



**VILLAGE OF COALTON
JACKSON COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 1999 - 1998



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**VILLAGE OF COALTON
TABLE OF CONTENTS**

TITLE	PAGE
Report of Independent Accountants	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Funds Types - For the Year Ended December 31, 1999	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Proprietary and Similar Fiduciary Fund Types - For the Year Ended December 31, 1999	4
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Funds Types - For the Year Ended December 31, 1998	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Proprietary and Similar Fiduciary Fund Types - For the Year Ended December 31, 1998	6
Notes to the Financial Statements	7
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	13
Schedule of Findings	15
Corrective Action Plan	19
Schedule of Prior Audit Findings	20

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REPORT OF INDEPENDENT ACCOUNTANTS

Village of Coalton
Jackson County
P.O. Box 98
Coalton, Ohio 45621

To the Mayor and Members of Council:

We have audited the accompanying financial statements of the Village of Coalton, Jackson County, Ohio, (the Village) as of and for the years ended December 31, 1999 and 1998. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Coalton, Jackson County, as of December 31, 1999 and 1998, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

The accompanying financial statements have been prepared assuming that the Village will be able to continue normal operations and meet financial obligations as they come due. As discussed in Notes 8 and 9 to the financial statements, the Village is in a state of fiscal emergency, pursuant to Chapter 118, Ohio Revised Code and has significant unpaid commitments at December 31, 1999, which raises substantial doubt about its ability to continue as a going concern without layoffs, cuts in public service, or significant new sources of revenue. A Financial Planning Commission was organized on January 26, 1994, and a Financial Supervisor was appointed on April 11, 1994. A new Financial Supervisor was appointed in November 1998.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2000 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 grants.

This report is intended solely for the information and use of the management, the Mayor and the Village Council, and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specific parties.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is fluid and cursive, with a large loop at the end of the last name.

Jim Petro
Auditor of State

September 27, 2000

**VILLAGE OF COALTON
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
 AND CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>Governmental Fund Types</u>		Total (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Local Taxes	\$13,728	\$	\$13,728
Intergovernmental Receipts	47,134	32,454	79,588
Charges for Services		6,455	6,455
Fines, Licenses and Permits	19,236		19,236
Miscellaneous	2,351	1,120	3,471
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	82,449	40,029	122,478
	<hr/>	<hr/>	<hr/>
Cash Disbursements:			
Security of Persons and Property	27,914	3,117	31,031
Community Environment		1,223	1,223
Basic Utility Service	18,596	177	18,773
Transportation	1,784	26,980	28,764
General Government	21,135	181	21,316
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	69,429	31,678	101,107
	<hr/>	<hr/>	<hr/>
Excess of Cash Receipts Over/(Under) Cash Disbursements	13,020	8,351	21,371
	<hr/>	<hr/>	<hr/>
Other Financing Sources/(Uses):			
Other Financing Sources		1,040	1,040
	<hr/>	<hr/>	<hr/>
Total Other Financing Sources/(Uses)		1,040	1,040
	<hr/>	<hr/>	<hr/>
Excess of Cash Receipts and Other Financing Sources Over/(Under) Cash Disbursements and Other Financing (Uses)	13,020	9,391	22,411
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	10,740	56,179	66,919
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	\$23,760	\$65,570	\$89,330
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The notes to the financial statements are an integral part of this statement.

VILLAGE OF COALTON
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN FUND
CASH BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES -
FOR THE YEAR ENDED DECEMBER 31, 1999

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Types</u>		<u>Total (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	<u>Agency</u>	
Operating Cash Receipts:				
Charges for Services	\$158,310	\$	\$	\$158,310
Total Operating Cash Receipts	158,310			158,310
Operating Cash Disbursements:				
Personal Services	33,565			33,565
Contractual Services	48,965			48,965
Supplies and Materials	33,752			33,752
Other	4,229			4,229
Total Operating Cash Disbursements	120,511			120,511
Operating Income	37,799			37,799
Non-Operating Cash Receipts:				
Other Non-Operating Cash Receipts	6,213		27,459	33,672
Total Non-Operating Cash Receipts	6,213		27,459	33,672
Non-Operating Cash Disbursements:				
Debt Service	17,769			17,769
Other Non-Operating Cash Disbursements			25,152	25,152
Total Non-Operating Cash Disbursements	17,769		25,152	42,921
Net Receipts Over/(Under) Disbursements	26,243		2,307	28,550
Fund Cash Balances, January 1	82,617	18,219	2,405	103,241
Fund Cash Balances, December 31	<u>\$108,860</u>	<u>\$18,219</u>	<u>\$4,712</u>	<u>\$131,791</u>

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

**VILLAGE OF COALTON
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
 AND CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED DECEMBER 31, 1998**

	<u>Governmental Fund Types</u>		Total (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Local Taxes	\$3,170	\$	\$3,170
Intergovernmental	45,590	40,659	86,249
Charges for Services	425	10,833	11,258
Fines, Licenses and Permits	6,854		6,854
Miscellaneous	1,581	2,481	4,062
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	57,620	53,973	111,593
	<hr/>	<hr/>	<hr/>
Cash Disbursements:			
Security of Persons and Property	19,290	13,699	32,989
Community Environment		2,250	2,250
Basic Utility Service	2,186	1,514	3,700
Transportation	3,300	37,195	40,495
General Government	8,965	167	9,132
Capital Outlay	14,030		14,030
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	47,771	54,825	102,596
	<hr/>	<hr/>	<hr/>
Excess Cash Receipts Over/(Under) Cash Disbursements	9,849	(852)	8,997
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	891	57,031	57,922
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	\$10,740	\$56,179	\$66,919
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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

VILLAGE OF COALTON
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN FUND
CASH BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES -
FOR THE YEAR ENDED DECEMBER 31, 1998

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Types</u>		<u>Total (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	<u>Agency</u>	
Operating Cash Receipts:				
Charges for Services	\$158,395	\$	\$	\$158,395
Miscellaneous		280		280
Total Operating Cash Receipts	158,395	280		158,675
Operating Cash Disbursements:				
Personal Services	44,457			44,457
Contractual Services	32,786			32,786
Supplies and Materials	45,946			45,946
Other	3,226			3,226
Total Operating Cash Disbursements	126,415			126,415
Operating Income	31,980	280		32,260
Non-Operating Cash Receipts:				
Other Non-Operating Cash Receipts	42,014		9,301	51,315
Total Non-Operating Cash Receipts	42,014		9,301	51,315
Non-Operating Cash Disbursements:				
Debt Service	17,644			17,644
Other Non-Operating Cash Disbursements	34,678		9,607	44,285
Total Non-Operating Cash Disbursements	52,322		9,607	61,929
Net Receipts Over/(Under) Disbursements	21,672	280	(306)	21,646
Fund Cash Balances, January 1	60,945	17,939	2,711	81,595
Fund Cash Balances, December 31	\$82,617	\$18,219	\$2,405	\$103,241

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

VILLAGE OF COALTON
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999-1998

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of The Entity

The Village of Coalton, Jackson County, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general governmental services, including water and sewer utilities, fire services, police protection operations, and cemetery maintenance.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when a payment is made rather than when a liability is incurred.

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash And Investments

The Village had a checking account for governmental fund activity and a separate checking account for proprietary fund activity. The Village had no investments during the period January 1, 1998 through December 31, 1999.

D. Fund Accounting

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

General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required by law or contract to be restricted.

Special Revenue Funds

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

Street Construction, Maintenance and Repair Fund - This fund received gasoline tax and motor vehicle license tax money to construct, maintain and repair Village streets.

Fire Fund - This fund received property tax monies to provide fire protection through contracts with other governmental entities.

Community Improvement Fund - This fund receives sales tax for general improvements that will benefit the entire community. Permission must be obtained from the Jackson County Community Improvement Board prior to any expenditure.

**VILLAGE OF COALTON
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999-1998**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

Enterprise Funds

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

Water Fund - This fund received charges for services from residents to cover the cost of providing this utility.

Sewer Fund - This fund received charges for services from residents to cover the cost of providing this utility.

Trash Fund - This fund received charges for services from residents to cover the cost of providing this utility.

Fiduciary Fund (Trust and Agency Funds)

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the fund is classified as a Nonexpendable Trust Fund. Other trust funds are classified as Expendable Trust Funds. Funds for which the Village is acting in an agency capacity are classified as Agency Funds.

The Village had the following Nonexpendable Trust Fund:

Cemetery Perpetual Care Fund - A portion of the amount paid for certain cemetery lots is designated for perpetual care. The corpus is to remain intact, in order to draw interest. The interest may be used for the care of the portion of the cemetery designated as perpetual care.

The Village had the following Agency Fund:

Mayor's Court Fund - This fund received money from fines and forfeitures of individuals who are cited to appear in court for violating Village laws and regulations.

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

Appropriations

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

Estimated Resources

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

**VILLAGE OF COALTON
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999-1998**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Village did not encumber all commitments required by Ohio Law.

A summary of 1999 and 1998 budgetary activity appears in Note 3.

F. Property, Plant And Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. Unpaid Vacation And Sick Leave

Employees are entitled to cash payments for payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the Village.

2. EQUITY IN POOLED CASH

The Village maintains a cash pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31 was as follows:

	<u>1999</u>	<u>1998</u>
Demand deposits	<u>\$221,121</u>	<u>\$170,160</u>

Deposits: Deposits are either (1) insured by the Federal Deposit Insurance Corporation, or (2) collateralized by the financial institution's public entity deposit pool.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 1999 and December 31, 1998 was as follows:

1999 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$0	\$82,449	\$82,449
Special Revenue	0	41,069	41,069
Enterprise	0	164,523	164,523
Nonexpendable Trust	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>\$0</u>	<u>\$288,041</u>	<u>\$288,041</u>

**VILLAGE OF COALTON
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999-1998**

3. BUDGETARY ACTIVITY (Continued)

1999 Budgeted vs. Actual Disbursements

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Actual Disbursements</u>	<u>Variance</u>
General	\$72,000	\$69,429	\$2,571
Special Revenue	50,000	31,678	18,322
Enterprise	145,650	138,280	7,370
Nonexpendable Trust	<u>18,219</u>	<u>0</u>	<u>18,219</u>
Total	<u>\$285,869</u>	<u>\$239,387</u>	<u>\$46,482</u>

1998 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budget Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$64,000	\$57,620	\$(6,380)
Special Revenue	45,975	53,973	7,998
Enterprise	140,800	200,409	59,609
Nonexpendable Trust	<u>0</u>	<u>280</u>	<u>280</u>
Total	<u>\$250,775</u>	<u>\$312,282</u>	<u>\$61,507</u>

1998 Budgeted vs. Actual Disbursements

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Actual Disbursements</u>	<u>Variance</u>
General	\$56,732	\$47,771	\$8,961
Special Revenue	81,975	54,825	27,150
Enterprise	149,985	178,737	(28,752)
Nonexpendable Trust	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>\$288,692</u>	<u>\$281,333</u>	<u>\$7,359</u>

Village Council made fund appropriations in excess of the resources certified as available by the County Budget Commission, contrary to the provision of Ohio Rev. Code Section 5705.39. Further, Council approved the expenditure of Village funds without the support of appropriations, contrary to the provision of Ohio Rev. Code Section 5705.41(B).

**VILLAGE OF COALTON
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999-1998**

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village.

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

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

5. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Police and Fire Disability and Pension Funds (PFDPF). Other full time employees, as well as the Mayor, the Clerk, and the members of Council, belong to the Public Employees Retirement System (PERS) of Ohio. PFDPF and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including post-retirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 1999 and 1998, members of PFDPF contributed 10% of their wages to the PFDPF. The Village contributed an amount equal to 19.5% of their wages. PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55 % of participants' gross salaries. The Village has paid all PERS contributions required through December 31, 1999, but has not paid all contributions due the PFDPF.

6. DEBT

Debt outstanding at December 31, 1999 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Mortgage Revenue Bonds	<u>\$279,386</u>	5.0%

The Farmers Home Administration (FmHA) Mortgage Revenue Bonds relate to a water and sewer plant project that was mandated by the Ohio Environmental Protection Agency. The bonds are to be paid from user charges for the utility.

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

<u>Year ending December 31:</u>	<u>Mortgage Revenue Bonds</u>
2000	\$17,679
2001	17,684
2002	17,679
2003	17,684
2004	17,929
Subsequent	<u>438,298</u>
Total	<u>\$526,953</u>

**VILLAGE OF COALTON
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999-1998**

7. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

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

The Village is a member of the Ohio Municipal League Joint Insurance Pool. The Pool assumes the risk of loss up to the limits of the Village's policy. The Pool may assess supplemental premiums. The following risks are covered by the Pool:

- General liability and casualty
- Public official's liability
- Vehicles

8. ABILITY OF THE VILLAGE TO MEET ITS DEBTS AS THEY COME DUE

The Village is in a state of fiscal emergency, pursuant to Chapter 118, Ohio Revised Code, which raises substantial doubt about its ability to continue as a going concern without layoffs, cuts in public services, or significant new sources of revenue. A financial Planning Commission was organized on January 26, 1994, and a Financial Supervisor was appointed on April 11, 1994. A new Financial Supervisor was appointed on November 1998.

9. FINANCIAL COMMITMENTS

As of December 31, 1999, the Village had the following financial commitments:

1. The Village owed the Auditor of State \$5,699. This is to be paid in quarterly installments of \$600.
2. The Village owed the Bureau of Workers Compensation \$5,080, for unpaid premiums for the years 1998 and 1999.
3. The Village owed the Ohio Department of Job and Family Services \$7,809, for claims paid on behalf of the Village.
4. The Village owed the Police and Fire Disability and Pension Fund \$2,520, for contributions due but not paid through December 31, 1999.



STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON
INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Village of Coalton
Jackson County
P.O. Box 98
Coalton, Ohio 45621

To the Mayor and Members of Council:

We have audited the financial statements of the Village of Coalton, Jackson County, Ohio, (the Village) as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated September 27, 2000, wherein we noted our substantial doubt about the Village's ability to continue as a going concern. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 1999-30740-001 through 1999-30740-004. We also noted certain immaterial instances of noncompliance that we have reported to the management of the Village in a separate letter dated September 27, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings as items 1999-30740-005 and 1999-30740-006.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable conditions described above are material weaknesses. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated September 27, 2000.

This report is intended for the information and use of the Mayor, the Village Council, and management, and is not intended to be and should not be used by any one other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is fluid and cursive, with a large loop at the end.

Jim Petro
Auditor of State

September 27, 2000

**VILLAGE OF COALTON
SCHEDULE OF FINDINGS
DECEMBER 31, 1999-1998**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 1999-30740-001

Noncompliance Citation

Ohio Rev. Code Section 5705.39 states that total appropriations from each fund should not exceed the total estimated resources for that fund. Ohio Rev. Code Section 118.07 (A)(1) requires the financial supervisor to review the appropriation resolution and the certificate of estimated resources to determine whether the revenue estimates and appropriations will result in a balanced budget. Ohio Rev. Code Section 118.07 (B) (1)(a) further requires the financial supervisor to review the adequacy of all revenue to meet all disbursements.

In 1998, appropriations exceeded estimated resources in the Water Revenue Fund by \$15,979 (21%) and the Sewer Replacement Fund by \$8,348 (86%). In 1999, appropriations exceeded estimated resources in the Community Improvement Fund by \$3,500 (39%) and the Street Light Fund by \$118 (19.5%). There was no evidence to support that the former financial supervisor reviewed the appropriation resolution and there were no subsequent documents sent to the current financial supervisor to substantiate this departure from the approved level of estimated resources and appropriations.

We recommend that Village Council not make appropriations, to any fund, in excess of the total estimated resources for that fund as certified by the County Budget Commission. We further recommend that the current financial supervisor monitor the estimated resources levels and the appropriations to assist the Village Council in keeping appropriations within the limitation of estimated resources.

FINDING NUMBER 1999-30740-002

Noncompliance Citation

Ohio Rev. Code Section 5705.41(B), prohibits a subdivision from making an expenditure unless it has been properly appropriated.

The Sewer Debt Fund had expenditures that exceeded appropriations by \$28,694 (221%) and \$4,769 (382%) in 1998 and 1999, respectively. Additionally, in 1998, there were \$6,564 of expenditures in the Tap Fees Fund that were not supported by any appropriations. Ohio Rev. Code Section 118.07 (B)(2) requires the financial supervisor to approve and monitor the monthly disbursements.

We recommend that Village Council and the financial supervisor not approve any disbursement of Village funds that are not supported by appropriations.

FINDING NUMBER 1999-30740-003

Noncompliance Citation

Ohio Rev. Code Section 5705.41(D) states that no subdivision or taxing unit shall make any orders or contracts involving the expenditure of monies unless there is attached thereto a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Every such contract made without such certificate shall be null and void and no warrant shall be issued in payment of any amount due thereon. Ohio Rev. Code Section 118.07 (B)(2) requires the financial supervisor to approve and monitor the monthly encumbrances.

**VILLAGE OF COALTON
SCHEDULE OF FINDINGS
DECEMBER 31, 1999-1998
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 1999-30740-003 (Continued)

Noncompliance Citation (Continued)

This section also provides two “exceptions” to the above requirements:

1. Then and Now Certificates - If no certificate is furnished as required, upon receipt of the fiscal officer’s certificate that a sufficient sum was appropriated and free of previous encumbrances, the Village Council may authorize the issuance of a warrant in payment of the amount due upon such contract or if such expenditure is otherwise valid; and
2. If the amount involved is less than one thousand dollars, the fiscal officer may authorize it to be paid without affirmation of the Village Council.

The Village Clerk/Treasurer did not attach the Clerk’s certification of available funds to contracts and orders for expenditure. Also, there was no indication of review by the financial supervisor.

We recommend that Village Council not approve the expenditure of Village money from any fund that does not have a certificate from the Village Clerk, reviewed by the financial supervisor, that there are appropriations available to support the disbursement. We further recommend that the financial supervisor review the disbursements of the Village to determine that funds have been encumbered prior to their being obligated.

FINDING NUMBER 1999-30740-004

Noncompliance Citation

Ohio Admin. Code Section 117-5-01 requires each Village to organize each of its funds into the eight major fund groups, to indicate the source of money contained in each fund, and to indicate the purpose for which an expenditure is made with moneys from an individual fund. Ohio Admin. Code Section 117-5-09 requires the Village to record each expenditure of Village money and each receipt in a cash journal. Ohio Admin. Code Section 117-5-10 requires Villages to record receipts in a receipts ledger and Ohio Admin. Code Section 117-5-11 requires Villages to record expenditures and encumbrances in an appropriation ledger. Ohio Rev. Code Section 118.07 (A)(2) requires the financial supervisor to inspect and secure copies of these ledgers and journals.

The Village did maintain a cash journal for the entire audit period, but did not maintain an appropriation ledger or a receipts ledger for either year.

The cash journal was recorded in pencil, and each page was removed from its permanent binding. Month-to-date figures were recorded but there were no year-to-date figures.

We recommend the Village Clerk maintain the cash journal in a permanent binder. This journal should be recorded in ink, with none of the pages removed from it. The cash journal should contain monthly and year-to-date totals, and should be reconciled with the bank each month. We further recommend the financial supervisor periodically review the cash journal for accuracy and to determine that the monthly bank reconciliations have been performed.

**VILLAGE OF COALTON
SCHEDULE OF FINDINGS
DECEMBER 31, 1999-1998
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 1999-30740-004 (Continued)

Noncompliance Citation (Continued)

The Village shall maintain a receipts ledger as follows:

Each Village shall post to each receipts account the estimated amount of money to be received into the account as specified by the County Budget Commission in its official estimate of balance and receipts set in the certificate of estimate resources. This estimated amount shall be entered in the "balance" column under the heading "memoranda." When the monies are received, the amount is first posted to the cash journal as prescribed in rule 117-5-09 of the Administrative Code and then posted to the proper account in the receipts ledger. In posting, the amount shall be entered in the "amount received" column and in the "credit" column and subtracted from the budget estimate amount ("balance"). When properly posted, this "balance" column will accurately show the amount still anticipated to be received for the fiscal year.

At the close of the month, the Village shall rule-off the column entitled "amount received" and enter the total for the month in ink. The total year-to -date shall be entered on the next line and the column shall be ruled off.

We recommend that the Village maintain a receipts ledger and that the ledger be periodically reviewed by the financial supervisor for accuracy.

The Village shall maintain an appropriation ledger as follows:

Each Village shall post to each appropriation account an amount equal to the amount appropriated for that account in the annual appropriation resolution. Each expenditure or encumbrance charged against an appropriation account shall be posted and subtracted from the appropriated balance producing a declining balance. This procedure should use as the source posting document, an executed purchase order. The name of the vendor as it appears on the purchase order should be entered in the "vendor" column. The amount of the purchase order is entered in the "debit" column and is also subtracted from the unencumbered balance. When the invoice is received from the vendor and a warrant written to meet the obligation, the name of the vendor is again entered and the amount of the warrant is entered in the "amount of warrant" column. If the amount encumbered and the amount of the warrant are exactly the same, no other entry is made. However, if the amount entered in the debit column is different from the amount of the warrant, an adjustment must be made. The amount of the warrant is entered in the "amount of warrant" column; if the warrant is less than the amount entered in the "debit" column, the difference shall be entered in the "credit" column and added to the unencumbered balance column. If there is a standing order or if the invoice is to be paid at the time the purchase order is written, then the name of the vendor is entered and the amount to be paid is entered in the "amount of warrant" column, in the "debit" column, and subtracted from the unencumbered balance.

Appropriate columns shall be totaled and reconciled monthly and yearly.

We recommend that the Village maintain an appropriations ledger and that the ledger be periodically reviewed by the financial supervisor for accuracy.

**VILLAGE OF COALTON COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 1999-1998
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 1999-30740-005

Material Weakness

The small size of the Village's staff did not allow for adequate segregation of duties: the Clerk must perform all accounting functions. It is therefore important that Council (or the Village Administrator, for water and sewer activity) monitor financial activity closely. While Council (or the Administrator) should approve all payment vouchers, there is no documentation of the extent to which Council or the Administrator uses other financial information to monitor financial activity.

For each regular Council meeting, the Clerk should provide Council with detailed budget and actual financial statements, lists of investments, cash balances, and checks paid. For each regular meeting, the Clerk should also provide delinquent accounts receivable reports and summaries of rates in current use. The Clerk should also report total monthly water and sewer billings, debit and credit adjustments, consumption amounts, and the number of customers billed.

FINDING NUMBER 1999-30740-006

Material Weakness

During the testing of payroll, it was noted that the Village did not maintain accurate payroll records. Many of the time cards were missing and many remittance forms could not be located. The Village withheld taxes and retirement from employees pay but was often not timely in remitting the withholdings to the proper agencies.

We recommend the Village make timely remittances of withholdings. The Village will avoid late charges and late filing fees by making timely remittances as well as keep better track of amounts to be remitted so that remittances agree to other payroll records. We further recommend that the current financial supervisor take an active role in the approval of all expenditures of the Village.

**VILLAGE OF COALTON
CORRECTIVE ACTION PLAN
DECEMBER 31, 1999 AND 1998**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contract person
1999-30740-001	The appropriation ledger will be maintained and compared to the amended certificates of estimated resources when they are approved by Council.	January, 2001	Majel Keairns, Clerk/Treasurer Duane Tilley, Administrator Marjorie Preston, Mayor
1999-30740-002	Proper maintenance of the appropriation ledger should prevent expenditures from exceeding appropriations.	January, 2001	Majel Keairns, Clerk/Treasurer Duane Tilley, Administrator Marjorie Preston, Mayor
1999-30740-003	Proper use of the purchase orders system and maintenance of an appropriation ledger should prevent this situation from continuing.	January, 2001	Majel Keairns, Clerk/Treasurer Duane Tilley, Administrator Marjorie Preston, Mayor
1999-30740-004	Proper maintenance of the cashbook, receipts ledger, and the appropriation ledger should alleviate this problem in the future.	January, 2001	Majel Keairns, Clerk/Treasurer Duane Tilley, Administrator Marjorie Preston, Mayor
1999-30740-005	Monthly reports to Council and Council's monitoring of the financial records should help to clear this problem in the future.	January, 2001	Majel Keairns, Clerk/Treasurer Duane Tilley, Administrator Marjorie Preston, Mayor
1999-30740-006	Timely remittances of withholdings will help in this area.	January, 2001	Majel Keairns, Clerk/Treasurer Duane Tilley, Administrator Marjorie Preston, Mayor

**VILLAGE OF COALTON
SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 1999 AND 1998**

Finding Number	Finding Summary	Fully Corrected?	Explanation if not fully corrected
1997-30740-001	Finding for recovery against the Utility Clerk, \$271.64.	No	Village Council, after consultation with their Solicitor, decided not to pursue since it would not be cost effective.
1997-30740-002	Finding for recovery against the Mayor, \$346.00.	No	Village Council, after consultation with their Solicitor, decided not to pursue since it would not be cost effective.
1997-30740-003	Appropriations exceeded total estimate resources.	No	Village Council again made appropriations without regard to limitations of estimated resources.
1997-30740-004	Expenditures exceeded appropriations.	No	Village Council again approved expenditures that were not supported by appropriations.
1997-30740-005	Clerk's prior certification of fund not obtained.	No	Purchase orders were implemented but were not certified prior to obligating the Village for payment.
1997-30740-006	Deficit fund balances.	Yes	No deficit balances.
1997-30740-007	Cash journal improperly maintained.	No	All transactions were not posted as needed. Month-to-date and year-to-date totals were not shown.
1997-30740-008	Receipts ledger not maintained.	No	The Clerk did not maintain a receipts ledger.
1997-30740-009	Appropriation ledger not maintained.	No	The Clerk did not maintain an appropriation ledger.
1997-30740-010	Proper documentation was not maintained for all purchases.	No	Invoices were not reviewed for accuracy before payment or marked paid.
1997-30740-011	Minutes were silent as to many of the actions of Council.	No	Minutes were not always explicit as to action of the Council.
1997-30740-012	Payroll records were not maintained.	No	There were no leave records and no withholding records.
1997-30740-013	Segregation of duties.	No	Not enough employees to implement.
1997-30740-014	Timely reviews of Village operations should be made by Council and the Village Administrator.	No	No monitoring by Council or Administrator.



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VILLAGE OF COALTON

JACKSON 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, 2000**