

# ***VILLAGE OF SUGARCREEK***

**TUSCARAWAS COUNTY, OHIO**

**AUDIT REPORT**

**For the Years Ended December 31, 2013 and 2012**







# Dave Yost • Auditor of State

Village Council  
Village of Sugarcreek  
410 South Broadway  
Sugarcreek, Ohio 44681

We have reviewed the *Independent Auditor's Report* of the Village of Sugarcreek, Tuscarawas County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2012 through December 31, 2013. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Sugarcreek is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

July 10, 2014

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VILLAGE OF SUGARCREEK  
TUSCARAWAS COUNTY

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***Charles E. Harris & Associates, Inc.***  
*Certified Public Accountants*

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## INDEPENDENT AUDITOR'S REPORT

Village of Sugarcreek  
Tuscarawas County  
410 South Broadway  
Sugarcreek, Ohio 44681

To the Village Council:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements and related notes of the Village of Sugarcreek, Tuscarawas County, Ohio, (the Village) as of and for the years ended December 31, 2013 and 2012.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 1 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***


In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2013 and 2012, or changes in financial position or cash flows thereof for the years then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Sugarcreek, Tuscarawas County, Ohio as of December 31, 2013 and 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 25, 2014, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



***Charles E. Harris & Associates, Inc.***  
May 25, 2014



**VILLAGE OF SUGARCREEK  
TUSCARAWAS COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$276,731	\$111,000	-	\$387,731
Municipal Income Tax	897,782	359,418	-	1,257,200
Intergovernmental	136,474	177,976	-	314,450
Charges for Services	9,911	91,000	-	100,911
Fines, Licenses and Permits	3,313	-	-	3,313
Earnings on Investments	3,230	-	-	3,230
Miscellaneous	15,594	1,193	-	16,787
<i>Total Cash Receipts</i>	<u>1,343,035</u>	<u>740,587</u>	<u>-</u>	<u>2,083,622</u>
<b>Cash Disbursements</b>				
Current:				
Security of Persons and Property	472,058	100,829	-	572,887
Public Health Services	2,300	-	-	2,300
Leisure Time Activities	18,424	-	-	18,424
Community Environment	10,094	-	-	10,094
Basic Utility Services	123,020	-	-	123,020
Transportation	3,713	314,519	-	318,232
General Government	281,134	2,264	-	283,398
Capital Outlay	390,069	80,107	-	470,176
Debt Service:				
Principal Retirement	58,415	150,671	-	209,086
Interest and Fiscal Charges	6,653	8,641	-	15,294
<i>Total Cash Disbursements</i>	<u>1,365,880</u>	<u>657,031</u>	<u>-</u>	<u>2,022,911</u>
<i>Excess of Receipts Over Disbursements</i>	(22,845)	83,556	-	60,711
<b>Other Financing Receipts (Disbursements)</b>				
Transfers In	-	77,742	-	77,742
Transfers Out	(177,742)	-	-	(177,742)
Other Financing Sources	-	8,007	-	8,007
Other Financing Uses	-	(695)	-	(695)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(177,742)</u>	<u>85,054</u>	<u>-</u>	<u>(92,688)</u>
<i>Net Change in Fund Cash Balances</i>	(200,587)	168,610	-	(31,977)
<i>Fund Cash Balances, January 1</i>	<u>453,462</u>	<u>(4,488)</u>	<u>\$1,719</u>	<u>450,693</u>
<b>Fund Cash Balances, December 31</b>				
Restricted	-	194,498	1,719	196,217
Unassigned (deficit)	252,875	(30,376)	-	222,499
<i>Fund Cash Balances, December 31</i>	<u>\$252,875</u>	<u>\$164,122</u>	<u>\$1,719</u>	<u>\$418,716</u>

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

**VILLAGE OF SUGARCREEK  
TUSCARAWAS COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Enterprise
<b>Operating Cash Receipts</b>	
Charges for Services	\$973,016
Fines, Licenses and Permits	11,515
Miscellaneous	24,405
	1,008,936
<i>Total Operating Cash Receipts</i>	
<b>Operating Cash Disbursements</b>	
Personal Services	280,093
Employee Fringe Benefits	1,025
Contractual Services	61,780
Supplies and Materials	264,992
	607,890
<i>Total Operating Cash Disbursements</i>	
<i>Operating Income</i>	401,046
<b>Non-Operating Receipts (Disbursements)</b>	
Sale of Capital Assets	150
Capital Outlay	(44,709)
Principal Retirement	(446,241)
Interest and Other Fiscal Charges	(82,541)
	(573,341)
<i>Total Non-Operating Cash Disbursements</i>	
<i>Excess of Receipts Over Disbursements Before Transfers</i>	(172,295)
Transfers In	100,000
	(72,295)
<i>Net Change in Fund Cash Balances</i>	
<i>Fund Cash Balances, January 1</i>	1,693,285
	1,693,285
<i>Fund Cash Balances, December 31</i>	\$1,620,990

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

**VILLAGE OF SUGARCREEK  
TUSCARAWAS COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$297,787	\$125,207	-	\$422,994
Municipal Income Tax	770,694	257,691	-	1,028,385
Intergovernmental	127,706	187,716	-	315,422
Special Assessments	5,000	-	-	5,000
Charges for Services	6,875	49,000	-	55,875
Fines, Licenses and Permits	2,617	-	-	2,617
Earnings on Investments	3,389	1,010	-	4,399
Miscellaneous	11,147	14,738	-	25,885
<i>Total Cash Receipts</i>	<u>1,225,215</u>	<u>635,362</u>	<u>-</u>	<u>1,860,577</u>
<b>Cash Disbursements</b>				
Current:				
Security of Persons and Property	366,814	105,095	-	471,909
Public Health Services	2,229	-	-	2,229
Leisure Time Activities	18,818	-	-	18,818
Community Environment	9,745	-	-	9,745
Basic Utility Services	126,827	-	-	126,827
Transportation	6,291	208,949	-	215,240
General Government	373,220	2,636	-	375,856
Capital Outlay	132,082	104,597	-	236,679
Debt Service:				
Principal Retirement	33,450	166,383	-	199,833
Interest and Fiscal Charges	8,087	13,024	-	21,111
<i>Total Cash Disbursements</i>	<u>1,077,563</u>	<u>600,684</u>	<u>-</u>	<u>1,678,247</u>
<i>Excess of Receipts Over Disbursements</i>	147,652	34,678	-	182,330
<b>Other Financing Receipts (Disbursements)</b>				
Sale of Notes	25,940	-	-	25,940
Sale of Capital Assets	-	11,687	-	11,687
Transfers Out	(100,000)	-	-	(100,000)
Other Financing Sources	25,750	4,660	-	30,410
Other Financing Uses	(10,893)	(5,794)	-	(16,687)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(59,203)</u>	<u>10,553</u>	<u>-</u>	<u>(48,650)</u>
<i>Net Change in Fund Cash Balances</i>	88,449	45,231	-	133,680
<i>Fund Cash Balances, January 1</i>	<u>365,013</u>	<u>(49,719)</u>	<u>\$1,719</u>	<u>317,013</u>
<b>Fund Cash Balances, December 31</b>				
Restricted	-	62,805	1,719	64,524
Unassigned (Deficit)	<u>453,462</u>	<u>(67,293)</u>	<u>-</u>	<u>386,169</u>
<i>Fund Cash Balances, December 31</i>	<u>\$453,462</u>	<u>(\$4,488)</u>	<u>\$1,719</u>	<u>\$450,693</u>

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

**VILLAGE OF SUGARCREEK  
TUSCARAWAS COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Enterprise
<b>Operating Cash Receipts</b>	
Charges for Services	\$941,544
Fines, Licenses and Permits	9,813
Miscellaneous	36,933
<i>Total Operating Cash Receipts</i>	988,290
<b>Operating Cash Disbursements</b>	
Personal Services	280,055
Transportation	2,719
Contractual Services	68,547
Supplies and Materials	294,738
<i>Total Operating Cash Disbursements</i>	646,059
<i>Operating Income</i>	342,231
<b>Non-Operating Receipts (Disbursements)</b>	
Property and Other Local Taxes	112,561
Earnings on Investments	74
Sale of Capital Assets	513
Capital Outlay	(55,398)
Principal Retirement	(401,488)
Interest and Other Fiscal Charges	(97,115)
Other Financing Uses	(8,170)
<i>Total Non-Operating Disbursements</i>	(449,023)
<i>Excess of Receipts Over Disbursements Before Transfers</i>	(106,792)
Transfers In	100,000
<i>Net Change in Fund Cash Balances</i>	(6,792)
<i>Fund Cash Balances, January 1</i>	1,700,077
<i>Fund Cash Balances, December 31</i>	\$1,693,285

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

**VILLAGE OF SUGARCREEK  
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDING DECEMBER 31, 2013 AND 2012**

**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, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides general government services, 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 accounts for and reports all financial resources not accounted for and reported in another fund.

VILLAGE OF SUGARCREEK  
TUSCARAWAS COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDING DECEMBER 31, 2013 AND 2012  
(Continued)

1. **Summary of Significant Accounting Policies (continued)**

2. **Special Revenue Funds**

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. 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 Services Levy Fund - This fund receives tax proceeds to fund Village emergency medical response services.

3. **Capital Project Funds**

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. 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 the Ohio Water Development Authority debt related to the sewer improvement projects.

VILLAGE OF SUGARCREEK  
TUSCARAWAS COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDING DECEMBER 31, 2013 AND 2012  
(Continued)

1. Summary of Significant Accounting Policies (continued)

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function, or object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. 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 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 certify all commitments required by Ohio law.

A summary of 2013 and 2012 budgetary activity appears in Note 3.

F. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

VILLAGE OF SUGARCREEK  
TUSCARAWAS COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDING DECEMBER 31, 2013 AND 2012  
(Continued)

1. Summary of Significant Accounting Policies (continued)

F. Fund Balance (continued)

3. Committed

Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G. 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.

H. 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.



**VILLAGE OF SUGARCREEK  
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDING DECEMBER 31, 2013 AND 2012  
(Continued)**

**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:

	2013	2012
Demand deposits	\$2,039,706	\$901,194
Certificates of deposit	-	1,242,784
Total deposits and investments	\$2,039,706	\$2,143,978

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

**3. Budgetary Activity**

Budgetary activity for the years ending December 31, 2013 and 2012 follows:

2013 Budgeted vs. Actual Receipts

	Budgeted	Actual	
Fund Type	Receipts	Receipts	Variance
General	\$1,345,671	\$1,343,035	(\$2,636)
Special Revenue	839,342	826,336	(13,006)
Enterprise	1,162,681	1,109,086	(53,595)
Total	\$3,347,694	\$3,278,457	(\$69,237)

2013 Budgeted vs. Actual Budgetary Basis Disbursements

	Appropriation	Budgetary	
Fund Type	Authority	Disbursements	Variance
General	\$1,744,061	\$1,543,622	\$200,439
Special Revenue	708,223	657,726	50,497
Enterprise	2,723,528	1,181,381	1,542,147
Total	\$5,175,812	\$3,382,729	\$1,793,083

**VILLAGE OF SUGARCREEK  
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDING DECEMBER 31, 2013 AND 2012  
(Continued)**

**3. Budgetary Activity (continued)**

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,432,850	\$1,276,905	(\$155,945)
Special Revenue	818,444	651,709	(166,735)
Enterprise	1,574,325	1,201,438	(372,887)
Total	\$3,825,619	\$3,130,052	(\$695,567)

2012 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$1,464,238	\$1,188,456	\$275,782
Special Revenue	751,137	606,478	144,659
Enterprise	3,349,058	1,208,230	2,140,828
Total	\$5,564,433	\$3,003,164	\$2,561,269

**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.

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.

**VILLAGE OF SUGARCREEK  
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDING DECEMBER 31, 2013 AND 2012  
(Continued)**

**6. Debt**

Debt outstanding at December 31, 2013 was as follows:

	Principal	Interest Rate
General Obligation Notes	\$307,899	4.2 to 5%
General Obligation Bonds	604,850	5.5 to 8%
Ohio Public Works Commission Loan	182,663	0%
Ohio Water Development Authority Loan	1,130,675	3.4 to 5.5%
Total	\$2,226,087	

The prior audit's ending OWDA debt balance was overstated by \$2,060.

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 Village overpaid on OWDA Loan #3461 from July 1, 2002 to July 1, 2012 for a total of \$2,496; this reduced the remaining payments from \$19,228 a year to \$18,737. The debt is scheduled to be paid off on January 1, 2022.

The General Obligation Bond proceeds were used to finance water and sewer system improvements, purchase road equipment and the clock tower.

The Ohio Public Works Commission (OPWC) loan proceeds were used for the construction of the Shanesville Water Tank.

The General Obligation 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. It was originally issued in 2003 and the Village rolls it over every year.

The Village entered into a promissory note to purchase a police vehicle, Chevy Tahoe at a cost of \$25,940 on March 19, 2012. The Village paid off the note on March 20, 2013.

**VILLAGE OF SUGARCREEK  
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDING DECEMBER 31, 2013 AND 2012  
(Continued)**

**6. Debt (continued)**

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

Year ending December 31:	OPWC Loans	OWDA Loans	General Obligation Notes	General Obligation Bonds
2014	\$19,228	\$294,443	\$104,243	\$171,945
2015	19,228	267,435	104,243	174,160
2016	19,228	267,435	30,233	169,403
2017	19,228	150,558	23,892	164,357
2018	19,228	33,681	23,892	144,312
2019-2023	86,523	140,299	71,675	65,000
2024-2028	-	74,717	-	-
2029-2030	-	22,413	-	-
Total	<u>\$182,663</u>	<u>\$1,250,981</u>	<u>\$358,178</u>	<u>\$889,177</u>

**7. Capital Lease**

The Village 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.

The final lease principal of \$39,961 and interest of \$2,058 is scheduled to be paid off by year end December 31, 2014.

**8. Retirement Systems**

The Village's full-time 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 2013 and 2012, OP&F participants contributed 10% of their wages. As of July 1, 2013, OP&F participants began to contribute 10.75%. For 2013 and 2012, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2013 and 2012, OPERS members contributed 10%, respectively, 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, 2013.

**VILLAGE OF SUGARCREEK  
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDING DECEMBER 31, 2013 AND 2012  
(Continued)**

**9. Risk Management**

**Commercial Insurance**

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles;
- Commercial Inland Marine;
- Employers liability;
- Employees benefits liability;
- Errors and omissions.

Settled claims have not exceeded coverage in any of the last three years and there was no significant reduction in coverage from the prior year.

**10. Compliance**

- The Township had expenditures in excess of appropriations in 2013 and 2012, contrary to Ohio Revised Code Section 5705.41(B).
- Contrary to the Ohio Revised Code Section 5705.39 the Township had appropriations in excess of estimated resources in several funds in 2013 and 2012.
- Contrary to the Section 5705.10(H) the Township had negative fund balances in a one fund in 2013 and two funds in 2012.

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Fax - (216) 436-2411

***Charles E. Harris & Associates, Inc.***  
*Certified Public Accountants*

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

Village of Sugarcreek  
Tuscarawas County  
410 South Broadway  
Sugarcreek, Ohio 44681

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of Sugarcreek, Tuscarawas County, Ohio (the Village) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements and have issued our report thereon dated May 25, 2014, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit.

***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

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 combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

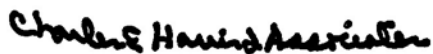
***Compliance and Other Matters***

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, opining 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 2013-001 through 2013-003.

We also noted certain matters not requiring inclusion in this report that we reported to the Authority's management in a separate letter dated May 25, 2014.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



*Charles E. Harris & Associates, Inc.*  
May 25, 2014

**VILLAGE OF SUGARCREEK  
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2013 AND 2012**

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

**FINDING NUMBER 2013-001**

**Noncompliance Citation**

Section 5705.39, Revised Code, provides in part that total appropriations from each fund shall not exceed the total estimated resources. No appropriation measure is effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate. The funds listed below had appropriations exceeding the total estimated resources.

2012	
Enterprise Funds	
Sewer Debt Svc	\$ (218,668)

**FINDING NUMBER 2013-002**

**Noncompliance Citation**

Ohio Revised 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 at December 31, 2013 and 2012 as follows:

Fund	
<u>2013</u>	
Special Revenue Funds:	
Fire & EMS Levy	\$ (30,376)
<u>2012</u>	
Special Revenue Funds:	
Fire & EMS Levy	\$ (67,293)
Enterprise Funds:	
Water	(78,129)

Negative cash fund balances are an indication that revenues from other sources were used to pay the 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.



VILLAGE OF SUGARCREEK  
TUSCARAWAS COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2013 AND 2012

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

FINDING NUMBER 2013-003

**Noncompliance Citation**

Section 5705.41 (B), Revised Code, prohibits the Village from making an expenditure unless it has been properly appropriated. The following funds were found to have disbursements and encumbrances in excess of appropriations at December 31, 2013 and 2012:

Fund	Variance
<u>2013</u>	
Special Revenue Funds:	
Fire & EMS Levy	\$ (42,123)
<u>2012</u>	
Special Revenue Funds	
SCM&R	\$ (29,054)

We recommend management monitor all budgetary activity on a regular basis to avoid expenditures from exceeding appropriations.

**VILLAGE OF SUGARCREEK  
TUSCARAWAS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2013 AND 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2011-Sugarcreek-001	ORC §5705.10(H) Negative fund balances in several funds	No	See Finding 2013 – 002
2011-Sugarcreek-002	ORC §5705.41(B) Expenditures exceed appropriations	No	See Finding 2013 – 003
2011-Sugarcreek-003	ORC §5705.14, 5705.15, 5705.16 Improper fund transfers	Yes	
2011-Sugarcreek-004	Ohio Admin Code §117-2-02(A).Maintain sufficient accounting records	Yes	
2011-Sugarcreek-005	ORC §5705.41(D) Certification of available funds	No	Moved to management letter
2011-Sugarcreek-006	ORC §5705.39 Appropriations exceed the total estimated resources	No	See Finding 2013 - 001



# Dave Yost • 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  
JULY 22, 2014**