



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

VLLAGE OF COALTON
JACKSON COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

Village of Coalton
Jackson County
10 Second Street
Coalton, Ohio 45661

To the Village 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, 2001 and 2000. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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, 2001 and 2000, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

The Auditor of State has billed the Village of Coalton for audit services provided for the years ended December 31, 2001, 2000, 1999 and 1998. As of the date of this report, the Village has been billed a total of \$31,109 and has yet to pay \$19,521.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2002 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

December 2, 2002

**VILLAGE OF COALTON
JACKSON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$14,834	\$	\$14,834
Intergovernmental Receipts	48,844	43,210	92,054
Charges for Services		9,760	9,760
Fines, Licenses, and Permits	21,198	1,810	23,008
Earnings on Investments	3,079	207	3,286
Miscellaneous	770		770
	<u>88,725</u>	<u>54,987</u>	<u>143,712</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
Security of Persons and Property	15,912	8,645	24,557
Public Health Services		1,102	1,102
Community Environment		13,052	13,052
Basic Utility Services	6,452		6,452
Transportation	230	17,398	17,628
General Government	51,004		51,004
Debt Service:			
Principal Payments		4,564	4,564
Interest Payments		1,705	1,705
Capital Outlay		47,596	47,596
	<u>73,598</u>	<u>94,062</u>	<u>167,660</u>
Total Cash Disbursements			
Total Cash Receipts Over/(Under) Cash Disbursements	<u>15,127</u>	<u>(39,075)</u>	<u>(23,948)</u>
Other Financing Receipts/(Disbursements):			
Proceeds of Notes		31,313	31,313
	<u>0</u>	<u>31,313</u>	<u>31,313</u>
Total Other Financing Receipts/(Disbursements)			
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	15,127	(7,762)	7,365
Fund Cash Balances, January 1	<u>36,305</u>	<u>80,408</u>	<u>116,713</u>
Fund Cash Balances, December 31	<u>\$51,432</u>	<u>\$72,646</u>	<u>\$124,078</u>

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

VILLAGE OF COALTON
JACKSON COUNTY

**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, 2001**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$169,234	\$	\$169,234
Miscellaneous	4,566		4,566
Total Operating Cash Receipts	<u>173,800</u>	<u>0</u>	<u>173,800</u>
Operating Cash Disbursements:			
Personal Services	46,480		46,480
Contractual Services	88,373		88,373
Supplies and Materials	17,192		17,192
Total Operating Cash Disbursements	<u>152,045</u>	<u>0</u>	<u>152,045</u>
Operating Income/(Loss)	<u>21,755</u>	<u>0</u>	<u>21,755</u>
Non-Operating Cash Receipts:			
Other Non-Operating Cash Receipts	4,285	21,370	25,655
Total Non-Operating Cash Receipts	<u>4,285</u>	<u>21,370</u>	<u>25,655</u>
Non-Operating Cash Disbursements:			
Debt Service	21,816		21,816
Other Non-Operating Cash Disbursements	1,845	29,613	31,458
Total Non-Operating Cash Disbursements	<u>23,661</u>	<u>29,613</u>	<u>53,274</u>
Net Receipts Over/(Under) Disbursements	2,379	(8,243)	(5,864)
Fund Cash Balances, January 1	<u>129,682</u>	<u>9,541</u>	<u>139,223</u>
Fund Cash Balances, December 31	<u>\$132,061</u>	<u>\$1,298</u>	<u>\$133,359</u>

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

**VILLAGE OF COALTON
JACKSON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$14,576	\$	\$14,576
Intergovernmental Receipts	41,870	39,622	81,492
Charges for Services		9,690	9,690
Fines, Licenses, and Permits	15,019	1,260	16,279
Earnings on Investments	302	25	327
Miscellaneous	11,598		11,598
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	83,365	50,597	133,962
Cash Disbursements:			
Current:			
Security of Persons and Property	14,181	7,012	21,193
Public Health Services		3,908	3,908
Community Environment		15,314	15,314
Basic Utility Services	5,416	309	5,725
Transportation	941	21,163	22,104
General Government	50,284		50,284
Debt Service:			
Principal Payments		6,270	6,270
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	70,822	53,976	124,798
Total Cash Receipts Over/(Under) Cash Disbursements	<hr/>	<hr/>	<hr/>
	12,543	(3,379)	9,164
Fund Cash Balances, January 1 (Restated - See Note 10)	<hr/>	<hr/>	<hr/>
	23,762	83,787	107,549
Fund Cash Balances, December 31	<hr/> \$36,305 <hr/>	<hr/> \$80,408 <hr/>	<hr/> \$116,713 <hr/>

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

**VILLAGE OF COALTON
JACKSON COUNTY**

**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, 2000**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$161,771	\$	\$161,771
Total Operating Cash Receipts	161,771	0	161,771
Operating Cash Disbursements:			
Personal Services	44,057		44,057
Contractual Services	70,136		70,136
Supplies and Materials	36,974		36,974
Capital Outlay	3,622		3,622
Total Operating Cash Disbursements	154,789	0	154,789
Operating Income/(Loss)	6,982	0	6,982
Non-Operating Cash Receipts:			
Proceeds from Notes and Bonds	33,382		33,382
Other Non-Operating Cash Receipts		12,370	12,370
Total Non-Operating Cash Receipts	33,382	12,370	45,752
Non-Operating Cash Disbursements:			
Debt Service	19,542		19,542
Other Non-Operating Cash Disbursements		7,541	7,541
Total Non-Operating Cash Disbursements	19,542	7,541	27,083
Net Receipts Over/(Under) Disbursements	20,822	4,829	25,651
Fund Cash Balances, January 1	108,860	4,712	113,572
Fund Cash Balances, December 31	<u>\$129,682</u>	<u>\$9,541</u>	<u>\$139,223</u>

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

**VILLAGE OF COALTON
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000**

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 and police protection. The Village appropriates general fund money to support a volunteer fire department.

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

B. 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 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 prescribed or permitted by the Auditor of State.

C. Cash and Investments

The Village has one primary checking account for governmental fund activity and a separate checking account for proprietary fund activity. Certificates of deposit are valued at cost.

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 to be accounted for in another fund.

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 monies to construct, maintain and repair Village streets

Community Improvement Fund – This fund receives sale tax monies for general improvement that will benefit the entire community.

**VILLAGE OF COALTON
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

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 receives charges for services from residents to cover the cost of providing this utility.

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

Fiduciary Fund (Agency Fund)

Funds for which the Village is acting in an agency capacity are classified as Agency Funds. The Village had the following significant Fiduciary Fund:

Mayor's Court Fund - This fund receives fine money which is paid into the Village's Police Fund for maintaining the security of persons and property within the Village.

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when 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 2001 and 2000 budgetary activity appears in Note 3.

**VILLAGE OF COALTON
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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 at December 31 was as follows:

	2001	2000
Demand deposits	\$257,437	\$255,936

Deposits: Deposits are either insured by the Federal Deposit Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Village.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2001 and 2000 follows:

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$86,833	\$88,725	\$1,892
Special Revenue	52,315	86,300	33,985
Enterprise	182,234	178,085	(4,149)
Total	\$321,382	\$353,110	\$31,728

2001 Budgeted vs. Actual Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$79,387	\$73,598	\$5,789
Special Revenue	66,385	94,062	(27,677)
Enterprise	178,349	175,706	2,643
Total	\$324,121	\$343,366	(\$19,245)

**VILLAGE OF COALTON
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$76,100	\$83,365	\$7,265
Special Revenue	38,000	50,597	12,597
Enterprise	160,500	195,153	34,653
Total	\$274,600	\$329,115	\$54,515

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$86,183	\$70,822	\$15,361
Special Revenue	46,682	53,976	(\$7,294)
Enterprise	181,928	174,331	\$7,597
Total	\$314,793	\$299,129	\$15,664

During both 2001 and 2000 the Village did not properly obtain the Clerk's prior certification for expenditures contrary to Ohio Rev. Code Section 5705.41(D). During 2000, expenditures exceeded appropriations in the Street Fund \$3,920(23%), Highway Fund \$39(5.20%), Cemetery Fund \$408 (11.66%), Fire Fund \$2,012(40.24%), Community Improvement Fund \$1,584(7.92%), and the Trash Fund \$4,560(26.36%) and the Deposit and Tap Funds had no appropriations. During 2001, expenditures exceed appropriations in the Community Improvement Fund \$31,097(122%), Water Fund \$13,301(16.80%), and the Trash Fund \$174(1%), and the Cemetery Perpetual Care Fund, the Deposits Fund, and the Fees Fund had no appropriations.

4. PROPERTY TAX

Real property taxes become a lien on January 1 proceeding 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.

**VILLAGE OF COALTON
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

5. DEBT

Debt outstanding at December 31, 2001 was as follows:

	Principal	Interest Rate
Mortgage Revenue Bonds (FmHA)	\$267,586	5.00%
Land Contract (Purchase of Property)	45,000	8.00%
Ohio Water Development Authority (OWDA) Loan	28,354	2.20%
Equipment Lease (Backhoe)	21,666	6.25%
Total	\$362,606	

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. These bonds are to be paid from user charges for the utility.

The land contract is for the purchase of property to be used to provide a park for children and citizens, to avoid litigation concerning parking issues, and the possibility of selling the property for commercial development with parking restrictions if funding does not become available for park equipment. The contract will be paid in five annual installments with general revenue funds of the Village.

The Ohio Water Development Authority (OWDA) loan relates to equipment purchases and installation for the waste water treatment plant. The OWDA approved a \$33,382 loan to the Village for this project. The loan will be repaid in semiannual installments of \$2,063, including interest, over 10 years. The loan is collateralized by sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The equipment lease is for a backhoe to be used for Village operations. The lease is for five years, with an option to purchase. The lease will be paid in annual installments of \$6,269 with community improvement funds.

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

Year Ending December 31:	Mortgage Revenue Bonds (FmHA)	Land Contract	OWDA Loan	Equipment Lease
2002	\$ 17,679	\$10,000	\$ 4,126	\$ 6,269
2003	17,864	12,800	4,126	6,269
2004	17,929	12,000	4,126	6,269
2005	17,979	11,200	4,126	6,269
2006	18,014	5,400	4,126	
2007 – 2011	91,027		10,316	
2012 – 2016	93,557			
2017 – 2021	98,512			
2022 – 2026	93,228			
2027 – 2028	25,600			
Total	\$491,389	\$51,400	\$30,946	\$ 25,076

**VILLAGE OF COALTON
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

6. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Fund (OP&F). The Village's other employees and elected officials belong to the Public Employees Retirement System (PERS) of Ohio. OP&F and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement 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 2001 and 2000, PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries for January 1, 2000 through June 30, 2000 and for 2001. For the period July 1, 2000 through December 31, 2000, PERS temporarily reduced the employers' contribution rate to 8.13% of participants' gross salaries. For 2001 and 2000, OP&F members contributed 10% of their wages. The Village contributed an amount equal to 19.5% of participants' gross salaries. As of December 31, 2001 the Village owed \$12,624 for PERS and \$6,753 for OP&F.

7. RISK MANAGEMENT

Risk Pool Membership

The Government belongs to the Ohio Municipal Joint Self-Insurance Pool, (the "Pool"), an unincorporated non-profit association available to municipal corporations and their instrumentalities. Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Pool provides a program of property and casualty insurance for its members. The Plan pays judgments, settlements and other expenses resulting for covered claims that exceed the member's' deductibles.

Casualty excess-of-loss contracts at December 31, 2001 and 2000 generally protect against individual losses exceeding \$100,000 (\$150,000 for policies issued prior to April 1, 2000).

Property coverage contracts protect against losses, subject to a deductible of \$50,000 per occurrence, limited to an annual aggregate loss of the greater of \$300,000 or 1% of total coverage.

The Pool's financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained deficit at December 31, 2001 and 2000, (the latest information available):

	<u>2001</u>	<u>2000</u>
Assets	\$3,354,251	\$2,958,827
Liabilities	<u>(4,851,866)</u>	<u>(3,863,373)</u>
Retained deficit	<u>(\$1,497,615)</u>	<u>(\$904,546)</u>

8. VILLAGE FISCAL EMERGENCY

In August 1993, the Village was placed in a state of Fiscal Emergency, under Chapter 118 of the Ohio Revised Code and the Commission was organized in January 1994. This emergency existed because the Village had deficit fund balances in several funds including the General Fund and was unable to pay bills when due.

The Village is still considered in Fiscal Emergency. However, as of October 31, 2002, the Village had total unaudited fund cash balances of \$169,095, including a General Fund cash balance of \$42,091 and did not have negative cash balances in any fund.

**VILLAGE OF COALTON
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

9. FINANCIAL COMMITMENTS

As of December 31, 2001, the Village had the following commitments:

1. The Village owed the Ohio Department of Jobs and Family Services a minimum of \$10,387, for claims paid on behalf of the Village.
2. The Village owed the Internal Revenue Service \$6,507 for Federal Income Taxes and Medicare not remitted.
3. The Village owed the State of Ohio \$1,451, for State Income Taxes not remitted.
4. The Village owed the Bureau of Workers Compensation \$6,424 for the public insurance pool that was not remitted.
5. The Village owed the Auditor of State \$6,005.

10. PRIOR PERIOD RESTATEMENT

The January 1, 2000 cash balances were restated as shown below, due to the reclassification of the Cemetery Perpetual Care Fund from a Nonexpendable Trust Fund to a Special Revenue Fund.

	Special Revenue	Nonexpendable Trust
Cash Balance, Dec. 31, 1999	<u>\$65,568</u>	<u>\$18,219</u>
Prior Period Restatement	18,219	(18,219)
Restated Cash Balance, Jan. 1, 2000	<u><u>\$83,787</u></u>	<u><u>\$0</u></u>

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

Village of Coalton
Jackson County
10 Second Street
Coalton, Ohio 45661

To the Village 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, 2001 and 2000, and have issued our report thereon dated December 2, 2002, wherein we noted the Village owes the Auditor of State \$19,521 for audit services for the years ended December 31, 2001, 2000, 1999 and 1998. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 2001-30740-001 through 2001-30740-003. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated December 2, 2002.

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 judgment, 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. A reportable condition is described in the accompanying Schedule of Findings as item 2001-30740-004.

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, the reportable condition, item 2001-30740-004 described above, we consider to be a material weakness. 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 December 2, 2002.

This report is intended solely for the information and use of management and the Village Council, and is not intended to be and should not be used by anyone 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

December 2, 2002

**VILLAGE OF COALTON
JACKSON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2001-30740-001

Finding for Recovery – Repaid Under Audit

Ohio Rev. Code Sections 2743. and 2949.091 both require in part that the court, in which any person is convicted of or pleads guilty to any offense other than a traffic offense that is not a moving violation, shall impose the sum of \$9.00 (Section 2743.70) and \$11.00 (Section 2949.091) as costs in addition to any other court costs that the court is required by law to impose upon the offender. All such moneys collected during a month shall be transmitted on or before the twentieth day of the following month by the clerk of the court to the treasurer of state.

The Mayor's Court did not remit the full, if any, amounts to the state treasurer each month, although these costs had been collected. \$6,260 from 1996, 1997, 1998, and 1999, identified in prior audits, was remitted to the state treasurer on December 31, 2001. \$1,960 from 2000 and 2001 was remitted on December 31, 2001. \$400 is still due the state treasurer as of December 2, 2002; of this amount \$180 is owed to the state reparation fund and \$220 to the state general fund.

In accordance with the forgoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for money collected but not remitted is hereby issued against the General Fund of the Village Treasury, in the amount of four hundred dollars (\$400), and in favor of the State General and Reparation Funds. This finding was paid to the State Treasury on December 2, 2002 with check number 1895.

FINDING NUMBER 2001-30740-002

Noncompliance Citation

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

The Village had expenditures which exceeded appropriations in several funds. During 2000, expenditures exceeded appropriations in the Street Fund \$3,920 (23%), Highway Fund \$39 (5.20%), Cemetery Fund \$408 (11.66%), Fire Fund \$2,012 (40.24%), Community Improvement Fund \$1,584 (7.92%), and the Trash Fund \$4,560 (26.36%) and the Deposit and Tap Funds had no appropriations. During 2001, expenditures exceed appropriations in the Community Improvement Fund \$31,097 (122%), Water Fund \$13,301 (16.80%), and the Trash Fund \$174 (1%), and the Cemetery Perpetual Care Fund, the Deposits Fund, and the Fees Fund had no appropriations.

The Village did not use an appropriation ledger, purchase orders, or then and now certificates during 2000 and 2001, which could help reduce the possibility of expenditures exceeding appropriations.

We recommend the Village Clerk deny payment of Village funds that are not supported by proper appropriations. We further recommend the Village properly maintain an appropriation ledger and properly utilize purchase orders or then and now certificates.

**VILLAGE OF COALTON
JACKSON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2001-30740-003

Noncompliance Citation

Ohio Rev. Code Section 5705.41(D) states that no order or contract involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

The following exception to this basic requirement is provided statute:

- Then and Now Certificate: This exception provides that, if the fiscal officer can certify that both at the time that the contract or order was made and at the time that she is completing her certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution of ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.
- Amounts of less than \$1,000, may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures of the taxing authority.

All obligations of the Village were incurred prior to obtaining certification from the Clerk/Treasurer. "Then and now" certificates were used for all disbursements during the audit period, however, disbursements greater than or equal to \$1,000 were not approved by resolution or ordinance of the Village Council.

Also, applying this law properly would have prevented the over-expenditure of appropriations cited in finding number 2001-30740-002

We recommend the Clerk/Treasurer certify the availability for funds prior to incurring an obligation. We also recommend that the Village Council approve any "then and now" certificates for disbursements greater than or equal to \$1,000 by resolution.

FINDING NUMBER 2001-30740-004

Material Weakness

The small size of the Village's staff did not allow for an adequate segregation of duties. The Clerk must perform all accounting functions. It is, therefore, important that the Village Council monitor financial activity closely. While the Council did approve all payment vouchers, there was no documentation of the extent to which the Council used other financial information to monitor financial activity. The Clerk provided the Council with a list of disbursements however the Council did not receive monthly financial reports which could result in the Council not monitoring the financial and budgetary activity of the Village.

VILLAGE OF COALTON
JACKSON COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000
(Continued)

<p>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</p>
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FINDING NUMBER 2001-30740-004
(Continued)

Material Weakness (Continued)

We recommend the Clerk prepare monthly bank reconciliations and provide the Council a copy of the monthly bank reconciliation for at least a signature approval. Also we recommend the Clerk provide the Council with a monthly financial report which includes month and year-to-date receipts and disbursements, prior year-to-date receipts and disbursements and comparisons to estimated receipts and appropriations. The Council should carefully review this information and make appropriate inquiries to help determine the continued integrity of financial information. This information also provides important data necessary to manage the Village.

This information can help answer questions such as the following:

Inquiries Relevant to Overall Village Operations:

- * are current receipts sufficient to cover expenditures;
- * are expenditures in line with prior year costs;
- * if unusual fluctuations in receipts or expenditures occur, is the reason understood, and has it been appropriately budgeted;
- * are anticipated receipts being timely received; and
- * is the Village maximizing its return on invested cash balances?

Council should approve the reports with their signatures and utilize the information provided to monitor budget vs. actual receipts and disbursements and compare current financial information with prior year financial information.

**VILLAGE OF COALTON
JACKSON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2001 AND 2000**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
1999-30740-001	Ohio Rev Code § 5705.39 Appropriations exceeding Estimated Resources.	No	Partially corrected. Reissued in the management letter.
1999-30740-002	Ohio Rev Code § 5705.41(B) Expenditures not properly appropriated.	No	Not Corrected. Reissued as finding number 2001-30740-002.
1999-30740-003	Ohio Rev Code § 5705.41(D) Then and Now Certification.	No	Not Corrected. Reissued as finding number 2001-30740-003.
1999-30740-004	Maintenance of proper ledgers	No	Partially corrected. Reissued in the management letter.
1999-30740-005	Monitoring by Village Council	No	Not corrected. Reissued as finding number 2001-30740-004.
1999-30740-006	Maintenance of Payroll Records	No	Partially corrected. Reissued in the management letter.



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OFFICE OF THE AUDITOR

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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
JANUARY 7, 2003**