



Dave Yost • Auditor of State



VILLAGE OF TUSCARAWAS  
TUSCARAWAS COUNTY  
DECEMBER 31, 2016 AND 2015

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Village of Tuscarawas  
Tuscarawas County  
522 E. Cherry St.  
Tuscarawas, Ohio 44682

To the Village Council:

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

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Tuscarawas, Tuscarawas County, Ohio (the Village), as of and for the years ended December 31, 2016 and 2015.

### ***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 Rev. Code § 117.38 and Ohio Admin. Code § 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 2 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Rev. Code § 117.38 and Ohio Admin. Code § 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

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Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Rev. Code § 117.38 and Ohio Admin. Code § 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

***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, 2016 and 2015, and the respective 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 cash balances, receipts and disbursements by fund type, and related notes of the Village of Tuscarawas, Tuscarawas County, Ohio, as of December 31, 2016 and 2015, for the years then ended in accordance with the financial reporting provisions Ohio Rev. Code § 117.38 and Ohio Admin. Code § 117-2-03(D) permit, described in Note 2.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2017, 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.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

October 12, 2017

VILLAGE OF TUSCARAWAS, TUSCARAWAS COUNTY

**Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Cash Basis)**

For the Year Ended December 31, 2016

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts</b>				
Property and Other Taxes	\$53,858	\$47,320	\$0	\$101,178
Municipal Income Tax	77,233	0	0	77,233
Intergovernmental	27,607	58,991	0	86,598
Charges for Services	48,488	0	0	48,488
Fines, Licenses and Permits	1,718	0	0	1,718
Earnings on Investments	2,282	395	0	2,677
Miscellaneous	15,292	7,046	0	22,338
<i>Total Cash Receipts</i>	<u>226,478</u>	<u>113,752</u>	<u>0</u>	<u>340,230</u>
<b>Cash Disbursements</b>				
Current:				
Security of Persons & Property	56,488	0	0	56,488
Leisure Time Activities	0	15,302	0	15,302
Community Environment	8,280	0	0	8,280
Basic Utility Services	34,869	0	0	34,869
Transportation	0	80,220	0	80,220
General Government	90,144	503	0	90,647
Capital Outlay	0	0	11,524	11,524
Debt Service:				
Principal Retirement	9,143	5,818	0	14,961
Interest and Fiscal Charges	1,218	0	0	1,218
<i>Total Cash Disbursements</i>	<u>200,142</u>	<u>101,843</u>	<u>11,524</u>	<u>313,509</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>26,336</u>	<u>11,909</u>	<u>(11,524)</u>	<u>26,721</u>
<b>Other Financing Receipts (Disbursements)</b>				
Other Debt Proceeds	0	0	11,524	11,524
Advances In	0	26	0	26
Other Financing Uses	(6,944)	0	0	(6,944)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(6,944)</u>	<u>26</u>	<u>11,524</u>	<u>4,606</u>
<i>Net Change in Fund Cash Balances</i>	<u>19,392</u>	<u>11,935</u>	<u>0</u>	<u>31,327</u>
<i>Fund Cash Balances, January 1</i>	<u>197,901</u>	<u>133,803</u>	<u>100,000</u>	<u>431,704</u>
<b>Fund Cash Balances, December 31</b>				
Restricted	0	149,165	100,000	249,165
Assigned	24,841	0	0	24,841
Unassigned (Deficit)	192,452	(3,427)	0	189,025
<i>Fund Cash Balances, December 31</i>	<u>\$217,293</u>	<u>\$145,738</u>	<u>\$100,000</u>	<u>\$463,031</u>

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

VILLAGE OF TUSCARAWAS, TUSCARAWAS COUNTY

**Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Cash**

For the Year Ended December 31, 2016

	<u>Enterprise</u>
<b>Operating Cash Receipts</b>	
Charges for Services	\$288,633
Miscellaneous	70
<i>Total Operating Cash Receipts</i>	<u>288,703</u>
<b>Operating Cash Disbursements</b>	
Personal Services	107,542
Fringe Benefits	47,172
Contractual Services	44,050
Supplies and Materials	115,045
Other	14,943
<i>Total Operating Cash Disbursements</i>	<u>328,752</u>
<i>Operating Income (Loss)</i>	<u>(40,049)</u>
<b>Non-Operating Receipts (Disbursements)</b>	
Capital Outlay	(17,021)
Principal Retirement	(1,069)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(18,090)</u>
<i>Net Change in Fund Cash Balance</i>	<u>(58,139)</u>
<i>Fund Cash Balances, January 1</i>	<u>405,122</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$346,983</u></u>

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



**Village of Tuscarawas, Ohio**  
*Tuscarawas County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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**Note 1 - Reporting Entity**

The Village of Tuscarawas, Tuscarawas County (the Village), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, maintenance of roads and bridges, park operations, and police services.

The Village participates in two jointly governed organizations and the Public Entities Pool of Ohio, a risk sharing pool available to Ohio local governments. Notes 7 and 11 of the financial statements provides additional information for these entities. These organizations are:

Jointly Governed Organizations:

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

The Villages management believes these financial statements present all activities for which the Village is financial responsible.

**Note 2 - Summary of Significant Accounting Policies**

***Basis of Presentation***

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

***Fund Accounting***

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

***General Fund*** The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

***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*** The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

***State Highway Improvement Fund*** The State Highway Fund accounts for and reports the portion of the State gasoline tax and motor vehicle license fees restricted for maintenance and repair of any state highways with the village limits.

**Village of Tuscarawas, Ohio**  
*Tuscarawas County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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***Park Levy Fund*** The park fund accounts for and reports levy money taxed from the Village residents and restricted to fund construction and maintenance of the park.

***Street Levy Fund*** The street fund accounts for and reports levy money taxed from the Village residents and restricted to fund construction and maintenance of all streets inside Village limits.

***Permissive Motor Vehicle Fund*** The Permissive Motor Vehicle Fund accounts for levied vehicle registration taxes for planning, constructing, improving, maintaining and repairing public roads, highway streets, and for the maintaining and repair of public bridges and viaducts.

***Capital Projects 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 Projects Fund:

***Heritage Drive Storm Sewer Improvement Fund*** The Heritage Drive Storm Sewer Improvement Fund accounts for the revenues and debt proceeds received from the Ohio Public Works Commission restricted for construction and improvement of the Heritage Drive Storm Sewer.

***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*** The water fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village.

***Sewer Fund*** The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

***Basis of Accounting***

These financial statements follow 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). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

***Budgetary Process***

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

***Appropriations*** Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function and 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.

**Village of Tuscarawas, Ohio**  
*Tuscarawas County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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***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.

***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 re-appropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law. Management has included audit adjustments in the accompanying budgetary presentations for material items that should have been encumbered.

A summary of 2016 budgetary activity appears in Note 4.

***Deposits and Investments***

Repurchase agreements are valued at cost.

***Capital Assets***

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

***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.

***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:

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

***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.

***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.

***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.

**Village of Tuscarawas, Ohio**  
*Tuscarawas County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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**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.

**Note 3 - Compliance**

Contrary to the Ohio Revised Code Section 5705.10(A), \$6,514 in Local Government Revenue for the General Fund was inaccurately reported as Property and Other Tax Revenue in the Street Maintenance and Repair Fund (\$6,106) and State Highway Fund (\$408).

Contrary to Ohio Revised Code Section 5705.10(C) the Village received \$1,734 and \$4,148 in Homestead and Rollback Revenue for the General Fund and Street Levy Funds, respectively, that was inaccurately reported as Property and Other Tax Revenue in the Park Levy.

**Note 4 - Budgetary Activity**

Budgetary activity for the year ending 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$223,615	\$226,478	\$2,863
Special Revenue	103,297	113,778	10,481
Capital Projects	0	11,524	11,524
Enterprise	266,600	288,703	22,103
Total	\$593,512	\$640,483	\$46,971

**Village of Tuscarawas, Ohio**  
*Tuscarawas County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$236,510	\$207,086	\$29,424
Special Revenue	237,341	101,843	135,498
Capital Projects	11,524	11,524	0
Enterprise	351,145	346,842	4,303
Total	\$836,520	\$667,295	\$169,225

**Note 5 - 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:

	2016
Demand deposits	\$7,015
Total deposits	7,015
Repurchase agreement	802,999
Total investments	802,999
Total deposits and investments	\$810,014

***Deposits***

Deposits are insured by the Federal Deposit Insurance Corporation.

At December 31, 2016, \$560,014 of deposits were not insured or collateralized, contrary to Ohio Law.

At December 31, 2016, the Village had \$802,999 invested in a repurchase agreement. This account was not established in accordance with Ohio Revised Code Section 135.14(E).

**Note 6 - Taxes**

***Property Taxes***

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.

**Village of Tuscarawas, Ohio**  
*Tuscarawas County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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***Income Taxes***

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.

**Note 7 - 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 Workers' 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. York Insurance 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 Entities Excess Pools (APEEP), which is also administered by York. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty 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, 2016, PEP retained \$350,000 for casualty claims and \$100,000 in 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 auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2016:

	<u>2016</u>
Assets	\$42,182,281
Liabilities	<u>(13,396,700)</u>
Net Position	<u>\$28,785,581</u>

At December 31, 2016, the liabilities above include approximately \$12.0 million of estimated incurred claims payable. The assets above also include approximately \$11.5 million of unpaid claims to be billed. The Pool's membership increased to 520 members in 2016. These amounts will be included in future contributions for members when the related claims are due for payment. As December 31, 2016, the Village's share of these unpaid claims collectible in future years is approximately \$12,000.

**Village of Tuscarawas, Ohio**  
*Tuscarawas County*  
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*For the Year Ended December 31, 2016*

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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.

2016 Contributions to PEP  
\$19,583

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

**Health Insurance**

The Village provides health insurance to full-time employees through the Tuscarawas County (County). The Village is invoiced their monthly premiums and these premiums are paid to the County. All risk transfers to the County.

**Note 8 - Defined Benefit Pension Plans**

Village 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. 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, 2016.

**Note 9 - Postemployment Benefits**

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent of the employer contribution to fund these benefits.

**Note 10 - Debt**

Debt outstanding at December 31, 2016 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OPWC Loans	\$288,875	0%
Salt Shed Loan	56,950	0%
Police Cruiser Lease	<u>9,733</u>	6.45%
Total	<u>\$355,558</u>	

**Village of Tuscarawas, Ohio**  
*Tuscarawas County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

***Amortization***

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

Year ending December 31:	Police Cruiser	OPWC Loan	Salt Shed
2017	\$10,361	\$5,638	\$5,025
2018		5,638	6,700
2019		5,638	6,700
2020		5,638	6,700
2021		5,638	6,700
2022-2026		28,190	25,125
2027-2031		27,081	
2032-2036		20,075	
2037-2041		17,508	
2042-2046		15,128	
Total	\$10,361	\$136,172	\$56,950

The Village has several loans issued by the Ohio Public Works Commission (OPWC). In 2010, OPWC approved a loan for water and sewer lift station on Park Drive in the Village in the amount of \$22,192. The Village will repay the loan in semiannual installments of \$555, interest free, for 20 years.

An OPWC loan was approved in 2012 for improvements to the Village's Wastewater Treatment Plant in the amount of \$20,538. The Village will repay the loan in semiannual installments of \$513, interest free, for 20 years.

In 2013, OPWC approved a loan for widening, resurfacing and installation of storm sewers on School Street in the Village, in the amount of \$417,100. A loan payment schedule has not been finalized for this project and the Village has not begun payment on this debt. Therefore, this debt is not included in the debt repayment schedule above.

An OPWC loan was approved in 2014 for extending the storm sewer two and a half blocks on Main Street in the amount of \$47,592. The Village will repay the loan in semiannual installments of \$793, interest free, for 30 years.

Additionally, in 2014, OPWC approved a loan for storm sewer improvements on Heritage Drive in the Village in the amount of \$57,454. The Village will repay the loan in semiannual installments of \$958, interest free, for 30 years.

During 2012, the Ohio Development Services Agency approved a Local Government Investment Loan for the construction of a salt shed in the Village in the amount of \$67,000. The Village will repay the loan in quarterly installments of \$1,675, interest free, for 10 years.



**Village of Tuscarawas, Ohio**  
*Tuscarawas County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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**Leases**

The Village leases a police cruiser under a non-cancelable lease. The Village disbursed \$10,361 to pay lease costs for the year December 31, 2016.

**Note 11 - Jointly Governed Organizations**

Tuscarawas County Tax Incentive Review Council (TCTIRC)

TCTIRC is a jointly governed organization, created as a regional council of governments pursuant to State Statutes. TCTIRC has 36 members, consisting of three members appointed by the County Commissioners, 11 members appointed by municipal corporations, 9 members appointed by township trustees, 1 member from the county auditor's office, 10 members appointed by boards of education located within the county, 1 member representing the Tuscarawas Community Improvement Corporation, and 1 member representing the Economic Development and Finance Alliance. TCTIRC reviews 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 which approved the agreement. There is no cost associated with being a member of this council. The continued existence of the TCTIRC is not dependent on the Village's continued participation and no equity interest exists. During fiscal year 2016, no monies were paid to the TCTIRC from the Village.

Tuscarawas County Regional Planning Commission (Commission)

The Village participates in the Commission, which is statutorily created political subdivision of the State. The Commission is jointly governed by Tuscarawas County and other cities, villages and townships in the County. The principal 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.

**Note 12 - Subsequent Events**

On May 25, 2017, the Village was approved for a loan through the Ohio Water Development Authority in the amount of \$35,169 for the completion of a water rate study.

During 2017, a State Infrastructure Bank loan agreement was signed between the Ohio Department of Transportation and the Village for an amount of \$98,046 to be available for use toward the Main Street Sidewalk project.

In April 2017, the Village completed a waterline replacement project on Maple Street with an estimated cost of \$43,338.

**Village of Tuscarawas, Ohio**  
*Tuscarawas County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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**Note 13 - Contingent Liabilities**

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

VILLAGE OF TUSCARAWAS, TUSCARAWAS COUNTY

**Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Cash Basis)**

For the Year Ended December 31, 2015

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts</b>				
Property and Other Taxes	\$51,565	\$45,187	\$0	\$96,752
Municipal Income Tax	83,430	0	0	83,430
Intergovernmental	29,678	60,954	211,346	301,978
Special Assessments	513	18	0	531
Charges for Services	47,834	0	0	47,834
Fines, Licenses and Permits	3,244	0	0	3,244
Earnings on Investments	1,168	110	0	1,278
Miscellaneous	12,305	0	0	12,305
	<u>229,737</u>	<u>106,269</u>	<u>211,346</u>	<u>547,352</u>
<i>Total Cash Receipts</i>				
<b>Cash Disbursements</b>				
Current:				
Security of Persons & Property	52,239	0	0	52,239
Public Health Services	852	0	0	852
Leisure Time Activities	0	35,457	0	35,457
Community Environment	5,893	0	0	5,893
Basic Utility Services	31,012	0	0	31,012
Transportation	0	128,971	0	128,971
General Government	101,775	460	0	102,235
Capital Outlay	0	0	157,277	157,277
Debt Service:				
Principal Retirement	8,589	12,407	0	20,996
Interest and Fiscal Charges	1,772	681	0	2,453
	<u>202,132</u>	<u>177,976</u>	<u>157,277</u>	<u>537,385</u>
<i>Total Cash Disbursements</i>				
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>27,605</u>	<u>(71,707)</u>	<u>54,069</u>	<u>9,967</u>
<b>Other Financing Receipts (Disbursements)</b>				
Other Debt Proceeds	0	0	45,931	45,931
Other Financing Uses	(4,556)	0	0	(4,556)
	<u>(4,556)</u>	<u>0</u>	<u>45,931</u>	<u>41,375</u>
<i>Total Other Financing Receipts (Disbursements)</i>				
<i>Net Change in Fund Cash Balances</i>	<u>23,049</u>	<u>(71,707)</u>	<u>100,000</u>	<u>51,342</u>
<i>Fund Cash Balances, January 1</i>	<u>174,852</u>	<u>205,510</u>	<u>0</u>	<u>380,362</u>
<b>Fund Cash Balances, December 31</b>				
Restricted	0	133,803	100,000	233,803
Assigned	20,749	0	0	20,749
Unassigned (Deficit)	177,152	0	0	177,152
	<u>\$197,901</u>	<u>\$133,803</u>	<u>\$100,000</u>	<u>\$431,704</u>
<i>Fund Cash Balances, December 31</i>				

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

VILLAGE OF TUSCARAWAS, TUSCARAWAS COUNTY

**Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Cash Basis)**

For the Year Ended December 31, 2015

	<u>Enterprise</u>
<b>Operating Cash Receipts</b>	
Charges for Services	\$297,365
Miscellaneous	842
<i>Total Operating Cash Receipts</i>	<u>298,207</u>
<b>Operating Cash Disbursements</b>	
Personal Services	102,255
Fringe Benefits	42,359
Contractual Services	72,691
Supplies and Materials	50,128
Other	30,467
<i>Total Operating Cash Disbursements</i>	<u>297,900</u>
<i>Operating Income (Loss)</i>	<u>307</u>
<b>Non-Operating Receipts (Disbursements)</b>	
Miscellaneous Receipts	1,806
Capital Outlay	(2,200)
Principal Retirement	(6,863)
Interest and Other Fiscal Charges	(681)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(7,938)</u>
<i>Net Change in Fund Cash Balance</i>	<u>(7,631)</u>
<i>Fund Cash Balances, January 1</i>	<u>412,753</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$405,122</u></u>

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

**Village of Tuscarawas, Ohio**  
*Tuscarawas County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2015*

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**Note 1 - Reporting Entity**

The Village of Tuscarawas, Tuscarawas County (the Village), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, maintenance of roads and bridges, park operations, and police services.

The Village participates in two jointly governed organizations and the Public Entities Pool of Ohio, a risk sharing pool available to Ohio local governments. Notes 7 and 11 of the financial statements provide additional information for these entities. These organizations are:

Jointly Governed Organizations:

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

The Villages management believes these financial statements present all activities for which the Village is financial responsible.

**Note 2 - Summary of Significant Accounting Policies**

***Basis of Presentation***

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

***Fund Accounting***

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

***General Fund*** The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

***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*** The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

***State Highway Improvement Fund*** The State Highway Fund accounts for and reports the portion of the State gasoline tax and motor vehicle license fees restricted for maintenance and repair of any state highways with the village limits.

**Village of Tuscarawas, Ohio**  
*Tuscarawas County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2015*

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***Park Levy Fund*** The park fund accounts for and reports levy money taxed from the Village residents and restricted to fund construction and maintenance of the park.

***Street Levy Fund*** The street fund accounts for and reports levy money taxed from the Village residents and restricted to fund construction and maintenance of all streets inside Village limits.

***Permissive Motor Vehicle Fund*** The Permissive Motor Vehicle Fund accounts for levied vehicle registration taxes for planning, constructing, improving, maintaining and repairing public roads, highway streets, and for the maintaining and repair of public bridges and viaducts.

***Capital Projects 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 Projects Fund:

***Heritage Drive Storm Sewer Improvement Fund*** The Heritage Drive Storm Sewer Improvement Fund accounts for the revenues and debt proceeds received from the Ohio Public Works Commission restricted for construction and improvement of the Heritage Drive Storm Sewer.

***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*** The water fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village.

***Sewer Fund*** The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

***Basis of Accounting***

These financial statements follow 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). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

***Budgetary Process***

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

***Appropriations*** Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function and 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.

**Village of Tuscarawas, Ohio**  
*Tuscarawas County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2015*

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**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.

**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 re-appropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law. Management has included audit adjustments in the accompanying budgetary presentations for material items that should have been encumbered.

A summary of 2015 budgetary activity appears in Note 4.

**Deposits and Investments**

Repurchase agreements are valued at cost.

**Capital Assets**

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

**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.

**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:

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

**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.

**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.

**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.

**Village of Tuscarawas, Ohio**  
*Tuscarawas County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2015*

**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.

**Note 3 - Compliance**

Contrary to the Ohio Revised Code Section 5705.10(D), \$100,000 received from a Federal ARC grant was improperly posted in the Street Maintenance Fund rather than its own capital project fund. Additionally, \$19,980 in revenue received from an OPWC Heritage Drive Storm Sewer Project was posted in the same capital project fund as revenues for the OPWC Main Street Storm Sewer Project. The amount should have been posted to a fund created to account for activity related to the Heritage Drive Storm Sewer Project.

**Note 4 - Budgetary Activity**

Budgetary activity for the year ending 2015 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$207,560	\$229,737	\$22,177
Special Revenue	99,567	106,269	6,702
Capital Projects	32,697	257,277	224,580
Enterprise	307,071	300,013	(7,058)
Total	\$646,895	\$893,296	\$246,401



**Village of Tuscarawas, Ohio**  
*Tuscarawas County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2015*

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$289,986	\$206,688	\$83,298
Special Revenue	242,652	177,976	64,676
Capital Projects	157,277	157,277	0
Enterprise	394,429	307,644	86,785
Total	\$1,084,344	\$849,585	\$234,759

**Note 5 - 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:

	2015
Demand deposits	\$6,505
Total deposits	6,505
Repurchase agreement	830,321
Total investments	830,321
Total deposits and investments	\$836,826

***Deposits***

Deposits are insured by the Federal Deposit Insurance Corporation.

At December 31, 2015, \$586,826 of deposits were not insured or collateralized, contrary to Ohio Law.

**Note 6 - Taxes**

***Property Taxes***

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.

**Village of Tuscarawas, Ohio**  
*Tuscarawas County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2015*

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***Income Taxes***

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.

**Note 7 - 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 Workers' 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. York Insurance 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 Entities Excess Pools (APEEP), which is also administered by York. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty 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, 2015, PEP retained \$350,000 for casualty claims and \$100,000 in 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 auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2015.

	<u>2014</u>	<u>2015</u>
Assets	\$35,402,177	\$38,307,677
Liabilities	<u>(12,363,257)</u>	<u>(12,759,127)</u>
Net Position	<u>\$23,038,920</u>	<u>\$25,548,550</u>

At December 31, 2014 and 2015, respectively, the liabilities above include approximately \$11.1 million and \$11.5 million of estimated incurred claims payable. The assets above also include approximately \$10.8 million and \$11.0 million of unpaid claims to be billed. The Pool's membership increased from 488 members in 2014 to 499 members in 2015. These amounts will be included in future contributions for members when the related claims are due for payment. As December 31, 2015, the Village's share of these unpaid claims collectible in future years is approximately \$11,000.

**Village of Tuscarawas, Ohio**  
*Tuscarawas County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2015*

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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>2014</u>	<u>2015</u>
\$13,276	\$17,455

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

***Health Insurance***

The Village provides health insurance to full-time employees through the Tuscarawas County (County). The Village is invoiced their monthly premiums and these premiums are paid to the County. All risk transfers to the County.

**Note 8 - Defined Benefit Pension Plans**

Village 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. 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, 2015.

**Note 9 - Postemployment Benefits**

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent of the employer contribution to fund these benefits.

**Note 10 - Debt**

Debt outstanding at December 31, 2015 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OPWC Loans	\$279,213	0%
Salt Shed Loan	61,975	0%
Police Cruiser Lease	<u>18,876</u>	6.45%
Total	<u>\$360,064</u>	

**Village of Tuscarawas, Ohio**  
*Tuscarawas County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2015*

***Amortization***

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

Year ending December 31:	Police Cruiser	OPWC Loan	Salt Shed
2016	\$10,361	\$1,861	\$5,025
2017	10,361	5,638	5,025
2018		5,638	6,700
2019		5,638	6,700
2020		5,638	6,700
2021-2025		28,190	31,825
2026-2030		28,190	
2031-2035		21,102	
2036-2040		17,508	
2041-2045		16,714	
2046		1,915	
Total	\$20,722	\$138,032	\$61,975

The Village has several loans issued by the Ohio Public Works Commission (OPWC). In 2010, OPWC approved a loan for water and sewer lift station on Park Drive in the Village in the amount of \$22,192. The Village will repay the loan in semiannual installments of \$555, interest free, for 20 years.

An OPWC loan was approved in 2012 for improvements to the Village's wastewater treatment plant in the amount of \$20,538. The Village will repay the loan in semiannual installments of \$513, interest free, for 20 years.

In 2013, OPWC approved a loan for widening, resurfacing and installation of storm sewers on School Street in the Village, in the amount of \$417,100. A loan payment schedule has not been finalized for this project and the Village has not begun payment on this debt. Therefore, this debt is not included in the debt repayment schedule above.

An OPWC loan was approved in 2014 for extending the storm sewer two and a half blocks on Main Street in the amount of \$47,592. The Village will repay the loan in semiannual installments of \$793, interest free, for 30 years.

Additionally, in 2014, OPWC approved a loan for storm sewer improvements on Heritage Drive in the Village in the amount of \$57,454. The Village will repay the loan in semiannual installments of \$958, interest free, for 30 years.

During 2012, the Ohio Development Services Agency approved a Local Government Investment Loan for the construction of a salt shed in the Village in the amount of \$67,000. The Village will repay the loan in quarterly installments of \$1,675, interest free, for 10 years.

During 2015, the Village made payments on a bank loan for the purchase of a backhoe. This debt obligation was satisfied during 2015.

**Village of Tuscarawas, Ohio**  
*Tuscarawas County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2015*

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**Leases**

The Village leases a police cruiser under a non-cancelable lease. The Village disbursed \$10,361 to pay lease costs for the year December 31, 2015.

**Note 11 - Jointly Governed Organizations**

Tuscarawas County Tax Incentive Review Council (TCTIRC)

TCTIRC is a jointly governed organization, created as a regional council of governments pursuant to State Statutes. TCTIRC has 36 members, consisting of three members appointed by the County Commissioners, 11 members appointed by municipal corporations, 9 members appointed by township trustees, 1 member from the county auditor's office, 10 members appointed by boards of education located within the county, 1 member representing the Tuscarawas Community Improvement Corporation, and 1 member representing the Economic Development and Finance Alliance. TCTIRC reviews 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 which approved the agreement. There is no cost associated with being a member of this council. The continued existence of the TCTIRC is not dependent on the Village's continued participation and no equity interest exists. During fiscal year 2015, no monies were paid to the TCTIRC from the Village.

Tuscarawas County Regional Planning Commission (Commission)

The Village participates in the Commission, which is statutorily created political subdivision of the State. The Commission is jointly governed by Tuscarawas County and other cities, villages and townships in the County. The principal 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.

**Note 12 - Subsequent Events**

During April 2016, the Village approved to replace the waterline from Lincoln to Cherry to Church Streets at an estimated cost of \$45,152.

In May 2016, the Village was awarded a CDBG grant in the amount of \$40,000 for the Main Street Sidewalk project. The Village also anticipates \$559,000 in funding from the Ohio Department of Transportation to complete the project.

On May 25, 2017, the Village was approved for a loan through the Ohio Water Development Authority in the amount of \$35,169 for the completion of a water rate study.

During 2017, a State Infrastructure Bank loan agreement was signed between the Ohio Department of Transportation and the Village for an amount of \$98,046 to be available for use toward the Main Street Sidewalk project.

In April 2017, the Village completed a waterline replacement project on Maple Street with an estimated cost of \$43,338.

**Village of Tuscarawas, Ohio**  
*Tuscarawas County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2015*

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**Note 13 - Contingent Liabilities**

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S 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 St.  
Tuscarawas, Ohio 44682

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 cash balances, receipts, and disbursements by fund type of the Village of Tuscarawas, Tuscarawas County, Ohio (the Village), as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements and have issued our report thereon dated October 12, 2017 wherein we noted the Village followed financial reporting provisions Ohio Rev. Code § 117.38 and Ohio Admin. Code § 117-2-03(D) 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.

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

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 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. We consider finding 2016-002 described in the accompanying Schedule of Findings to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2016-001 described in the accompanying Schedule of Findings to be a significant deficiency.

***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 2016-003 through 2016-005.

***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.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

October 12, 2017



**VILLAGE OF TUSCARAWAS  
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2016 AND 2015**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2016-001**

**Significant Deficiency**

All public officials are responsible for the design and operation of a system of internal control that is adequate to provide reasonable assurance regarding the achievement of objectives for their respective public offices.

When designing the public office's system of internal control and the specific control activities, management should consider verifying the existence and valuation of assets and periodically (at least monthly) reconcile them to the accounting records.

During our audit procedures, it was determined that the Village's December 2016 bank reconciliation identified an unsupported reconciling item of \$50. Additionally, payments that cleared the bank in November 2016 totaling \$3,995 were included twice as a reconciling item as both an outstanding payment and an other adjusting factor at December 31, 2016. Although these checks did not result in financial statement error, the Village's practice of plugging the other adjusting factor amount resulted in these checks not being properly cleared and removed from the outstanding check list.

As a result, the risk that funds could be misappropriated or errors and omissions could go undetected is increased.

The Fiscal Officer should perform an all-inclusive bank reconciliation that clearly identifies the bank balances and each reconciling item that reduces or increases the bank balances. Reconciling items should be listed individually and support should be maintained for all reconciling items noted.

All errors affecting the Village's accounting system identified during the reconciliation process should be entered timely into the accounting system so that it may be appropriately updated. Council should review and indicate this review by signing the bank reconciliation. This will help strengthen the Village's internal controls over the bank reconciliation process and help ensure errors or omissions are detected timely reducing the risk funds could be misappropriated.

**FINDING NUMBER 2016-002**

**Material Weakness**

The Village should maintain an accounting system and accounting records sufficient to enable the Village to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements in accordance with the accounting basis permitted by the financial reporting provisions of Ohio Rev. Code § 117.38 and Ohio Admin. Code § 117-2-03(D).

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

**VILLAGE OF TUSCARAWAS  
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2016 AND 2015  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2016-002 (Continued)**

**Material Weakness (Continued)**

- The Village received on-behalf debt proceeds related to the Heritage Drive Storm Sewer project in the amount of \$45,931 and \$11,524 which were not posted for 2015 and 2016, respectively. As a result, Debt Proceeds and Capital Outlay expenditures were understated in the Capital Projects Fund by these amounts in the respective years. On-behalf grant transactions in the amount of \$78,649 were not posted in 2016 for the same project. As a result, Intergovernmental Revenue and Capital Outlay expenditures were understated in the Capital Projects Fund;
- Motor Vehicle License Tax revenue in the amount of \$7,629 and \$7,810 were classified as Property and Other Taxes instead of Intergovernmental Revenue in the Street Construction Fund for 2016 and 2015, respectively;
- State and Local Highway Tax revenue in the amount of \$5,321 was classified as Property and Other Taxes instead of Intergovernmental Revenue in the Street Construction Fund for 2016; and
- Governmental Accounting Standards Board (GASB) Statement No. 54 defined how fund balances were to be classified and was codified as follows: GASB Cod. 1800.173-176 requires funds without external or internal constraints to report Assigned fund balances for amounts encumbered or set aside to cover the excess of subsequent year appropriations exceeding estimated revenue. The following inaccurate reporting of fund balance was noted prior to the effect of any audit adjustments:
  - The General Fund's year end cash balance was utilized to cover the deficiency of subsequent year appropriations exceeding estimated revenue at the end of 2016 and 2015 in the amounts of \$24,841 and \$20,749, respectively. However, these amounts were reported as Unassigned rather than Assigned.

In addition to the adjustments listed above, we also identified additional misstatements related to the misposting of revenues and expenditures ranging from \$42 to \$10,361. Also, we identified additional misstatements related to the improper posting of charges for service and miscellaneous revenues to correct funds ranging from \$207 to \$2,067. These instances have been brought to the Village's attention.

Sound financial reporting is the responsibility of the Village and is essential to ensure the information provider to the readers of the financial statements is complete and accurate. The financial statements and accounting system have been adjusted accordingly.

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 to identify and correct errors and omissions. In addition, the Village should review the financial statements and notes prior to submission for audit.

**FINDING NUMBER 2016-003**

**Noncompliance**

Ohio Rev. Code § 5705.10(A) requires that all revenue derived from the general levy for current expense within the ten-mill limitation, from any general levy for current expense authorized by vote in excess of the ten-mill limitation, and from sources other than the general property tax, unless its use for a particular purpose is prescribed by law, shall be paid into the general fund.

**VILLAGE OF TUSCARAWAS  
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2016 AND 2015  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2016-003 (Continued)**

**Noncompliance – Ohio Rev. Code § 5705.10(A) (Continued)**

During 2016, errors in recording revenues were noted as the Village received \$6,514 in Local Government Revenue for the General Fund that was inaccurately reported as Property and Other Tax Revenue in the Street Maintenance and Repair Fund (\$6,106) and State Highway Fund (\$408).

Sound financial reporting is the responsibility of the Village and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. The financial statements and accounting system have been adjusted accordingly.

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 to identify and correct errors and omissions.

**FINDING NUMBER 2016-004**

**Noncompliance**

Ohio Rev. Code § 5705.10(C) requires that all revenue derived from a special levy shall be credited to a special fund for the purpose for which the levy was made.

In addition to property tax monies being assessed and collected for the levies, the State of Ohio reimbursed taxing sub divisions for homestead and rollback. These revenues were derived and allocated based upon property tax levies.

During 2016, there was an instance where intergovernmental revenue derived from levies was reported in an incorrect fund. The Village received \$1,734 and \$4,148 in Homestead & Rollback Revenue for the General Fund and Street Levy Funds, respectively, that was inaccurately reported as Property and Other Tax Revenue in the Park Levy Fund.

Inaccurate reporting of revenue could lead to money being utilized for unallowable disbursements that do not correspond with the legally required intent of such money. Additionally, sound financial reporting is the responsibility of the Village and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. The financial statements and accounting system have been adjusted accordingly.

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 to identify and correct errors and omissions.

**FINDING NUMBER 2016-005**

**Noncompliance**

Ohio Rev. Code § 5705.10(D) requires all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose, shall be paid into a special fund for such purpose.

VILLAGE OF TUSCARAWAS  
TUSCARAWAS COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2016 AND 2015  
(Continued)

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

FINDING NUMBER 2016-005 (Continued)

**Noncompliance – Ohio Rev. Code § 5705.10(D) (Continued)**

During 2015, the Village received grant and loan proceeds for various capital project agreements which required the creation of a separate fund for each project. The Village did not create the funds as required by the various grant/loan agreements. As a result, \$100,000 received from a Federal ARC grant was improperly posted in the Street Maintenance Fund rather than its own capital project fund. Also, \$19,980 in revenue received for an OPWC Heritage Drive Storm Sewer Project was posted in the same capital project fund as revenues for the OPWC Main Street Storm Sewer project. This amount should have been posted to a fund created to account for activity related to the Heritage Drive Storm Sewer project.

Inaccurate reporting of revenue could lead to money being utilized for unallowable disbursements that do not correspond with the legally required intent of such money. Additionally, sound financial reporting is the responsibility of the Village and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. The financial statements and accounting system have been adjusted accordingly.

The Village should ensure that all restricted revenues are posted to the appropriate fund in order to comply with Ohio Rev. Code § 5705.10(D). This will help the Village to properly account for the receipts and expenditures associated with these monies.

**Officials' Response:** We did not receive a response from Officials to the Findings reported above.



# 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 Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
OCTOBER 24, 2017