

Village of Coolville
Athens County
Regular Audit
For the Years Ended December 31, 2011 and 2010



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Dave Yost • Auditor of State

Village Council
Village of Coolville
P.O. Box 64
Coolville, Ohio 45723

We have reviewed the *Independent Auditor's Report* of the Village of Coolville, Athens County, prepared by Millhuff-Stang, CPA, Inc., for the audit period January 1, 2010 through December 31, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditor's Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditor's Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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

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

Dave Yost
Auditor of State

September 4, 2012

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Village of Coolville
Athens County
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Independent Auditor's Report

Village Council
Village of Coolville
P.O. Box 64
Coolville, Ohio 45723

We have audited the accompanying financial statements of the Village of Coolville, Athens County, Ohio (the Village) as of and for the years ended December 31, 2011 and 2010. 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 described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity-wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2011 and 2010 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2011 and 2010, or its changes in financial position or cash flows, where applicable, for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances as of December 31, 2011 and 2010 and reserves for encumbrances as of December 31, 2010 of the Village of Coolville, Athens County, Ohio, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As discussed in Note 12 to in the financial statements, the Village had negative cash balances of \$12,879 and \$13,784 at December 31, 2011 and 2010, respectively, in the General Fund, which indicated the Township was having financial difficulty. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

As described in Note 8, during 2011 the Village adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 22, 2012 on our consideration of the Village's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion 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* and should be considered in assessing the results of our audit.



Natalie Millhuff-Stang, CPA
President/Owner
Millhuff-Stang, CPA, Inc.

June 22, 2012

Village of Coolville
Athens County
Combined Statement of Cash Receipts, Cash Disbursements and
Changes in Fund Cash Balances
All Governmental Fund Types
For the Year Ended December 31, 2011

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash Receipts:				
Property and Other Local Taxes	\$14,498	\$21,682	\$0	\$36,180
Licenses, Permits, and Fees	8,561	0	0	8,561
Intergovernmental	13,392	26,812	0	40,204
Special Assessments	0	11,260	0	11,260
Charges for services	6,047	0	0	6,047
Earnings on Investments	51	50	0	101
Miscellaneous	1,639	0	0	1,639
Total Cash Receipts	44,188	59,804	0	103,992
Cash Disbursements:				
Current:				
General Government	28,050	1,297	0	29,347
Security of Persons and Property	20,323	7,256	0	27,579
Transportation	0	42,366	0	42,366
Debt Service:				
Redemption of Principal	1,901	0	0	1,901
Interest and Other Fiscal Charges	9	0	0	9
Total Cash Disbursements	50,283	50,919	0	101,202
Total Cash Receipts Over (Under) Cash Disbursements	(6,095)	8,885	0	2,790
Other Financing Receipts				
Advances In	7,000	0	0	7,000
Total Other Financing Receipts	7,000	0	0	7,000
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements	905	8,885	0	9,790
Fund Cash Balances (Deficit), January 1	(13,784)	59,591	26	45,833
Fund Cash Balances (Deficit), December 31				
Restricted:				
Public Safety Street Lighting	0	6,462	0	6,462
Road Maintenance and Improvements	0	63,397	0	63,397
Assigned:				
Police Repair	0	0	26	26
Unassigned	(12,879)	(1,383)	0	(14,262)
Fund Cash Balances (Deficit), December 31	(\$12,879)	\$68,476	\$26	\$55,623

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

Village of Coolville
Athens County

Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances
All Proprietary and Fiduciary Fund Types
For the Year Ended December 31, 2011

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts:			
Charges for Services	\$138,204	\$0	\$138,204
Total Cash Receipts	138,204	0	138,204
Operating Cash Disbursements:			
Personal Services	24,209	0	24,209
Employee Fringe Benefits	3,691	0	3,691
Contractual Services	10,543	0	10,543
Supplies and Materials	72,951	0	72,951
Total Cash Disbursements	111,394	0	111,394
Operating Income	26,810	0	26,810
Non-Operating Cash Receipts:			
Other Non-Operating Receipts	0	10,695	10,695
Total Non-Operating Cash Receipts	0	10,695	10,695
Non-Operating Cash Disbursements:			
Redemption of Principal	10,250	0	10,250
Capital Outlay	13,875	0	13,875
Other Non-Operating Disbursements	132	6,757	6,889
Total Non-Operating Cash Disbursements	24,257	6,757	31,014
Excess of Cash Receipts Over Cash Disbursements Before Interfund Advances	2,553	3,938	6,491
Advances Out	(7,000)	0	(7,000)
Net Receipts Over (Under) Disbursements	(4,447)	3,938	(509)
Fund Cash Balances, January 1	62,943	777	63,720
Fund Cash Balances, December 31	\$58,496	\$4,715	\$63,211

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

Village of Coolville
Athens County
Combined Statement of Cash Receipts, Cash Disbursements and
Changes in Fund Cash Balances
All Governmental Fund Types
For the Year Ended December 31, 2010

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash Receipts:				
Property and Other Local Taxes	\$14,928	\$22,326	\$0	\$37,254
Licenses, Permits, and Fees	17,020	0	800	17,820
Intergovernmental	14,891	24,576	0	39,467
Special Assessments	0	9,161	0	9,161
Charges for Services	2,757	0	0	2,757
Earnings on Investments	83	84	0	167
Total Cash Receipts	49,679	56,147	800	106,626
Cash Disbursements:				
Current:				
General Government	28,991	1,175	0	30,166
Security of Persons and Property	24,202	7,578	0	31,780
Transportation	0	30,157	0	30,157
Capital Outlay	2,391	0	821	3,212
Debt Service:				
Redemption of Principal	1,781	0	0	1,781
Interest and Other Fiscal Charges	365	0	0	365
Total Cash Disbursements	57,730	38,910	821	97,461
Total Cash Receipts Over/(Under) Cash Disbursements	(8,051)	17,237	(21)	9,165
Other Financing Receipts				
Advances In	2,000	0	0	2,000
Total Other Financing Receipts	2,000	0	0	2,000
Excess of Cash Receipts and Other Financing Receipts Over/ (Under) Cash Disbursements	(6,051)	17,237	(21)	11,165
Fund Cash Balances (Deficit), January 1	(7,733)	42,354	47	34,668
Fund Cash Balances (Deficit), December 31	(\$13,784)	\$59,591	\$26	\$45,833
Reserve for Encumbrances, December 31	\$708	\$501	\$0	\$1,209

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

Village of Coolville
Athens County
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances
All Proprietary and Fiduciary Fund Types
For the Year Ended December 31, 2010

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts:			
Charges for Services	\$140,195	\$0	\$140,195
Total Cash Receipts	140,195	0	140,195
Operating Cash Disbursements:			
Personal Services	25,100	0	25,100
Employee Fringe Benefits	3,244	0	3,244
Contractual Services	11,091	0	11,091
Supplies and Materials	65,718	0	65,718
Other	100	0	100
Total Cash Disbursements	105,253	0	105,253
Operating Income	34,942	0	34,942
Non-Operating Cash Receipts:			
Debt Proceeds	23,106	0	23,106
Other Non-Operating Receipts	0	9,252	9,252
Total Non-Operating Cash Receipts	23,106	9,252	32,358
Non-Operating Cash Disbursements:			
Redemption of Principal	20,550	0	20,550
Interest and Other Fiscal Charges	138	0	138
Capital Outlay	90,831	0	90,831
Other Non-Operating Disbursements	0	19,155	19,155
Total Non-Operating Cash Disbursements	111,519	19,155	130,674
Excess of Cash Receipts Over/(Under) Cash Disbursements Before Interfund Advances	(53,471)	(9,903)	(63,374)
Advances Out	(2,000)	0	(2,000)
Net Receipts (Under) Disbursements	(55,471)	(9,903)	(65,374)
Fund Cash Balances, January 1	118,414	10,680	129,094
Fund Cash Balances, December 31	\$62,943	\$777	\$63,720
Reserve for Encumbrances	\$220	\$0	\$220

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

Village of Coolville
Athens County
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010

Note 1 – Summary of Significant Accounting Policies

Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Coolville, Athens County, Ohio (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides general government services, police services and street construction, repair and maintenance, as well as water and street lighting services.

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

Basis of Accounting

These financial statements follow the accounting basis the Auditor of State of Ohio prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

Cash and Investments

The Village maintains interest-bearing checking accounts and a certificate of deposit, valued at cost.

Fund Accounting

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

General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

Special Revenue Funds

These funds account for proceeds from specific sources (other than those from private-purpose 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 receives gasoline tax and motor vehicle tax monies for constructing, maintaining, and repairing Village streets.

Street Levy Fund – This fund receives property tax money for constructing, maintaining and repairing Village streets.

Village of Coolville
Athens County
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010

Note 1 – Summary of Significant Accounting Policies (Continued)

Capital Projects Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant Capital Project Fund:

Cruiser Repair/Replacement Fund – This fund receives a portion of Mayor’s Court fines to fund the repair and replacement of the police cruiser.

Enterprise Funds

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

Water Fund – This fund receives charges for services from residents to cover water service costs.

Sewer Improvement Project Fund – This fund receives loan proceeds from the Ohio Water Development Authority to finance the engineering and planning of a sanitary sewer system in the Village. A utility surcharge recorded in this fund will repay this loan.

Fiduciary Funds

Fiduciary funds include trust funds and agency funds. The Village has no trust funds.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village had the following significant Fiduciary Fund:

Mayor’s Court Fund (Agency Fund) – This fund receives fine money, a portion of which is paid into the Village’s General Fund for maintaining the security of persons and property within the Village. The other portion of the fines received into this account is paid to the State of Ohio and any other agency as required by law.

Budgetary Process

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

Appropriations

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

Estimated Resources

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

Village of Coolville
Athens County
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010

Note 1 – Summary of Significant Accounting Policies (Continued)

Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year-end are carried over and need not be re-appropriated.

A summary of the 2011 and 2010 budgetary activity appears in Note 3.

Fund Balances

For December 31, 2011, fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of the resources in the governmental funds. 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 amend 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 Council or a Village official delegated that authority by resolution, or by State statute.

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.

Property, Plant, and Equipment

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

Village of Coolville
Athens County
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010

Note 2 – Equity in Pooled Cash and Investments

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

	2011	2010
Demand Deposits	\$93,834	\$84,553
Certificates of deposit	25,000	25,000
Total deposits	\$118,834	\$109,553

Deposits: Deposits are insured by the Federal Depository Insurance Corporation.

Note 3 – Budgetary Activity

Budgetary activity, except for agency funds, for the years ending December 31, 2011 and 2010 follows:

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$67,155	\$51,188	\$(15,967)
Special Revenue	62,550	59,804	(2,746)
Capital Projects	800	0	(800)
Enterprise	273,600	138,204	(135,396)
Total	\$404,105	\$249,196	\$(154,909)

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures*	Variance
General	\$69,983	\$51,307	\$18,676
Special Revenue	116,832	51,404	65,428
Capital Projects	800	0	800
Enterprise	300,266	135,865	164,401
Total	\$487,881	\$238,576	\$249,305

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$64,835	\$49,679	\$(15,156)
Special Revenue	56,965	56,147	(818)
Capital Projects	800	800	0
Enterprise	323,500	163,301	(160,199)
Total	\$446,100	\$269,927	\$(176,173)

Village of Coolville
Athens County
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010

Note 3 – Budgetary Activity (Continued)

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$65,514	\$58,438	\$7,076
Special Revenue	98,771	39,411	59,360
Capital Project	821	821	0
Enterprise	408,666	216,992	191,674
Total	<u>\$573,772</u>	<u>\$315,662</u>	<u>\$258,110</u>

* Includes reserves for encumbrances no longer reported in the financial statements effective for 2011 due to the implementation of GASB 54. See Note 8 for additional info.

Note 4 – Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Village Council adopts 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.

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.

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.

Note 5 – Debt

Debt outstanding at December 31, 2011 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan #5098	436,765	5.89%

A Police Cruiser commercial loan was obtained to purchase a used police cruiser. A portion of Mayor’s Court fines was used to repay the loan. The final payment on this loan was made in 2011.

The Ohio Water Development Authority (OWDA) loan relates to funding to install a sewer system in the Village. A sewer surcharge has been assessed to Village residents to repay this loan. Since this project has not been completed, an amortization schedule is not yet available for this loan. The above balance includes \$46,004 in capitalized interest, which is not presented as debt proceeds in the accompanying financial statements.

Village of Coolville
Athens County
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010

Note 6 - Retirement Systems

The Village's officials and 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 includes postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2011 and 2010, OPERS members contributed 10% of their gross salaries, with the Village contributing an amount equal to 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2011.

Note 7 - Risk Management

The Village has obtained commercial insurance for the following risks:

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

Note 8 - Change in Accounting Principles

In February 2009, the Governmental Accounting Standards Board (GASB) issued Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", which the Village has implemented for the year ended December 31, 2011. This pronouncement does not affect the calculation of the Village's fund balances but does shift the focus of fund balance reporting from the availability of fund resources for budgeting to the extent to which the Village is bound to honor constraints in the financial statements, as applicable, for the year ended December 31, 2011 in accordance with this pronouncement. This pronouncement also requires that certain funds previously reported as Special Revenue Funds be reclassified to the General Fund. The Village had no funds which required reclass.

Note 9 - Outstanding Advances

Unpaid, interfund cash advances at December 31, 2011 were as follows:

	Receivable	Payable
General Fund	\$6,000	\$0
Street Lighting	0	1,000
Street Levy	1,000	0
Water Operating	0	6,000
Total	\$7,000	\$7,000

Note 10 - Compliance

- The Village had appropriations that exceeded its available resources contrary to Ohio Revised Code Section 5705.36(A)(4).
- The Village did not adopt appropriations at an allowable legal level of control contrary to Ohio Revised Code Section 5705.38(A).
- The Village had a negative fund balance contrary to Ohio Revised Code Section 5705.10.
- The Village had appropriations in excess of estimated resources contrary to Ohio Revised Code Section 5705.39.
- The Village did not always certify the availability of funds contrary to Ohio Revised Code Section 5705.41(D).

Village of Coolville
Athens County
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010

- The Village had expenditures in excess of appropriations contrary to Ohio Revised Code Section 5705.41(B).
- The Village did not maintain a complete docket contrary to Ohio Revised Code Section 1905.21, nor were monthly reports or fine monies properly submitted to the Village contrary to Ohio Revised Code Section 733.40.
- The Village did not transmit money collected by the Mayor's court timely contrary to Ohio Revised Code Section 2949.091.

Note 11 – 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.

Note 12 – Deficit Fund Balance

At December 31, 2011 and 2010, the Village had deficit fund cash balances of \$12,879 and \$13,784, respectively in the General Fund. As of the date of this report, the Village has not taken any steps to reduce the negative fund balance.

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Village Council
Village of Coolville
P.O. Box 64
Coolville, Ohio 45723

We have audited the financial statements of the Village of Coolville, Athens County, Ohio (the Village) as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated June 22, 2012, wherein we noted the Village followed the accounting basis the Auditor of State prescribes or permits, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. We also noted, for the year ended December 31, 2011, the Village adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. We also noted the Village had negative fund balances in the General Fund as of December 31, 2011 and 2010. 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.

Internal Control Over Financial Reporting

Management of the Village is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and another deficiency that we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses. These findings are identified as items 2011-001, 2011-008, and 2011-012.

Village of Coolville
Athens County

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Page 2

Internal Control Over Financial Reporting (Continued)

A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and responses to be a significant deficiency. This item is identified as item 2011-002.

Compliance and Other Matters

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 grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2011-003, 2011-004, 2011-005, 2011-006, 2011-007, 2011-009, 2011-010, and 2011-011.

We noted certain matters that we reported to management of the Village in a separate letter dated June 22, 2012.

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Village's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, Village Council, and others within the entity, and is not intended to be and should not be used by anyone other than these specified parties.



Natalie Millhuff-Stang, CPA
President/Owner
Millhuff-Stang, CPA, Inc.

June 22, 2012

Village of Coolville
Athens County, Ohio
Schedule of Findings and Responses
For the Years Ended December 31, 2011 and 2010

Findings Related to the Financial Statements Required to be Reported in Accordance With GAGAS

FINDING NUMBER 2011-001

Material Weakness – Misstatements and Misclassifications in the Financial Statements

A monitoring system by the Village should be in place to prevent or detect misstatements for the accurate presentation of the Village's financial statements. The Village misstated and misclassified various receipts and disbursements by line items, and in certain instance, by fund, that were corrected in the accompanying financial statements. The Village should implement additional monitoring procedures to ensure receipts and disbursements are properly recorded.

Client Response:

Client chose not to respond.

FINDING NUMBER 2011-002

Significant Deficiency – Payroll Items

Ohio Revised Code Section 733.28, provides that the Village Fiscal Officer shall keep the books of the Village; exhibit accurate statements of all monies received and expended, and maintain records of all property owned by the Village and income derived there from. Ohio Administrative Code Section 117-2-02 (A) states that all public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets and liabilities, document compliance with finance-related legal and contractual requirements and prepare financial statements required by rule 117-2-03 of the Administrative Code. We identified instances indicating weaknesses within the Village's internal control environment. Employee time sheets were not signed by the supervisor. Late fees and penalties were paid to OPERS during the audit period. We noted instances where supporting documentation in the form of time cards could not be produced for an employee. Worker compensation wages for 2010 were improperly based on 2008's wages. The Village should implement the following procedures to ensure the accuracy, completeness, and appropriateness of payroll records and disbursements:

- Employee time sheets should be signed by the relevant supervisor indicating approval of the employee's hours worked.
- Employee pay rates should be approved by Village Council by ordinance or resolution. The ordinance or resolution should show the beginning wage rate, the amount of the increase and the ending wage rate. A copy of the ordinance or resolution should be placed in the employee's personnel file
- The Village should use due professional care when completing forms for the Bureau of Workers Compensation and OPERS.
- The Village should ensure that timesheets are attached to all hourly employees check stubs.

Client Response:

Client chose not to respond.

Village of Coolville
Athens County, Ohio
Schedule of Findings and Responses
For the Years Ended December 31, 2011 and 2010

FINDING NUMBER 2011-003

Noncompliance – Appropriations in Excess of Available Resources

Ohio Revised Code Section 5705.36(A)(2) allows all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources. Ohio Revised Code Section 5705.36(A)(4) requires obtaining a reduced amended certificate if the amount of the deficiency will reduce available resources below the current level of appropriation. For 2011 and 2010, instances were identified where appropriations exceeded available resources. The Village should implement budgetary monitoring procedures to ensure that overspending does not occur by amending budget were appropriate.

Client Response:

Client chose not to respond.

FINDING NUMBER 2011-004

Noncompliance – Negative Fund Balance

Ohio Revised Code Section 5705.10 requires that money paid into a fund must be used only for the purposes for which such fund has been established. The Village's General fund had negative fund balances at December 31, 2011 and 2010 which was primarily due to audit adjustments recorded to correct items recorded in incorrect funds. The Village should implement the appropriate procedures to ensure that money paid into a fund is used only for the purposes for which the fund has been established.

Client Response:

Client chose not to respond.

FINDING NUMBER 2011-005

Noncompliance – Annual Appropriation Measure

Ohio Revised Code 5705.38(A) requires that on or about the first day of each fiscal year, an appropriation measure is to be passed. Ohio Revised Code Section 5705.38(C) requires the following minimum level of budgetary control for "subdivisions" other than schools: "Appropriation measures shall be classified so as to set forth separately the amounts appropriated for each office, department, and division, and, within each, the amount appropriated for personal services." The annual appropriation measure adopted for 2011 was adopted at the fund type level which does not meet the legal level of control required by Ohio Revised Code. The Village should adopt annual appropriation measures at the minimum legal level of control required by the Ohio Revised Code.

Client Response:

Client chose not to respond.

Village of Coolville
Athens County, Ohio
Schedule of Findings and Responses
For the Years Ended December 31, 2011 and 2010

FINDING NUMBER 2011-006

Noncompliance – Appropriations in Excess of Estimated Resources

Ohio Revised Code Section 5705.39 provides in part that total appropriations from each fund shall not exceed the total estimated resources. The Village incurred instances in 2010 and 2011 where appropriations exceeded estimated resources. The Village should implement budgetary monitoring procedures to ensure that overspending does not occur by amending the budget where appropriate.

Client Response:

New clerk has contained some of this.

FINDING NUMBER 2011-007

Noncompliance – Expenditures in Excess of Appropriations

Ohio Revised Code Section 5705.41(B) states that no subdivision or taxing unit is to expend money unless it has been appropriated. Although the Village was compliant in 2011 at the fund type level, which is the level at which they adopted their appropriations, we were unable to determine compliance at the proper legal level control with the documentation provided. Also, the Township did not file their appropriations timely with the County Auditor but had expenditures prior to the filings, which is also contrary to budgetary laws. The Village should implement the appropriate procedures to ensure appropriations are properly adopted and filed timely with the County Auditor.

Client Response:

Client chose not to respond.

FINDING NUMBER 2011-008

Material Weakness – Budgetary information within the UAN

Accurate budgetary information within the Village's accounting system is pertinent to ensure that the Village has accurate and complete information for decision-making processes. Budgetary items were entered into the accounting system that could not be identified as approved within the minutes. The Village should implement the appropriate procedures, such as ensuring minutes include accurate information on budgetary amendments and reconciling budgetary information within the accounting system to formally approved budgets, to ensure that budgetary information is presented accurately and completely.

Client Response:

Client chose not to respond.

FINDING NUMBER 2011-009

Noncompliance – Proper Encumbrance of Funds

Ohio Revised Code Section 5705.41(D)(1), prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

Village of Coolville
Athens County, Ohio
Schedule of Findings and Responses
For the Years Ended December 31, 2011 and 2010

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in Sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" Certificate – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment by ordinance or resolution. Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.
2. Blanket Certificate – The fiscal officer may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket Certificate – The Village may also make expenditures and contracts for any amount from a specific line item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Several instances were identified in 2010 and 2011 where disbursements tested had invoice dates preceding the encumbrance dates. Failure to certify the availability of funds properly can result in overspending or disbursements for improper or unauthorized purposes.

Client Response:

Client chose not to respond.

FINDING NUMBER 2011-010

Noncompliance – Mayor's Court Docket and Disposition of Fines and Other Monies

Ohio Revised Code Section 1905.21 states that the mayor of a municipal corporation and a mayor's court magistrate shall keep a docket. The mayor or mayor's court magistrate shall account for and dispose of all such fines, forfeitures, fees, and costs collected. Ohio Revised Code Section 733.40 states that all money collected shall be paid by the mayor into the municipality on the first Monday of each month. At the first regular meeting of the legislative authority each month, the mayor shall submit a full statement of all money received, from whom and for what purposes received, and when paid into the Village. The magistrate did not keep a complete docket, cash book or case files. Furthermore the magistrate did not submit monthly reports to the legislative authority nor did she submit money to the treasurer timely. The Village's Mayor's Court should implement the appropriate procedures to ensure the maintenance of an accurate and complete docket, cashbook and case files. Furthermore the magistrate should account for all moneys collected and remit them timely to the Village.

Client Response:

Client chose not to respond.

Village of Coolville
Athens County, Ohio
Schedule of Findings and Responses
For the Years Ended December 31, 2011 and 2010

FINDING NUMBER 2011-011

Noncompliance – Mayor’s Court

Ohio Revised Code Section 2949.091 states in part that all money collected during a month and owed to the state shall be transmitted on or before the twentieth day of the following month by the clerk of courts to the treasurer of the state. The Mayor’s Court Clerk did not transmit money timely to the treasurer of the state for most of 2010 and 2011. The Village’s Mayor’s Court should implement the appropriate procedures to ensure that the Mayor’s Court Clerk accurately, completely, and timely transmits to the state on or before the twentieth day of the month all money collected during the previous month.

Client Response:

Client chose not to respond.

FINDING NUMBER 2011-012

Material Weakness – Bank Reconciliations

When designing the Village’s system of internal control and the specific control activities, management should consider verifying the existence and valuation of assets and periodically reconciling them to the accounting records. The Village did not perform bank reconciliations for the mayor’s court, water and sewer accounts for 2010 and 2011. Furthermore, there was no separate review function for the reconciliations performed for the general account for either year. The Fiscal Officer reconciled the book balance to the bank balance each month; however, these reconciliations were not accurate. We noted various errors in the reconciliations, including manual checks improperly recorded and unrecorded differences. Adjustments were recorded in the accompanying financial statements to correct such errors, if deemed material, or were brought to management’s attention as unrecorded differences, if deemed immaterial. Failure to reconcile or to have a review process in place subjects the Village to the risk of undetected errors or fraudulent activity potentially resulting in the misappropriation of assets or misstated financial statements. The Village should implement the appropriate procedures to ensure that reconciliations are performed for all accounts and that reconciliations are reviewed for accuracy.

Client Response:

Client chose not to respond.

Village of Coolville
Athens County, Ohio
Schedule of Prior Audit Findings
For the Years Ended December 31, 2011 and 2010

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2009-001	Material Weakness – Adjustments and reclassifications	No	Reissued as Finding 2011-001
2009-002	Significant Deficiency – Payroll Items	No	Reissued as Finding 2011-002
2009-003	ORC 5705.36 – Certificate of Total Amounts Available	No	Reissued in the management letter
2009-004	ORC 5705.36(A)(4) – Appropriation in excess of available resources	No	Reissued as Finding 2011-003
2009-005	ORC 5705.38(A) – Adoption of Appropriations	No	Reissued as Finding 2011-005
2009-006	ORC 5705.10 – Negative Fund Balance	No	Reissued as Finding 2011-004
2009-007	ORC 5705.39 – Appropriations in excess of Estimated Resources	No	Reissued as Finding 2011-006
2009-008	ORC 5705.41(B) – Expenditures in excess of appropriations	No	Reissued as Finding 2011-007
2009-009	ORC 5705.41(D) – Proper encumbrance of funds	No	Reissued as Finding 2011-009
2009-010	ORC 1905.21 and 733.40 – Mayor’s court docket and fines	No	Reissued as Finding 2011-010
2009-011	ORC 2949.091 – Mayor’s Court	No	Reissued as Finding 2011-011
2009-012	Material Weakness – Bank Reconciliation	No	Reissued as Finding 2011-012

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Dave Yost • Auditor of State

VILLAGE OF COOLVILLE

ATHENS 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
SEPTEMBER 18, 2012