



**Auditor of State
Betty Montgomery**

VILLAGE OF NELLIE
COSHOCKTON COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Village of Nellie
Coshocton County
117 Main Street
Warsaw, Ohio 43844

To the Village Council:

We have audited the accompanying financial statements of the Village of Nellie, Coshocton County, Ohio, (the Village) as of and for the years ended December 31, 2003 and 2002. 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 and reserves for encumbrances of the Village as of December 31, 2003 and 2002, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 2, 2004 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, 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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

July 2, 2004

**VILLAGE OF NELLIE
COSHOCOTON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<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	\$9,079		\$9,079
Intergovernmental Receipts	9,172	\$3,359	12,531
Earnings on Investments	35	56	91
	<u>18,286</u>	<u>3,415</u>	<u>21,701</u>
Total Cash Receipts			
	<u>18,286</u>	<u>3,415</u>	<u>21,701</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	404		404
Public Health Services	213		213
Community Environment	1,091	2,140	3,231
Basic Utility Services	445	848	1,293
General Government	10,336	950	11,286
	<u>12,489</u>	<u>3,938</u>	<u>16,427</u>
Total Cash Disbursements			
	<u>12,489</u>	<u>3,938</u>	<u>16,427</u>
Total Cash Receipts Over/(Under) Cash Disbursements	5,797	(523)	5,274
Fund Cash Balances, January 1	5,894	18,525	24,419
	<u>5,894</u>	<u>18,525</u>	<u>24,419</u>
Fund Cash Balances, December 31	<u>\$11,691</u>	<u>\$18,002</u>	<u>\$29,693</u>
Reserves for Encumbrances, December 31	<u>\$550</u>	<u>\$72</u>	<u>\$622</u>

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

**VILLAGE OF NELLIE
COSHOCOTON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<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	\$3,488		\$3,488
Intergovernmental Receipts	8,648	\$3,281	11,929
Earnings on Investments	48	88	136
	<u>12,184</u>	<u>3,369</u>	<u>15,553</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	404		404
Public Health Services	183		183
Community Environment	366	2,230	2,596
Basic Utility Services	446	848	1,294
General Government	14,158	90	14,248
	<u>15,557</u>	<u>3,168</u>	<u>18,725</u>
Total Cash Receipts Over/(Under) Cash Disbursements	(3,373)	201	(3,172)
Fund Cash Balances, January 1 (As restated , Note 6)	<u>9,267</u>	<u>18,324</u>	<u>27,591</u>
Fund Cash Balances, December 31	<u>\$5,894</u>	<u>\$18,525</u>	<u>\$24,419</u>
Reserves for Encumbrances, December 31	<u>\$600</u>	<u>\$72</u>	<u>\$672</u>

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

**VILLAGE OF NELLIE
COSHOCOTON COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ENTERPRISE FUND
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002**

	Enterprise	
	2003	2002
Operating Cash Receipts:		
Miscellaneous	\$1,300	\$1,460
Operating Cash Disbursements:		
Contractual Services	747	700
Supplies and Materials		652
Capital Outlay	88	42
Total Operating Cash Disbursements	835	1,394
Operating Income	465	66
Fund Cash Balances, January 1 (As restated, Note 6)	1,553	1,487
Fund Cash Balances, December 31	\$2,018	\$1,553
Reserve for Encumbrances, December 31	\$221	\$0

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

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**VILLAGE OF NELLIE
COSHOCTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Nellie, Coshocton County, Ohio, (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 street construction maintenance and repair.

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

The Village maintains all cash in an interest bearing checking account.

D. Fund Accounting

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

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Fund

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 Fund:

Street Construction, Maintenance and Repair Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village streets.

**VILLAGE OF NELLIE
COSHOCKTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

3. Enterprise Fund

This fund accounts 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 Fund:

Community Center Fund - This fund receives charges for services for the rental of the Village's Community Building.

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. Unencumbered appropriations lapse at year end.

2. 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.

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 2003 and 2002 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

**VILLAGE OF NELLIE
COSHOCOTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

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:

	2003	2002
Demand deposits	\$31,711	\$25,972

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2003 and 2002 follows:

2003 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$12,811	\$18,286	\$5,475
Special Revenue	2,800	3,415	615
Enterprise	1,200	1,300	100
Total	\$16,811	\$23,001	\$6,190

2003 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$18,700	\$13,039	\$5,661
Special Revenue	7,400	4,010	3,390
Enterprise	3,650	1,056	2,594
Total	\$29,750	\$18,105	\$11,645

2002 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$12,981	\$12,184	(\$797)
Special Revenue	6,400	3,369	(3,031)
Enterprise	0	1,460	1,460
Total	\$19,381	\$17,013	(\$2,368)

**VILLAGE OF NELLIE
COSHOCKTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$15,401	\$16,157	(\$756)
Special Revenue	6,400	3,240	3,160
Enterprise	2,335	1,394	941
Total	\$24,136	\$20,791	\$3,345

Contrary to 5705.41(D) Ohio Rev. Code, the Village did not always certify the availability of funds prior to the obligation of expenditures.

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 payments, 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.

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

5. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Inland Marine;
- Errors and omissions.

6. RESTATEMENT

Certain errors including adjustments made to the December 31, 2001 financial statements that were not reflected by the Village and certain other errors resulting in overstatement of two funds and understatement of one fund were discovered during the audit. The correction of these errors had the following net effect on fund balances as previously reported at December 31, 2001.

	Balance Previously Reported	Restatement	Restated Balance January 1, 2002
General	\$10,771	(\$1,504)	\$9,267
Special Revenue	17,900	424	18,324
Enterprise	1,282	205	1,487



**Auditor of State
Betty Montgomery**

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

Village of Nellie
Coshocton County
117 Main Street
Warsaw, Ohio 43844

To the Village Council:

We have audited the financial statements of the Village of Nellie, Coshocton County, Ohio, (the Village) as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated July 2, 2004. 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2003-001.

We also noted certain other immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated July 2, 2004.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

However, we 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 July 2, 2004.

111 Second St., NW / Fourth Floor / Canton, OH 44702
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This report is intended for the information and use of management, and 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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

July 2, 2004

VILLAGE OF NELLIE
COSHOCKTON COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002

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

NONCOMPLIANCE CITATION

FINDING NUMBER 2003-001

Ohio Rev. Code Section 5705.41(D) states in part, that no subdivision or taxing unit shall make any contract or order any expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the same 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 encumbrances. Every such contract made without such a certificate shall be null and void and no warrant shall be issued in payment of any amount due thereon.

This section also provides two "exceptions" to the above requirements:

- A. Then and Now Certificate - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that both at the time that the contract or order was made and at the time he is completing his certification a sufficient sum was appropriated and free of any previous encumbrances, Council may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.
- B. If the amount involved is less than \$1,000 (which was increased to \$3,000 as of April 7, 2003), the fiscal officer may authorize it to be paid without the affirmation of Council upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful.

During 2003 and 2002, 80% and 88% respectively, of the expenditures tested were not certified by the Clerk/Treasurer prior to incurring the commitment. It was also found that neither of the two exceptions noted above were utilized. The Clerk/Treasurer should certify the availability of funds prior to incurring any obligations. In addition, the Village should inform all Village employees of the requirements of Ohio Rev. Code Section 5705.41(D) and the importance of certifying the availability of funds. The Village should implement the use of Then and Now Certificates and Blanket Certificates as further permitted by Ohio Rev. Code Section 5705.41.

**VILLAGE OF NELLIE
COSHOCTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2003 AND 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2001-31016-001	Ohio Rev. Code Section 5705.41(D) , The Clerk/Treasurer did not always certify the availability of funds prior to incurring the obligation.	No	Not Corrected. Refer to Finding 2003-001.
2001-31016-002	Ohio Rev. Code Section 5705.41(B) , Expenditures plus outstanding encumbrances exceeded appropriations.	Yes	Fully Corrected.
2001-31016-003	Ohio Rev. Code Section 5705.39 , Appropriations exceeded total estimated resources in the Enterprise Fund.	No	Partially Corrected. Refer to comment in the Management Letter.
2001-31016-004	Ohio Rev. Code Section 5705.36 , The Village did not file its certificate of available revenue for 2000 with the County Auditor.	Yes	The Village filed its certificate of available revenue for 2002 and 2003 with the County Auditor.



**Auditor of State
Betty Montgomery**

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VILLAGE OF NELLIE

COSHOCTON 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
AUGUST 26, 2004**