 through 2009-004.

We also noted certain matters not requiring inclusion in this report that we reported to the Cemetery's management in a separate letter dated November 22, 2010.

The Cemetery's response to the findings identified in our audit is described in the accompanying schedule of findings. We did not audit the Cemetery's response and, accordingly, we express no opinion on it.

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



Mary Taylor, CPA
Auditor of State

November 22, 2010

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

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

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2009-001

Material Weakness

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

- In 2009, \$13,695 of loan proceeds and Capital Outlay disbursements were not posted to the Cemetery's ledgers. These amounts were adjusted to the financial statements.
- In 2009, \$11,979 of private grants/donations were recorded however the disbursements were recorded as equipment rather than as Capital Outlay. These amounts were adjusted to the financial statements.
- For both 2009 and 2008 the Financial Statements were adjusted for other immaterial amounts to agree with the Cemetery ledgers and bank statements ranging from \$11 to \$250.
- In 2009 and 2008, \$305 and \$294, respectively, of Auditor and Treasurer Fees associated with the collection of property taxes were not posted to the Cemetery's ledgers. These amounts were reported to management as unadjusted items.

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

FINDING NUMBER 2009-002

Noncompliance

Ohio Rev. Code Section 5705.41(D) requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation 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. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. **"Then and Now" Certificate** – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Cemetery can authorize the drawing of a warrant for the payment of the amount due. The Cemetery has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

FINDING NUMBER 2009-002 (Continued)

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the “then and now” certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Cemetery.

2. **Blanket Certificate** – Fiscal officers may prepare “blanket” certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. **Super Blanket Certificate** – The Cemetery may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

During fiscal years 2009 and 2008, 97% of expenditures tested were not certified as to the availability of funds by the Cemetery Clerk prior to incurring the obligations. The Cemetery Clerk should inform the Board of Trustees the requirements of Ohio Rev. Code Section 5705.41(D). The Cemetery should implement the use of so called Then and Now Certificates and Blanket Certificates as further permitted by Ohio Rev. Code Section 5705.41. However, such certifications should only be used for recurring and reasonably predictable matters or emergency matters which arise from time to time.

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

We recommend the Cemetery certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Clerk should sign the certification prior to the Cemetery incurring a commitment, and only when the requirements of 5705.41(D) are satisfied. The Clerk should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

FINDING NUMBER 2009-003

Noncompliance

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

For 2009, expenditures exceeded appropriations by \$24,584 within the General Fund. The Cemetery Clerk and Board of Trustees should frequently compare actual expenditures plus outstanding encumbrances to appropriations at the legal level of control to avoid overspending.

FINDING NUMBER 2009-004

Noncompliance - Borrowing From Financial Institutions

The powers and duties of a Cemetery Board are set forth in **Ohio Rev. Code Chapter 759**. Additionally, **Ohio Attorney General Opinion No. 90-066** provides that a Cemetery Board is a creature of statute, and therefore its authority is limited to the powers and duties expressly granted by statute and those powers and duties necessarily implied by such express grant. Nowhere in Chapter 759, however, is there authority for a Union Cemetery District board to borrow funds from a financial institution.

In 2009, the Cemetery entered into a \$13,695 loan with a financial institution to purchase equipment. We recommend the Cemetery only enter into legally permissible debt arrangements and seek the advice of legal counsel before contemplating such arrangements.

Officials' Response: We applied for grants to cover the total amount of the tractor/backhoe purchase, however we only received half of what was applied for. We were able to borrow the remaining amount from our financial institution.

**GNADENHUTTEN-CLAY UNION CEMETERY DISTRICT
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	Ohio Rev. Code Section 2921.42(A)(1) and Ohio Rev. Code Section 102.03(D) – Trustee seconded forgiveness of an advance of payroll for his wife who is the clerk.	Yes	
2007-002	Ohio Rev. Code Section 5705.41(D) – 88% of expenditures not properly certified	No	Repeated as Finding 2009-002
2007-003	Ohio Rev. Code Section 5705.41(B) – Expenditures exceeded appropriations	No	Repeated as Finding 2009-003
2007-004	Ohio Rev. Code Section 5705.38(A) - The cemetery did not formally adopt the annual appropriation measure for fiscal year 2007.	No	Partially corrected See Management Letter



Mary Taylor, CPA
Auditor of State

GNADENHUTTEN-CLAY UNION CEMETERY DISTRICT

TUSCARAWAS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JANUARY 25, 2011