REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2009-2010



Dave Yost • Auditor of State

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Dave Yost • Auditor of State

Village of Tuscarawas Tuscarawas County 522 E. Cherry Street P.O. Box 388 Tuscarawas, Ohio 44682

To the Honorable Mayor and 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 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.

Dave Yost Auditor of State

August 1, 2011

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Dave Yost · Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Tuscarawas Tuscarawas County 522 E. Cherry Street P.O. Box 388 Tuscarawas, Ohio 44682

To the Honorable Mayor and Village Council:

We have audited the accompanying financial statements of the Village of Tuscarawas, Tuscarawas County, (the Village) as of and for the years ended December 31, 2010 and 2009. 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. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. 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 Village of Tuscarawas Tuscarawas County Independent Accountants' Report Page 2

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, 2010 and 2009 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, 2010 and 2009, or its changes in financial position, or cash flows, where applicable 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 Tuscarawas, Tuscarawas County, as of December 31, 2010 and 2009, 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 August 1, 2011, 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.

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Dave Yost Auditor of State

August 1, 2011

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES ALL GOVERNMENTAL FUND TYPES FOR THE YEAR ENDED DECEMBER 31, 2010

	Governmental Fund Types		
	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts:			
Property and Local Taxes	\$60,871	\$54,609	\$115,480
Municipal Income Tax	60,729		60,729
Intergovernmental	54,012	45,490	99,502
Special Assessments	941		941
Charges for Services	69,751		69,751
Fines, Licenses and Permits	1,794		1,794
Earnings on Investments	4,680	246	4,927
Miscellaneous	25,364	5,000	30,364
Total Cash Receipts	278,141	105,346	383,487
Cash Disbursements: Current:			
Security of Persons and Property	52,009	110	52,119
Public Health Services	495		495
Leisure Time Activities		15,671	15,671
Community Environment	5,498		5,498
Basic Utility Service	45,106		45,106
Transportation		112,454	112,454
General Government	87,412		87,412
Capital Outlay	27,003		27,003
Total Cash Disbursements	217,524	128,234	345,758
Total Receipts Over/(Under) Disbursements	60,618	(22,889)	37,729
Other Financing Receipts/(Disbursements):			
Other Financing Uses	(30,022)		(30,022)
Total Other Financing Receipts/(Disbursements)	(30,022)	0	(30,022)
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements			
and Other Financing Disbursements	30,596	(22,889)	7,707
Fund Cash Balances, January 1	195,855	231,071	426,926
Fund Cash Balances, December 31	\$226,450	\$208,183	\$434,633

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

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			
	General	Special Revenue	Totals (Memorandum Only)	
Cash Receipts:				
Property and Local Taxes	\$51,899	\$49,368	\$101,267	
Municipal Income Tax	61,869	<i> </i>	61,869	
Intergovernmental	42,708	165,702	208,410	
Special Assessments	1,015	,	1,015	
Charges for Services	64,571		64,571	
Fines, Licenses and Permits	1,593		1,593	
Earnings on Investments	5,624	296	5,920	
Miscellaneous	2,937		2,937	
Total Cash Receipts	232,216	215,366	447,582	
Cash Disbursements:				
Current:				
Security of Persons and Property	45,290		45,290	
Public Health Services	500		500	
Leisure Time Activities		125,004	125,004	
Community Environment	8,708		8,708	
Basic Utility Service	39,201		39,201	
Transportation	, -	85,115	85,115	
General Government	87,522	850	88,372	
Debt Service:	0.,0		00,01 -	
Redemption of Principal		112,848	112,848	
Interest and Fiscal Charges		415	415	
Capital Outlay	16,396		16,396	
Total Cash Disbursements	197,616	324,233	521,849	
Total Receipts Over/(Under) Disbursements	34,600	(108,867)	(74,267)	
Other Financing Receipts/(Disbursements):				
Proceeds from Sale of Notes		112,848	112,848	
Other Financing Uses	(3,837)		(3,837)	
Total Other Financing Receipts/(Disbursements)	(3,837)	112,848	109,011	
Excess of Cash Receipts and Other Financing				
Receipts Over Cash Disbursements				
and Other Financing Disbursements	30,763	3,982	34,745	
Fund Cash Balances, January 1	165,091	227,090	392,181	
Fund Cash Balances, December 31	\$195,855	\$231,071	\$426,926	

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

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES - ENTERPRISE FUNDS FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010	2009
Operating Cash Receipts:		
Charges for Services	\$255,889	\$243,364
Miscellaneous	69	0
Total Operating Cash Receipts	255,958	243,364
Operating Cash Disbursements:		
Personal Services	86,444	73,659
Employee Fringe Benefits	26,174	24,264
Contractual Services	33,705	48,443
Supplies and Materials	56,574	52,756
Other	150	
Total Operating Cash Disbursements	203,047	199,120
Operating Income	52,911	44,244
Non-Operating Cash Receipts:		
Special Assessments		8,694
Intergovernmental	100,197	
Other Debt Proceeds	22,192	
Total Non-Operating Cash Receipts	122,389	8,694
Non-Operating Cash Disbursements:		
Capital Outlay	185,699	6,216
Total Non-Operating Cash Disbursements	185,699	6,216
Net Receipts Over/(Under) Disbursements	(10,399)	46,722
Fund Cash Balances, January 1	297,207	250,485
Fund Cash Balances, December 31	\$286,808	\$297,207

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

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NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2010 AND 2009

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 Tuscarawas, Tuscarawas County, (the Village) as a body corporate and politic. A publiclyelected six-member Council directs the Village. The Mayor is elected to a four-year term and votes only to break a tie.

The Village provides general government services, water and sewer utilities, maintenance of Village roads and bridges, park operations, and police services. The Village also provides joint fire protection services with Warwick Township Volunteer Fire Department.

The Village is associated with certain organizations which are defined as jointly governed organizations under Governmental Accounting Standards Board (GASB) No. 14, Reporting Entity. These organizations are presented in Note 10 and include:

- Tuscarawas County Regional Planning Commission
- Tuscarawas County Tax Incentive Review Council

The Village 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.

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2010 AND 2009 (Continued)

1. Summary of Significant Accounting Policies (Continued)

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.

2. Special Revenue Funds

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

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

<u>Street Levy</u> – This fund receives real estate tax money for constructing, maintaining, and repairing Village streets.

<u>ODNR Boat Ramp</u> – This fund received grant money from the Ohio Department of Natural Resources to construct a boat ramp on the Tuscarawas River.

3. 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:

<u>Water Fund</u> - This fund receives charges for services from residents and commercial users to cover water service costs.

<u>Sewer Fund</u> - This fund receives charges for services from residents and commercial users to cover sewer service costs.

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2010 AND 2009 (Continued)

1. Summary of Significant Accounting Policies (Continued)

E. Budgetary Process (Continued)

1. Appropriations (Continued)

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. Appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus 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 canceled, and reappropriated in the subsequent year.

A summary of 2010 and 2009 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:

	2010	2009
Demand deposits	\$17,621	\$43,623
Repurchase agreement	703,820	680,510
Total deposits and investments	\$721,441	\$724,133

Deposits: Deposits are insured by the Federal Depository Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Village. Contrary to Ohio Revised Code, the market value of securities purchased for repurchase did not exceed the cash balance by 2%.

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2010 AND 2009 (Continued)

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2010 and 2009 follows:

2010 Budgeted vs. Actual Receipts			
Budgeted Actual			
Fund Type	Receipts	Receipts	Variance
General	\$257,011	\$278,141	\$21,130
Special Revenue	97,610	105,346	7,736
Enterprise	404,371	378,347	(26,024)
Total	\$758,992	\$761,834	\$2,842

2010 Rudgeted ve	Actual Budgata	v Bacic Expandituras
ZUTU Dudgeled vs.	Actual Dudgetar	y Basis Expenditures

	Appropriation	Budgetary	
Fund Type	Authority	Expenditures	Variance
General	\$458,435	\$247,546	\$210,889
Special Revenue	323,108	128,234	194,874
Enterprise	701,576	388,746	312,830
Total	\$1,483,119	\$764,526	\$718,593

2009 Budgeted vs. Actual Receipts			
	Budgeted	Actual	
Fund Type	Receipts	Receipts	Variance
General	\$240,150	\$232,216	(\$7,934)
Special Revenue	324,440	328,214	3,774
Enterprise	240,000	252,058	12,058
Total	\$804,590	\$812,488	\$7,898

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
	Appropriation	Budgetary	
Fund Type	Authority	Expenditures	Variance
General	\$413,900	\$201,453	\$212,447
Special Revenue	542,765	324,233	218,532
Enterprise	490,450	205,336	285,114
Total	\$1,447,115	\$731,022	\$716,093

Contrary to Ohio Rev. Code Section 5705.41(D), the Village did not always certify the availability of funds for certain expenditures during 2010 and 2009.

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2010 AND 2009 (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 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, 2010 was as follows:

	Principal	Interest Rate
Ohio Public Works Commission	22,192	0%
Total	\$22,192	

The Ohio Public Works Commission (OPWC) loan relates to a water and sewer lift station on Park Drive in the Village. The Village will repay the loan in semiannual installments of \$554.80, interest free, over 20 years.

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2010 AND 2009 (Continued)

6. Debt (Continued)

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

Year ending December 31:	OPWC Loan
2011	\$1,110
2012	1,110
2013	1,110
2014	1,110
2015	1,110
2016-2020	5,548
2021-2025	5,548
2026-2030	5,548
Total	\$22,192

7. Retirement Systems

The Village's employees and part-time Police Officers belong to the Ohio Public Employees Retirement System (OPERS). OPERS is cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes this plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2010 and 2009, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2010.

8. Risk Management

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

The Village insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2010 AND 2009 (Continued)

8. Risk Management (Continued)

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2009, PEP retained \$350,000 for casualty claims and \$150,000 for property claims.

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

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, 2009 and 2008 (the latest information available):

	<u>2009</u>	<u>2008</u>
Assets	\$36,374,898	\$35,769,535
Liabilities	<u>(15,256,862)</u>	<u>(15,310,206)</u>
Net Assets	<u>\$21,118,036</u>	<u>\$20,459,329</u>

At December 31, 2009 and 2008, respectively, the liabilities above include approximately \$14.1 million and \$13.7 million of estimated incurred claims payable. The assets above also include approximately \$13.7 million and \$12.9 million of unpaid claims to be billed to approximately 447 member governments in the future, as of December 31, 2009 and 2008, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2009, the Village's share of these unpaid claims collectible in future years is approximately \$13,395.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

Contributions to PEP		
<u>2010</u>	<u>2009</u>	
\$14,250	\$14,510	

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP.

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2010 AND 2009 (Continued)

8. Risk Management (Continued)

Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

9. Related Party Transactions

The Village purchased items/services from local businesses owned by officials' of the Village during fiscal years 2010 and 2009 which would be considered related party transactions as shown below:

Vendor	2010	2009
Lock 15 Water Supply	\$181	\$178
Nick Myers Electric Service		223

10. Jointly Governed Organizations

The Village participates in the Tuscarawas County Regional Planning Commission (Commission) which is a statutorily created political subdivision of the State. The Commission is jointly governed by Tuscarawas County and other cities, villages and Villages within the County. The principle aim of the Commission is to provide comprehensive planning, both long and short-term, dealing with the economic and physical environment of Tuscarawas County. The board exercises total authority for the day-to-day operations of the Commission. These include budgeting, appropriating, contracting and designating management. The Village has no financial responsibility for any of the Commission's liabilities. Complete financial statements can be obtained from the Tuscarawas County Regional Planning Commission, Tuscarawas County, Ohio.

The Village also participates in the Tuscarawas County Tax Incentive Review Council (Council), which is a jointly governed organization, created as a regional council of governments pursuant to State statutes. The Council has 22 members, consisting of three members appointed by the County Commissioners, four members appointed by municipal corporations, six members appointed by Village trustees, one member from the County Auditor's Office and eight members appointed by boards of education located within the County. The Council review and evaluates the performance of each enterprise zone agreement. This body is advisory in nature and cannot directly impact an existing enterprise zone agreement; however, the Council can make written recommendations to the legislative authority.



Dave Yost · 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 Tuscarawas Tuscarawas County 522 E. Cherry Street PO Box 388 Tuscarawas, Ohio 44682

To the Honorable Mayor and Village Council:

We have audited the financial statements of the Village of Tuscarawas, Tuscarawas County, (the Village) as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated August 1, 2011, wherein we noted the Village followed accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We also noted the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. 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 opinion 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 a material weakness.

Village of Tuscarawas Tuscarawas County Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards* Page 2

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 2010-003 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 2010-001 through 2010-002.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated August 1, 2011.

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 management, Village Council, and others within the Village. We intend it for no one other than these specified parties.

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Dave Yost Auditor of State

August 1, 2011

VILLAGE OF TUSCARAWAS TUSCARAWAS COUNTY DECEMBER 31, 2010 AND 2009

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

1. Ohio Revised Code Section 5705.41(D)

Finding Number	2010-001

NONCOMPLIANCE

Ohio Rev. Code Section 5705.41(D) requires no subdivision or taxing unit 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 Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

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 the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.

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 Village 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.

Village of Tuscarawas Tuscarawas County Schedule of Findings Page 2

FINDING NUMBER 2010-001 (Continued)

During 2010 and 2009, 21% (8 out of 39) of expenditures tested were not certified as to the availability of funds by the Village prior to incurring the obligations. The Village has implemented the use of so called Then and Now Certificates and Blanket Certificates as further permitted by Ohio Rev. Code Section 5705.41. However, none of the exceptions permitted were used for the exceptions noted above.

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 Village's funds exceeding budgetary spending limitations, we recommend that the Fiscal Officer certify the funds are or will be available prior to the obligation by the Village. When prior certification is not possible "then and now" certification should be used.

The Village should 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 Fiscal Officer should sign the certification at the time the Village incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation. The Village should also obtain a resolution or ordinance from Council for those expenditures over \$3,000 needing a "Then and Now" certificate

Official's Response: The Fiscal Officer will use Then and Now certifications were appropriate.

2. Ohio Rev. Code Section 135.14

Finding Number	2010-002

NONCOMPLIANCE

Ohio Rev. Code Section 135.14 requires the market value of securities subject to an overnight repurchase agreement must exceed the cash invested subject to the repurchase agreement by 2%. During 2010 and 2009, the market value of securities did not exceed the principal value by 2% in 10 out of 10 (100%) months reviewed ranging from .06% to 1.98%.

The Village should review the sweep account and work with their financial institution to ensure the market value of securities exceeds the cash invested by 2 percent. This will help ensure the Village is complying with the Revised Code Section requirement.

Official's Response: The Village has addressed and corrected this issue.

3. Financial Reporting

Finding Number	2010-003

MATERIAL WEAKNESS

As a result of the audit procedures performed, errors were noted in the financial statements that required audit adjustments or reclassifications.

In 2010, \$9,950 in General Fund, \$1,038 Special Revenue Park Levy and \$2,145 Special Revenue Street Levy Funds Homestead and Rollback receipts were classified as taxes instead of intergovernmental. Also during 2010, \$18,941 of local grants and special assessments were recorded as a special item. In 2009, \$6,420 of Homestead and Rollback Intergovernmental receipts were recorded in the General Fund and should have been posted to the Special Revenue Funds Park Levy (\$2,087) and Street Levy (\$4,333). Also during 2009, \$5,824 of intergovernmental and special assessments were recorded as a special item.

In addition during 2010, \$31,913 in Sewer Operating and \$32,185 Sewer Capital Improvement Funds were classified as debt proceeds instead of intergovernmental for the OPWC project.

The Village has agreed to these audit adjustments and reclassifications and has posted the adjustments to their ledgers which are also reflected in the financial statements.

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

To help 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 Council, to identify and correct errors and omissions. The Fiscal Officer should also review the UAN chart of accounts and the Village Handbook's chart of accounts to help ensure all accounts are being properly posted to the financial statements.

Official's Response: The Fiscal Officer has addressed the issue and is taking note of the reclassifications for future receipts.

SCHEDULE OF PRIOR AUDIT FINDINGS DECEMBER 31, 2010 and 2009

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2008-001	Ohio Rev. Code Section 5705.41(D) - Expenditures not certified prior to incurring the obligation.	No	Not corrected. Refer to Finding Number 2010-001.
2008-002	Ohio Rev. Code Section 135.14 – The market value of securities subject to an overnight repurchase agreement must exceed the cash invested subject to the repurchase agreement by 2%.	No	Not corrected. Refer to Finding 2010-002.
2008-003	Financial Reporting – There were numerous errors that required audit adjustments and reclassifications.	No	Not corrected. Refer to Finding Number 2010-003.



Dave Yost • Auditor of State

VILLAGE OF TUSCARAWAS

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 Babbett

CLERK OF THE BUREAU

CERTIFIED AUGUST 30, 2011

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