



**Auditor of State
Betty Montgomery**

VILLAGE OF COALTON
JACKSON COUNTY

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**Auditor of State
Betty Montgomery**

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

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS 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. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in cursive script that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

January 17, 2006

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of Village of Coalton, Jackson County, Ohio (the Village), as of and for the years ended December 31, 2004, 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.

Except as described in paragraphs three and seven, 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinion.

The Auditor of State served as the Village's financial supervisor under Ohio Rev. Code §118.05 (G) during the years ended December 31, 2004, 2003 and 2002. *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to the audit the Village because the Auditor of State may assume broad management powers, duties and functions under Ohio Rev. Code §118.04. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 118.05 (G) requires the Auditor of State to provide these supervisory services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments.

The Auditor of State has billed the Village for audit services provided for the years ended December 31, 2000 through 2001. As of the date of this report, the Village has been billed \$15,299 and has yet to pay a total of \$15,229.

The Village did not maintain documentation to support the classifications of receipts and disbursements for the years ended December 31, 2003 and 2002.

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.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003 and 2002), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. 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 the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since this Village does not use GAAP to measure financial statement amounts, 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 year ended December 31, 2004 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, 2004, or their changes in financial position or cash flows of its proprietary funds for the year then ended.

Generally accepted auditing standards require us to corroborate information furnished by management of the Village concerning litigations, claims, and assessments. The primary means of such corroboration is through inquiry with the Village's Law Director. The Village's Law Director did not respond to our inquiry concerning litigation, claims, and assessments.

Also, in our opinion, except for the effects of such adjustment, if any, as might have been determined to be necessary had we been able to examine sufficient evidence supporting receipt and disbursement classifications for the years ended December 31, 2003 and 2002, and had we received a response concerning litigation, claims and assessments, 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, 2004, 2003 and 2002, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the year ended December 31, 2004. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 17, 2006, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Betty Montgomery
Auditor of State

January 17, 2006

**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, 2004**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$ 17,144	\$	\$ 17,144
Intergovernmental Receipts	41,945	54,228	96,173
Charges for Services	955	9,884	10,839
Fines, Licenses, and Permits	21,960	2,121	24,081
Miscellaneous	1,564	1,160	2,724
Total Cash Receipts	<u>83,568</u>	<u>67,393</u>	<u>150,961</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	43,821	24,403	68,224
Basic Utility Services	5,432	4,672	10,104
Transportation	15,386	28,898	44,284
General Government	28,132	32	28,164
Debt Service:			
Principal Payments		15,416	15,416
Interest Payments		2,682	2,682
Total Cash Disbursements	<u>92,771</u>	<u>76,103</u>	<u>168,874</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(9,203)</u>	<u>(8,710)</u>	<u>(17,913)</u>
Other Financing Receipts/(Disbursements):			
Transfers-In		2,119	2,119
Transfers-Out	(2,119)		(2,119)
Total Other Financing Receipts/(Disbursements)	<u>(2,119)</u>	<u>2,119</u>	<u>0</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(11,322)	(6,591)	(17,913)
Fund Cash Balances, January 1	<u>30,902</u>	<u>49,868</u>	<u>80,770</u>
Fund Cash Balances, December 31	<u>\$ 19,580</u>	<u>\$ 43,277</u>	<u>\$ 62,857</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, 2004**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$ 185,701	\$	\$ 185,701
Total Operating Cash Receipts	<u>185,701</u>	<u>0</u>	<u>185,701</u>
Operating Cash Disbursements:			
Personal Services	71,476		71,476
Employee Fringe Benefits	6,397		6,397
Contractual Services	89,799		89,799
Supplies and Materials	12,454		12,454
Total Operating Cash Disbursements	<u>180,126</u>	<u>0</u>	<u>180,126</u>
Operating Income/(Loss)	<u>5,575</u>	<u>0</u>	<u>5,575</u>
Non-Operating Cash Receipts:			
Other Financing Receipts		23,273	23,273
Total Non-Operating Cash Receipts	<u>0</u>	<u>23,273</u>	<u>23,273</u>
Non-Operating Cash Disbursements:			
Debt Service - Principal	23,535		23,535
Other Financing Disbursements		23,812	23,812
Total Non-Operating Cash Disbursements	<u>23,535</u>	<u>23,812</u>	<u>47,347</u>
Net Cash Receipts Over/(Under) Cash Disbursements	(17,960)	(539)	(18,499)
Fund Cash Balances, January 1	<u>80,473</u>	<u>1,392</u>	<u>81,865</u>
Fund Cash Balances, December 31	<u>\$ 62,513</u>	<u>\$ 853</u>	<u>\$ 63,366</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, 2003**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$ 14,910	\$	\$ 14,910
Intergovernmental Receipts	47,966	48,972	96,938
Charges for Services	431	7,543	7,974
Fines, Licenses, and Permits	28,240		28,240
Miscellaneous	1,690		1,690
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	93,237	56,515	149,752
Cash Disbursements:			
Current:			
Security of Persons and Property	60,812	13,529	74,341
Public Health Services		3,514	3,514
Basic Utility Services	5,263		5,263
Transportation	17,563	22,756	40,319
General Government	16,026		16,026
Debt Service:			
Principal Payments		14,153	14,153
Interest Payments		3,823	3,823
Capital Outlay	14,723		14,723
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	114,387	57,775	172,162
Total Cash Receipts Over/(Under) Cash Disbursements	<hr/> (21,150) <hr/>	<hr/> (1,260) <hr/>	<hr/> (22,410) <hr/>
Fund Cash Balances, January 1	<hr/> 52,052 <hr/>	<hr/> 51,128 <hr/>	<hr/> 103,180 <hr/>
Fund Cash Balances, December 31	<u>\$ 30,902</u>	<u>\$ 49,868</u>	<u>\$ 80,770</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, 2003**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$ 183,662	\$	\$ 183,662
Total Operating Cash Receipts	<u>183,662</u>	<u>0</u>	<u>183,662</u>
Operating Cash Disbursements:			
Personal Services	52,705		52,705
Contractual Services	51,647		51,647
Supplies and Materials	53,552		53,552
Other	271		271
Capital Outlay	1,673		1,673
Total Operating Cash Disbursements	<u>159,848</u>	<u>0</u>	<u>159,848</u>
Operating Income/(Loss)	<u>23,814</u>	<u>0</u>	<u>23,814</u>
Non-Operating Cash Receipts:			
Other Financing Receipts		27,549	27,549
Total Non-Operating Cash Receipts	<u>0</u>	<u>27,549</u>	<u>27,549</u>
Non-Operating Cash Disbursements:			
Debt Service - Principal	5,314		5,314
Debt Service - Interest	13,445		13,445
Other Financing Disbursements		30,179	30,179
Total Non-Operating Cash Disbursements	<u>18,759</u>	<u>30,179</u>	<u>48,938</u>
Net Cash Receipts Over/(Under) Cash Disbursements	5,055	(2,630)	2,425
Fund Cash Balances, January 1	<u>75,418</u>	<u>4,022</u>	<u>79,440</u>
Fund Cash Balances, December 31	<u>\$ 80,473</u>	<u>\$ 1,392</u>	<u>\$ 81,865</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, 2002**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$ 13,266	\$	\$ 13,266
Intergovernmental Receipts	49,479	37,586	87,065
Charges for Services	2,389	8,700	11,089
Fines, Licenses, and Permits	59,685		59,685
Earnings on Investments		922	922
Miscellaneous	3,860	1,897	5,757
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	128,679	49,105	177,784
	<hr/>	<hr/>	<hr/>
Cash Disbursements:			
Current:			
Security of Persons and Property	52,915	9,577	62,492
Public Health Services		4,063	4,063
Community Environment		3,050	3,050
Transportation	13,255	19,249	32,504
General Government	61,649	8,268	69,917
Debt Service:			
Principal Payments		14,905	14,905
Interest Payments		1,364	1,364
Capital Outlay	240	10,147	10,387
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	128,059	70,623	198,682
	<hr/>	<hr/>	<hr/>
Total Cash Receipts Over/(Under) Cash Disbursements	620	(21,518)	(20,898)
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	51,432	72,646	124,078
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	\$ 52,052	\$ 51,128	\$ 103,180
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <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, 2002**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$ 183,802	\$	\$ 183,802
Miscellaneous	425		425
Total Operating Cash Receipts	184,227	0	184,227
Operating Cash Disbursements:			
Personal Services	46,867		46,867
Employee Fringe Benefits	12,202		12,202
Contractual Services	95,905		95,905
Supplies and Materials	45,695		45,695
Other	622		622
Capital Outlay	18,144		18,144
Total Operating Cash Disbursements	219,435	0	219,435
Operating Income/(Loss)	(35,208)	0	(35,208)
Non-Operating Cash Receipts:			
Earnings on Investments	368		368
Other Non-Operating Receipts		71,119	71,119
Total Non-Operating Cash Receipts	368	71,119	71,487
Non-Operating Cash Disbursements:			
Debt Service - Principal	17,541		17,541
Debt Service - Interest	4,264		4,264
Other Non-Operating Cash Disbursements		68,395	68,395
Total Non-Operating Cash Disbursements	21,805	68,395	90,200
Excess of Receipts Over/(Under) Disbursements	(56,645)	2,724	(53,921)
Fund Cash Balances, January 1	132,063	1,298	133,361
Fund Cash Balances, December 31	\$ 75,418	\$ 4,022	\$ 79,440

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, 2004, 2003 AND 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Coalton, Jackson County (the Village), as a body corporate and politic. A publicly-elected six-member Council governs the Village. The Village provides general government services, police services and street construction, repair and maintenance, as well as water, sewer and trash utilities, The Village also appropriates funds 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 accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. This basis 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 adequately disclose material matters the Auditor of State prescribes.

C. Cash and Investments

The Village's accounting basis includes investments as assets. This basis does not report disbursements for investment purchases or receipts for investment sales. The Village reports gains or losses at the time of sale as receipts or disbursements, respectively. The Village values certificates of deposit at cost.

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

2. Special Revenue Funds

These funds 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 receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing Village streets.

Community Improvement Fund – This fund receives sales tax monies for general improvement and other purposes that will benefit the entire community.

VILLAGE OF COALTON
JACKSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004, 2003 AND 2002
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

Cemetery, Perpetual Care Fund – This fund receives a portion of the sale of cemetery lots for investment purposes.

3. 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 Fund - This fund receives charges for services from residents to cover sewer service costs.

Sewer CCR Fund – This fund receives charges for services from residents to cover the cost of the debt of the Sewer system.

Sewer Replacement Fund – This fund receives charges for services from residents to cover the cost of replacement and costs over and above the normal operating costs of providing the Sewer service.

4. Fiduciary Funds (Agency Funds)

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

Mayor's Court 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.

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) 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. Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

VILLAGE OF COALTON
JACKSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004, 2003 AND 2002
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

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 carried over, and need not be reappropriated. The Village did not use the encumbrance method of accounting.

A summary of 2004, 2003 and 2002 budgetary activity appears in Note 3.

F. 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.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

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:

	2004	2003	2002
Demand deposits	\$105,635	\$142,507	\$162,994
Certificates of deposit	20,588	20,128	19,626
Total deposits	<u>\$126,223</u>	<u>\$162,635</u>	<u>\$182,620</u>

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the Village; or collateralized by the financial institution's public entity deposit pool.

**VILLAGE OF COALTON
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004, 2003 AND 2002
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2004, 2003 and 2002 follows:

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$90,558	\$83,568	(\$6,990)
Special Revenue	41,938	69,512	27,574
Enterprise	179,128	185,701	6,573
Total	\$311,624	\$338,781	\$27,157

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$80,000	\$94,890	(\$14,890)
Special Revenue	42,800	76,103	(33,303)
Enterprise	189,000	203,661	(14,661)
Total	\$311,800	\$374,654	(\$62,854)

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$104,733	\$93,237	(\$11,496)
Special Revenue	43,077	56,515	13,438
Enterprise	185,280	183,662	(1,618)
Total	\$333,090	\$333,414	\$324

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$88,000	\$114,387	(\$26,387)
Special Revenue	48,675	57,775	(9,100)
Enterprise	204,000	178,607	25,393
Total	\$340,675	\$350,769	(\$10,094)

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$86,755	\$128,679	\$41,924
Special Revenue	47,945	49,105	1,160
Enterprise	180,591	184,595	4,004
Total	\$315,291	\$362,379	\$47,088

**VILLAGE OF COALTON
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004, 2003 AND 2002
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$93,387	\$128,059	(\$34,672)
Special Revenue	56,065	70,623	(14,558)
Enterprise	189,799	241,240	(51,441)
Total	\$339,251	\$439,922	(\$100,671)

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority for the years ended December 31 as follows:

Fund	2002	2003	2004
General	(\$34,672)	(\$26,387)	(\$14,890)
Street Construction, Maintenance and Repair		(\$ 507)	(\$ 4,231)
State Highway		(\$ 3,459)	(\$ 2,437)
Cemetery	(\$ 1,806)		
Fire	(\$ 5,815)		(\$16,075)
Community Improvement		(\$ 1,759)	(\$ 3,098)
Housing Rehab	(\$ 3,016)		
Cemetery Perpetual	(\$ 9,400)	(\$ 1,514)	
FEMA		(\$ 2,507)	(\$ 8,949)
Water Operating	(\$ 8,651)	(\$ 1,661)	(\$18,350)
Sewer Operating	(\$ 1,508)		
Trash	(\$21,725)	(\$ 8,546)	(\$ 5,448)
CCR Sewer			(\$ 3,535)
Sewer Replacement	(\$22,685)		(\$ 4,262)
Utility Deposits	(\$ 578)		
Utility Fees	(\$ 551)		

Also contrary to Ohio law, at December 31, 2003, the State Highway Fund had a cash deficit balance of \$380 and the Cemetery Fund had a cash deficit balance of \$1,113. At December 31, 2004, the State Highway Fund had a cash deficit balance of \$2,275 and the Sewer Operating Fund had a cash deficit balance of \$168.

4. PROPERTY TAX

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 State pays the Village amounts equaling these deductions. The Village includes these with Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half payment 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.

Property owners assess tangible personal property tax. They must file a list of tangible 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 the Village's behalf.

**VILLAGE OF COALTON
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004, 2003 AND 2002
(Continued)**

5. DEBT

Debt outstanding at December 31, 2004 was as follows:

	Principal	Interest Rate
Mortgage Revenue Bonds (FmHA)	\$245,837	5.00%
Ohio Water Development Authority Loan	19,260	2.20%
Land Contract	15,000	8.00%
Equipment Lease (Backhoe)	5,928	6.25%
Total	\$286,025	

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

The Ohio Water Development Authority (OWDA) loan relates to equipment purchase and the installation of a wastewater treatment plant the Ohio Environmental Protection Agency mandated. The OWDA approved up to \$33,382 in loans to the Village for this project. The Village will repay the loans in semiannual installments of \$1,868.50, including interest, over 10 years. The scheduled payment amount below assumes that \$33,382 will be borrowed. The OWDA will adjust scheduled payment to reflect any revisions in amounts the Village actually borrows. Sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Land Contract relates to the purchase of property 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 equipment lease is for a backhoe used in Village operations. The lease payments will be paid in annual installments of \$6,269 over five years from Community Improvement funds.

Amortization of the above debt, including interest, follows:

Year ending December 31:	Mortgage Revenue Bonds (FmHA)	OWDA Loan	Land Contract	Equipment Lease
2005	\$17,979	\$3,737	\$11,200	\$6,269
2006	18,014	3,737	5,400	
2007	18,034	3,737		
2008	18,140	3,737		
2009	18,225	3,737		
2010-2014	92,191	1,869		
2015-2019	96,256			
2020-2024	103,467			
2025-2028	55,611			
Total	\$437,917	\$20,554	\$16,600	\$6,269

**VILLAGE OF COALTON
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004, 2003 AND 2002
(Continued)**

6. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Ohio Police & Fire Pension Funds (OP&F). Other employees and elected officials belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes the plans' retirement benefits, including postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2004, 2003 and 2002, OP&F participants contributed 10 percent of their wages. The Village contributed an amount equal to 19.5 percent of police participant wages. OPERS members contributed 8.5 percent of their wages. The Village contributed an amount equal to 13.55 percent of participants' gross salaries. The Village has paid all OPERS contributions required through December 31, 2004. As of December 31, 2004, the Village owed \$33,598 to OP&F.

7. RISK MANAGEMENT

Risk Pool Membership

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

PEP retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000 from the General Reinsurance Corporation.

If losses exhaust PEP's retained earnings, APEEP covers PEP losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

PEP retains property risks, including automobile physical damage, up to \$100,000 on any specific loss with an annual aggregate of \$1,250,000 for 2002. There is no aggregate for 2003 and future accident years. Beginning in 2003, PEP retains property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsures losses exceeding \$100,000. APEEP's Guarantee Fund pays losses and loss adjustment expenses exceeding operating contributions.

The aforementioned casualty and property reinsurance agreements do not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective member.

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31:

**VILLAGE OF COALTON
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004, 2003 AND 2002
(Continued)**

7. RISK MANAGEMENT (Continued)

Risk Pool Membership (Continued)

<u>Casualty Coverage</u>	<u>2003</u>	<u>2004</u>
Assets	\$ 25,288,098	\$ 30,547,049
Liabilities	<u>(12,872,985)</u>	<u>(16,989,918)</u>
Retained Earnings	<u>\$ 12,415,113</u>	<u>\$ 13,557,131</u>
<u>Property Coverage</u>	<u>2003</u>	<u>2004</u>
Assets	\$ 3,158,813	\$ 3,652,970
Liabilities	<u>(792,061)</u>	<u>(544,771)</u>
Retained Earnings	<u>\$ 2,366,752</u>	<u>\$ 3,108,199</u>

8. CONTINGENT LIABILITIES

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor, principally the federal government. Grantors 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.

9. 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 Fiscal Commission was organized in January 1994. This emergency existed because the Village had a deficit fund balance in the General Fund and did not pay bills when due.

The Village is still considered in Fiscal Emergency, with the Local Government Services Division of the State Auditor's Office performing the duties as Financial Supervisor for the Village. On December 8, 2005 the Fiscal Commission has voted in favor of dissolving the Village.

As of December 31, 2005, the Village had total unaudited fund cash balances of \$180,243, including a General Fund cash balance of \$26,037, and had no negative cash balances.

**VILLAGE OF COALTON
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004, 2003 AND 2002
(Continued)**

10. FINANCIAL COMMITMENTS

As of December 31, 2004, the Village had the following commitments:

1. The Village owed the Ohio Department of Jobs and Family Services a minimum of \$15,633 for unemployment claims paid on behalf of the Village.
2. The Village owed the Internal Revenue Service \$44,000 for Federal Income Taxes and Medicare not remitted, including interest and penalties.
3. The Village owed the State of Ohio \$12,000, for State Income Taxes not remitted, including interest and penalties.
4. The Village owed the Bureau of Workers Compensation \$23,813 for the workers' compensation coverage on employees.
5. The Village owed the Auditor of State \$59,000 in audit fees.
6. The Village owed \$33,598 to the Ohio Police & Fire Pension Fund (OP&F).

As of December 31, 2005, the Village balances on the above stated commitments are as follows:

- a. The Village has not paid the amount owed as of December 31, 2004, to the Ohio Department of Jobs and Family Services for unemployment claims paid on behalf of the Village. However, the Village was in negotiations with the Ohio Department of Jobs and Family Services to arrange an acceptable payment method for both parties involved.
- b. The Village has paid the Internal Revenue Service for Federal Income Taxes and Medicare not remitted as of December 31, 2004.
- c. The Village has set up a payment plan with the State of Ohio Attorney General's Office, who represented the State Department of Taxation, to pay the State of Ohio for State Income Taxes not remitted.
- d. The Village owes the Bureau of Workers Compensation \$25,000 for the workers' compensation coverage on employees. However, the Village was in negotiations with the Bureau of Worker Compensation to arrange an acceptable payment method for both parties involved.
- e. The Village owes the Auditor of State of Ohio \$70,439 in audit fees. The Village was in negotiations with the office of the Auditor of State to arrange an acceptable payment method for both parties involved.
- f. The Village owes approximately \$44,000 to the Ohio Police & Fire Pension Fund (OP&F). However, the Village was in negotiations with the OP&F to arrange an acceptable payment method for both parties involved.

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**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

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

To the Village Council:

We have audited the financial statements of the Village of Coalton, Jackson County, Ohio (the Village), as of and for the years ended December 31, 2004, 2003 and 2002, and have issued our report thereon dated January 17, 2006, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. In addition, the Village did not maintain documentation to support the classifications of receipts and disbursements for the years ended December 31, 2003 and 2002, and we did not receive a response from the Village's Law Director regarding outstanding litigation. We also noted the Village has yet to pay a total of \$15,229 for audit services rendered by the Auditor of State for the years ended December 31, 2000 through 2001. We also noted the Auditor of State served on the Village's financial supervisor committee during the years ended December 31, 2004, 2003 and 2002. The *Government Auditing Standards* considers this service to impair the Auditor of State's independence to the audit the Village because the Auditor of State may assume broad management powers, duties and functions. Except as discussed in the preceding sentences, 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the financial statements and not to opine 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 general purpose financial statements. Reportable conditions are described in the accompanying Schedule of Findings as items 2004-014 through 2004-016 and 2004-020 through 2004-024.

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 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. We believe reportable conditions 2004-014 through 2004-016 and 2004-020 through 2004-023 described above are material weaknesses. In a separate letter to the Village's management dated January 17, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, 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 2004-001 through 2004-021 and 2004-025 through 2004-027. In a separate letter to the Village's management dated January 17, 2006, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of management and the Village Council. It is not intended for anyone other than these specified parties.



Betty Montgomery
Auditor of State

January 17, 2006

**VILLAGE OF COALTON
JACKSON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004, 2003 AND 2002**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2004-001

Finding for Recovery

Per review of the Utility Account History for Ronnie Baisden (Account # 210300), it was noted that there were several adjustments which were not directly related to charges on the account. The Village Administrator stated the commercial account had been disputed by the customer because he wanted garbage service but did not use the other utility services and did not want to pay the minimum charges for other utility services in order to receive garbage service. The Village Administrator had determined the business location was not within the Village corporation limits and was not using the other utility services. Based on this determination, adjustments were made to the customer's overall accounts to eliminate other utility charges. As a result, the adjustments reduced the balance owed for services used. However, the adjustments made to the accounts did not agree to the amounts billed for the other utilities.

The following calculation reflects amounts which the customer would owe the Village for final charges on his previous account that was closed on December 12, 2002 (which included all utilities),; garbage services which he received during 2003 and 2004; and amounts that were paid from December 12, 2002 through December 31, 2004:

Balance due after payment on 12/12/02	\$104.95
Billing for final reading 1/19/03	45.41
Final bill	150.36
Credit for residential trash collection charged on final bill	(10.00)
Balance on Account Closed in 2002	140.36
Trash collection for 3 months in 2003	180.00
Trash collection for 11 months in 2004	660.00
Total due on account through 11/12/04	980.36
Paid cash 10/10/03	(124.95)
Paid cash 1/15/04	(77.59)
Paid cash 4/19/04	(126.64)
Paid check #24610 9/20/04	(128.09)
Balance past due at 11/22/04	\$523.09

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for public money due but not collected, is hereby issued against Ronnie Baisden in the amount of \$523.09, in favor of the Village's Trash Fund.

**VILLAGE OF COALTON
JACKSON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004, 2003 AND 2002
(Continued)**

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

FINDING 2004-002

Finding for Recovery

Ohio Rev. Code Section 2949.091 (A)(1) states 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 fifteen dollars as costs in the case 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 and deposited by the treasurer of state into the general revenue fund. The court shall not waive the payment of the additional fifteen dollars court costs, unless the court determines that the offender is indigent and waives the payment of all court costs imposed upon the indigent offender.

Prior to September 26, 2003, the court costs noted above were \$11; however, they were raised to \$15 as a result of House Bill 95. The Mayor's Court was not aware the court costs had increased so it did not raise the court fee during 2003.

From September 26, 2003 to December 31, 2003, the Mayor's Court had 30 cases in which it only collected and paid to the Treasurer of State the \$11 fee. Based on the change House Bill 95 made to Ohio Rev. Code Section 2949.091 (A)(1), the Mayor's Court should have collected an additional \$120 that is due to the State of Ohio to be deposited by the Treasurer of State in the General Revenue Fund.

In accordance with the foregoing facts and pursuant to the Ohio Rev. Code Section 117.28, a finding for public money due but not collected is hereby issued against former Mayor Marvin Bates, in the amount of \$120, in favor of the State of Ohio, General Revenue Fund.

FINDING 2004-003

Finding for Recovery

The Village of Coalton salary schedule stated the salary of the Village Police Chief, Lonnie Anderson, shall be \$7.85 per hour. Mr. Anderson's time card did not always reflect the total number of hours for which he was paid. This caused an overpayment during 2004.

The following table reflects the employee's amount overpaid:

Position	Employee Name	Actual Pay	Approved Pay	Overpayment
Chief of Police	Lonnie Anderson	\$16,402.58	\$16,243.61	\$158.97

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for public money illegally expended is hereby issued against Lonnie Anderson, Village Police Chief, and Majel Keairns, former Village Clerk-Treasurer, jointly and severally, in the amount of \$158.97 in favor of the Village's General Fund for the period January 1, 2004 through December 31, 2004.

**VILLAGE OF COALTON
JACKSON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004, 2003 AND 2002
(Continued)**

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

FINDING 2004-004

Finding for Recovery

The Village of Coalton salary schedule stated the salary of the Village maintenance technician, Marion Coon, shall be \$7.75 per hour. At the end of 2003, the Village approved to pay all overtime owed to employees for 2002 and 2003 to be paid at time and a half. Mr. Coon was overcompensated for the hours of overtime actually worked. During 2004, Mr. Coon was paid for overtime three times with no approval or supporting documentation. Further, Mr. Coon's time card did not always reflect the total number of hours for which he was paid, which resulted in an overpayment in 2004 as well.

The following table reflects the employee's amount overpaid:

	Supported Pay and Overtime	Actual Pay and Overtime	Overpayment
2002 – 2003	\$22,619.95	\$23,223.79	\$ 605.10
2004	3,332.04	5,655.44	2,323.40
Total			\$ 2,928.50

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for public money illegally expended is hereby issued against Marion Coon, former Village Maintenance Technician and Majel Keairns, former Village Clerk-Treasurer, jointly and severally, in the amount of \$2,928.50 in favor of the Village's General Fund for \$54.50, Street Fund for \$1,961.75 and Water Fund for \$912.29, for the period January 1, 2002 through December 31, 2004.

FINDING 2004-005

Finding for Recovery

The Village of Coalton salary schedule stated the salary of the Village Utility Clerk, Tisa Neal, shall be \$8.38 per hour. The Utility Clerk's schedule was 8:00 am until 4:00 pm with a half hour paid lunch. At the end of 2003, the Village approved to pay all overtime owed to employees for 2002 and 2003 to be paid at time and a half. Ms. Neal was paid for a total of 94 hours of overtime as a result of the "lump sum" payment on November 20, 2003.

The following table reflects the Utility Clerks 2003 overpayment:

	Supported Pay and Overtime	Actual Pay and Overtime	Overpayment
2003	\$18,682.16	\$18,947.18	\$ 265.02

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for public money illegally expended is hereby issued against Tisa Neal, Utility Clerk and Majel Keairns, former Village Clerk-Treasurer, jointly and severally, in the amount of \$265.02 in favor of the Village's General Fund for \$79.51, Water Fund for \$79.51, Sewer Fund for \$79.50 and Trash Fund for \$26.50, for the period January 1, 2003 through December 31, 2003.

**VILLAGE OF COALTON
JACKSON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004, 2003 AND 2002
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING 2004-006

Finding for Recovery

The February 17, 2004, Village of Coalton minutes stated the salary of the Mayor's Court Clerk shall be \$50 per month. During the first five months of 2004, the Mayor's Court Clerk was paid \$8.00 per hour. On June 21, 2004, Council approved the Village to pay the Mayor's Court Clerk \$8.00 per hour.

The following table reflects the employee's pay date and amount overpaid :

Position	Employee Name	Approved Pay Rate	Month	Actual Pay	Approved Pay	Over-Payment
Mayor's Court Clerk	Cindy Fannin	\$50/month	April, 2004	\$ 332	\$ 50	\$ 282
			May, 2004	400	50	350
			June 1 through June 17	256	50	206
			Total Overpaid			<u>\$ 838</u>

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for public money illegally expended is hereby issued against Cindy Fannin, Mayor's Court Clerk, and Majel Keairns, former Village Clerk-Treasurer, jointly and severally, in the amount of \$838 in favor of the Village's General Fund, for the period January 1, 2004 through December 31, 2004.

FINDING 2004-007

Noncompliance Citation

Ohio Rev. Code Sections 145.47 and 145.48 states, in part, that the fiscal officer of each local authority shall transmit promptly to the Public Employees Retirement System a report of contributions at such intervals and in such form as the system shall require, showing thereon all deductions for the system made from the earnable salary of each contributor employed, together with warrants or checks covering the total of such deductions. Ohio Rev. Code Section 145.48 (A) requires that each employer shall pay to the system an amount that shall be a certain percent of the earnable salary of all contributors to be known as the "employer contributions".

Per review of payroll records, it was determined that the Village did not remit all of the required contributions for 2002 and 2003. Additionally, the reports were not filed in a timely manner. The Village did, however, remit all delinquent reports and remittances during 2004 and was current as of December 31, 2004

We recommend the employees' withholdings and the corresponding employer's share be paid and reports filed in a timely manner. We also recommend the Village remit all outstanding unpaid balances due to the Public Employees Retirement System.

FINDING 2004-008

Noncompliance Citation

Ohio Rev. Code Section 742.32 states provides, in part, that each fiscal officer shall transmit promptly monthly to the Secretary of the Board of Trustees of the Ohio Police & Fire Pension Fund a report of member employee deductions and employer's portions of retirement along with a check covering the total of such remittances.

**VILLAGE OF COALTON
JACKSON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004, 2003 AND 2002
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING 2004-008 (Continued)

Noncompliance Citation - Ohio Rev. Code Section 742.32 (Continued)

Ohio Rev. Code Section 742.33 requires (A) states that each employer shall pay quarterly, on such dates as the Board of Trustees of the Ohio Police & Fire Pension Fund requires, from its general fund, or from a levy imposed pursuant to division (J) or (W) of Ohio Rev. Code Section Section 5705.19, to the fund an amount known at the "police officer employers' contribution," which shall be nineteen and one-half percent of the salaries as defined in division (L) of Ohio Rev. Code Section 742.71 01 of the members of the police department of the employer.

As disclosed in Note 10 to the Financial Statements, the Village had not remitted all of the required contributions. As a result, penalties and interest have been assessed and will continue to accrue for late payment and late filing of withholding reports until such time as the Village has paid the balance due.

We recommend the employee's' withholdings and the corresponding employer's share be paid and the required reports be filed as required by Ohio Law. We also recommend the Village remit all outstanding unpaid balances due to the Ohio Police & Fire Pension Fund.

As disclosed in Note 10 to the Financial Statements, as of December 31, 2005, the Village was in negotiations with the Ohio Police & Fire Pension Fund to establish a payment plan to resolve the past due amounts. Therefore, this matter will not be referred to the Ohio Police & Fire Pension Fund at this time.

FINDING 2004-009

Noncompliance Citation

26 U.S.C. Sections 3102(a) and 3101(b) and Ohio Attorney General Opinion 88-021 require that mandatory Medicare coverage be deducted from the wages of elected officials and employees hired after March 31, 1986. Internal Revenue Service, Publication 15, Circular E, Chapter 9 states that the employer tax rate for Medicare tax is also 1.45% (2.9% total).

Medicare taxes were withheld from applicable employees' and elected officials' wages during 2002, 2003, and 2004. However, there was no indication or documentation that the amounts withheld, nor the employer's share was remitted to the Internal Revenue Service. As of December 31, 2004, the Village had outstanding obligations to the Internal Revenue Service for Medicare taxes withheld, plus the employer's portion, for 2002, 2003 and 2004 in the amount of \$10,273.76. This amount did not include amounts owed from any prior years, or any interest and penalties which may have been assessed.

We recommend the Village Clerk remit Medicare taxes withheld, along with the employer's share, on a timely basis. Additionally, the Village should maintain documentation concerning the remittance of Medicare taxes as well as the required reports.

As disclosed in Note 10 to the Financial Statements, as of December 31, 2005, the Village had settled with the Internal Revenue Service and paid the past due amounts. Therefore, this matter will not be referred to the Internal Revenue Service at this time.

**VILLAGE OF COALTON
JACKSON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004, 2003 AND 2002
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING 2004-010

Noncompliance Citation

26 U.S.C. 3402 (a)(1) requires employers to withhold and remit federal income taxes from the wages of employees and elected officials.

Federal taxes were withheld from employees' and elected official's' wages during 2002 and 2003. However, there was no indication or documentation that the amounts withheld were remitted. As of December 31, 2003, the Village had outstanding obligations to the Internal Revenue Service for federal income taxes withheld for 2002 and 2003 in the amount of \$13,020. This amount did not include amounts owed from any prior years, nor any interest and penalties which may have been assessed.

We recommend the Village Clerk remit federal income taxes withheld on a timely basis. Additionally, the Village should maintain documentation concerning the remittance of federal income taxes as well as the required reports.

As disclosed in Note 10 to the Financial Statements, as of December 31, 2005, the Village had settled with the Internal Revenue Service and paid the past due amounts. Therefore, this matter will not be referred to the Internal Revenue Service at this time.

FINDING 2004-011

Noncompliance Citation

Ohio Rev. Code Section 4123.38 requires that every employer mentioned in division (B)(1) of section 4123.01 of the Revised Code shall contribute to the public insurance fund in the amount of money determined by the administrator of worker's' compensation, and the manner of determining contributions and the classifications of employers is as provided in sections 4123.39 to 4123.41 and section 4123.48 of the Revised Code.

As disclosed in Note 10 to the Financial Statements, the Village had unpaid obligations for the Bureau of Worker's' Compensation contribution. Per review of documentation provided by the Bureau of Worker's' Compensation on February 23, 2005, the Village had unpaid obligations dating back to December 31, 2000. As a result, penalties and interest have been assessed and will continue to accrue for late payment and late filing of reports until such time as the Village has paid the balance due.

We recommend the Village Clerk remit the required reports and amounts to the Bureau of Worker's' Compensation on a timely basis. Additionally, the Village should maintain documentation concerning the remittance of state income taxes as well as the required reports.

As disclosed in Note 10 to the Financial Statements, as of December 31, 2005, the Village was in negotiations with the Bureau of Worker's' Compensation to establish a payment plan to resolve the past due amounts. Therefore, this matter will not be referred to the Bureau of Worker's' Compensation at this time.

**VILLAGE OF COALTON
JACKSON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004, 2003 AND 2002
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING 2004-012

Noncompliance Citation

Ohio Rev. Code Section 4141.20(B) states, in part, that effective with the calendar quarter beginning April 1, 1987, every contributory employer shall file a quarterly contribution report and a quarterly report of wages. The quarterly reports shall be filed no later than the last day of the month following the close of the calendar quarter for which the quarterly reports are being filed. The employer shall enter on the quarterly contribution report the total and taxable remuneration paid to all employees during the quarter. The employer shall enter on the quarterly report of wages the name and social security number of each individual employed during the calendar quarter, the total remuneration paid the individual, the number of weeks during the quarter the individual was paid remuneration, and any other information as required by section 1137 of the "Social Security Act."

Per review of documentation provided by the Ohio Department of Job and Family Services (ODJFS), there was no indication the Village had filed any of the required reports, or made all of the required payments during 2002 and 2003. As of December 31, 2004, the Village has outstanding obligations, including interest, to the Ohio Department of Job and Family Services in the amount of \$15,633.

We recommend the Village Clerk remit the required reports and amounts to the Ohio Department of Job and Family Services on a timely basis.

As disclosed in Note 10 to the Financial Statements, as of December 31, 2005, the Village was in negotiations with the Ohio Department of Job and Family Services to establish a payment plan to resolve the past due amounts. Therefore, this matter will not be referred to the Ohio Department of Job and Family Services at this time.

FINDING 2004-013

Noncompliance Citation

Ohio Rev. Code Section 5747.07(B)(4) states an employer shall make the payment of undeposited taxes for each calendar quarter during which they were required to be withheld no later than the last day of the month following the last day of March, June, September, and December of each year. The employer shall file the return prescribed by the tax commissioner with the payment.

Ohio Rev. Code Section 5747.07 (E)(2) requires that in addition to other returns required to be filed and payments made under this section, every employer required to deduct and withhold taxes shall file, not later than the thirty-first day of January of each year, an annual return covering, but not limited to, both the aggregate amount deducted and withheld and the aggregate amount required to be deducted and withheld during the entire preceding year for the tax imposed under section 5747.02 of the Revised Code. At the time of filing the return, the employer shall pay over any amounts of undeposited taxes for the preceding year, whether actually deducted and withheld or required to be deducted and withheld, that have not been previously paid. The employer shall make the annual report, to each employee and to the tax commissioner, of the compensation paid and each tax withheld, as the commissioner by rule may prescribe.

**VILLAGE OF COALTON
JACKSON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004, 2003 AND 2002
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING 2004-013 (Continued)

Noncompliance Citation - Ohio Rev. Code Section 5747.07(B)(4) (Continued)

At December 31, 2004, the Village had not remitted \$5,800 in state income taxes. This amount does not include amounts owed from any prior years, nor any interest and penalties which may have been assessed.

We recommend the Village Clerk remit state income taxes withheld on a timely basis. Additionally, the Village should maintain documentation concerning the remittance of state income taxes as well as the required reports.

As disclosed in Note 10 to the Financial Statements, as of December 31, 2005, the Village and the State of Ohio Attorney General's office, (on behalf of the Ohio Department of Taxation), had agreed to a payment plan for the Village to pay the past due amounts. Therefore, this matter will not be referred to the Ohio Department of Taxation.

FINDING 2004-014

Noncompliance Citation/Material Weakness

Ohio Rev. Code Section 9.38 requires, in part, that a person who is a public official other than a state officer, employee, or agent shall deposit all public moneys received by that person with the treasurer of the public office or properly designated depository on the business day next following the day of receipt, if the total amount of such moneys received exceeds one thousand dollars.

If the amount of daily receipts does not exceed \$1,000 and the receipts can be safeguarded, public offices may adopt a policy permitting their officials who receive this money to hold it past the next business day, but the deposit must be made no later than 3 business days after receiving it. If the public office is governed by a legislative authority (counties, municipalities, townships, and school districts), only the legislative authority may adopt the policy. The policy must include provisions and procedures to safeguard the money during the intervening period. If the amount exceeds \$1,000 or a lesser amount cannot be safeguarded, the public official must then deposit the money on the next business day.

The Village did not adopt a policy permitting its officials who receive money to hold it past the next business day as permitted by Ohio Law. Therefore, all daily receipts were required to be deposited within the next business day.

Fifty-eight percent of the Mayor's Court transactions tested were not deposited at the bank on the next business day. Thirty-six percent of the utility department receipts tested for 2004, thirty-nine percent of the utility department receipts tested for 2003, and twenty percent of the utility department receipts tested for 2002 were not deposited at the bank on the next business day.

We recommend the Village Council adopt a policy addressing timely deposit and that all deposits be made in a timely manner.

**VILLAGE OF COALTON
JACKSON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004, 2003 AND 2002
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING 2004-015

Noncompliance Citation/Material Weakness

Ohio Admin. Code Section 117-2-02(D) states all local public offices shall maintain accounting records in a manual or computerized format. The records used shall be based on the nature of operations and services the public office provides, and shall consider the degree of automation and other factors. Such records shall include the following:

- (1) Cash journal, which typically contains the following information: The amount, date, receipt number, check number, account code, purchase order number, and any other information necessary to properly classify the transaction.
- (2) Receipts ledger, which typically assembles and classifies receipts into separate accounts for each type of receipt of each fund the public office uses. The amount, date, name of the payor, purpose, receipt number, and other information required for the transactions can be recorded on this ledger.
- (3) Appropriation ledger, which may assemble and classify disbursements or expenditure/expenses into separate accounts for, at a minimum, each account listed in the appropriation resolution. The amount, fund, date, check number, purchase order number, encumbrance amount, unencumbered balance, amount of disbursement, and any other information required may be entered in the appropriate columns.

The Village did not maintain a receipts ledger or an appropriation ledger. This resulted in the inability to monitor budget vs. actual information which contributed to the deficit spending disclosed in finding 2004-019.

We recommend the Village maintain a receipts and appropriation ledger.

FINDING 2004-016

Noncompliance Citation/Material Weakness

Ohio Rev. Code Section 149.351(A) requires that all records which are the property of the public office shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commissions provided under section 149.38 to 149.42 of the Ohio Revised Code.

During 2004, 24% of expenditures had no supporting documentation. Due to lack of supporting documentation, it could not be determined whether 30% of expenditures were paid from a reasonable fund and whether 27% of expenditures were for a proper public purpose. During 2003, 21% of expenditures had no supporting documentation and due to either no supporting documentation or lack of detailed supporting documentation, it could not be determined whether 26% of expenditures were paid from a reasonable fund. Also, during 2002, 17% of expenditures tested had no supporting documentation and due to either no supporting documentation or lack of detailed supporting documentation, it could not be determined whether 17% of expenditures were paid from a reasonable fund.

We recommend the Village require all supporting documentation to be maintained in order for the Village to ensure that all expenditures are accurate and appropriate.

**VILLAGE OF COALTON
JACKSON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004, 2003 AND 2002
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING 2004-017

Noncompliance Citation

Ohio Rev. Code Section 705.27 requires that the treasurer and such other officers or employees of the Village, as the Village Council directs, shall give a bond to the Village for the faithful performance of their duties, in such sum as the Village Council fixes by ordinance or resolution. Premiums on official bonds may be paid by the Village.

Although Village Council has never defined who should be bonded based on their duties, a dishonesty bond was carried by the Village until April 18, 2003, on the Mayor and Water Clerk, as well as the Village Clerk-Treasurer. Per review of the Village's insurance policies, scan of the Village's cashbook, and consultation with the Village's insurance agents, it was noted that the Dishonesty coverage which bonded the Village's elected officials and employees was allowed to lapse on April 18, 2003 and was not replaced until June 24, 2004. This resulted in the Village not carrying adequate insurance to cover any losses resulting from the actions of these elected officials and employees during the period.

We recommend Village Council pass an ordinance which defines what positions within the Village are required to be bonded and set the amounts of the bonds which they deem reasonable for each position. We also recommend that the Village Clerk-Treasurer work with the insurance agent to verify that the bonds are paid timely and are in effect for all positions required.

FINDING 2004-018

Noncompliance Citation

Ohio Rev. Code Section 5705.10 states money that is paid into a fund must be used only for the purposes for which such fund has been established. As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund.

At December 31, 2004, the State Highway Fund had a negative fund balance of \$2,275 and the Sewer Fund had a negative fund balance of \$168 after audit adjustments. At December 31, 2003, the State Highway Fund had a negative fund balance of \$380 and the Cemetery Fund had a negative fund balance of \$1,113.

We recommend the Village Clerk-Treasurer ensure expenditures are posted to the proper funds and review fund balances carefully throughout the year to ensure expenditures do not exceed the available fund cash balances. We also recommend that the General Fund advance monies to a fund when it becomes clear that a temporary deficit balance will occur. The General Fund should transfer monies if the fund with a deficit is not expected to receive funds to cover the shortage within a reasonable time.

FINDING 2004-019

Noncompliance Citation

Ohio Rev. 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 Rev. Code Section 5705.36 (A)(3) requires that an increased amended certificate must be obtained from the budget commission if the legislative authority intends to appropriate and expend the excess revenue. Ohio Rev. Code Section 5705.36 (A)(4) requires that a reduced amended certificate must be obtained if the amount of the deficiency will reduce available resources below the current level of appropriation.

**VILLAGE OF COALTON
JACKSON COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2004, 2003 AND 2002
(Continued)**

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

FINDING 2004-019 (Continued)

Noncompliance Citation - Ohio Rev. Code Section 5705.36 (A)(2) (Continued)

An increased amended certificate must be obtained from the budget commission if the legislative authority intends to appropriate and expend the excess revenue. A reduced amended certificate must be obtained if the amount of the deficiency will reduce available resources below the current level of appropriation.

During 2003, actual resources fell short of estimated resources in the Sewer Fund by 32%. No amendment was obtained as required. Appropriations for this fund exceeded estimated resources by 4% as well as the actual available resources by 38%

We recommend the Village obtain a reduced amended certificate of estimated resources when it becomes apparent it is going to receive less than what was estimated. We also recommend the Village monitor the effect of the reduction in relation to their appropriations and make amendments as needed.

FINDING 2004-020

Noncompliance Citation/Material Weakness

Ohio Rev. Code Section 5705.41(B) prohibits a subdivision or taxing unit from expending money unless it has been appropriated.

Expenditures exceeded appropriations as of June 30, 2004 in the following funds:

Fund	Appropriations	Expenditures	Variance	Variance
State Highway	\$800	\$2,263	(\$1,463)	-183%
CIB (Sales Tax)	15,000	18,097	(3,097)	-21%
Fire	6,000	9,105	(3,105)	-52%
FEMA	0	1,171	(1,171)	100%

At December 31, 2004, expenditures exceeded appropriations in the following funds:

Fund	Appropriations	Expenditures	Variance	Variance
General	\$80,000	\$94,890	(\$14,890)	-19%
Special Revenue Funds:				
Street	12,500	16,713	(4,213)	-34%
State Highway	800	3,237	(2,437)	-305%
CIB (Sales Tax)	15,000	18,098	(3,098)	-21%
Fire	13,000	29,075	(16,075)	-124%
Housing Rehabilitation	0	32	(32)	100%
FEMA	0	8,949	(8,949)	100%
	41,300	76,104	(34,804)	
Enterprise Funds:				
Water	76,000	94,350	(18,350)	-24%
Trash	21,000	26,448	(5,448)	-26%
CCR Sewer	20,000	23,535	(3,535)	-18%
RP Sewer	10,000	14,262	(4,262)	-43%
	127,000	158,595	(31,595)	

**VILLAGE OF COALTON
JACKSON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004, 2003 AND 2002
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING 2004-020 (Continued)

Noncompliance Citation/Material Weakness - Ohio Rev. Code Section 5705.41(B) (Continued)

During 2003, the Village did not appropriate funds within the Fees Fund; therefore 100% of the expenditures exceeded appropriations within this fund. In addition, at December 31, 2003, expenditures exceeded appropriations in the following funds:

Fund	Appropriations	Expenditures	Variance	Variance
General	\$88,000	\$114,387	(\$26,387)	-30%
Special Revenue Funds:				
Street Construction	13,500	14,007	(507)	-4%
State Highway	1,000	4,459	(3,459)	-346%
Cemetery	2,000	3,514	(1,514)	-76%
CIB (Sales Tax)	18,000	19,759	(1,759)	-10%
FEMA	0	2,507	(2,507)	-100%
Enterprise Funds:				
Water	82,000	83,661	(1,661)	-2%
Trash	22,000	30,546	(8,546)	-39%

**VILLAGE OF COALTON
JACKSON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004, 2003 AND 2002
(Continued)**

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

FINDING 2004-020 (Continued)

Noncompliance Citation/Material Weakness - Ohio Rev. Code Section 5705.41(B) (Continued)

During 2002, expenditures exceeded appropriations throughout the year in the following funds:

Month	Fund	Appropriations	Expenditures	Variance	Percent Variance
April	Special Revenue Funds :				
	Cemetery Perpetual	\$0	\$9,400	(\$9,400)	-100%
	Housing Rehab	0	16	(16)	-100%
	Enterprise Funds:				
	RP Sewer	0	14,752	(14,752)	-100%
	Deposits	0	143	(143)	-100%
July	Special Revenue Funds:				
	Cemetery Perpetual	\$0	\$9,400	(\$9,400)	-100%
	Housing Rehab	0	16	(16)	-100%
	Enterprise Funds :				
	RP Sewer	0	22,079	(22,079)	-100%
	Deposits	0	223	(223)	-100%
	Fees	0	191	(191)	-100%
August	Special Revenue Funds:				
	Cemetery	3,000	4,578	(1,578)	-53%
	Cemetery Perpetual	0	9,400	(9,400)	-100%
	Housing Rehab	0	16	(16)	-100%
	Enterprise Funds:				
	Trash	20,705	33,292	(12,587)	-61%
	RP Sewer	0	22,079	(22,079)	-100%
	Deposits	0	295	(295)	-100%
	Fees	0	281	(281)	-100%

**VILLAGE OF COALTON
JACKSON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004, 2003 AND 2002
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING 2004-020 (Continued)

Noncompliance Citation/Material Weakness - Ohio Rev. Code Section 5705.41(B) (Continued)

At December 31, 2002, expenditures exceeded appropriations in the following funds:

Fund	Appropriations	Expenditures	Variance	Percent Variance
General	\$93,387	\$129,539	(\$36,152)	-39%
Special Revenue Funds:				
State Highway	1,750	1,790	(40)	-2%
Cemetery	3,000	4,806	(1,806)	-60%
Fire	10,785	16,600	(5,815)	-54%
Cemetery Perpetual	0	9,400	(9,400)	-100%
Housing Rehab	0	3,016	(3,016)	-100%
Enterprise Funds :				
Water	83,630	92,281	(8,651)	-10%
Sewer	61,464	62,972	(1,508)	-2%
Trash	20,705	42,430	(21,725)	-105%
RP Sewer	0	22,685	(22,685)	-100%
Deposits	0	578	(578)	-100%
Fees	0	551	(551)	-100%

We recommend the Village maintain an appropriation ledger and monitor expenditures to ensure appropriations are not exceeded.

FINDING 2004-021

Noncompliance Citation/Material Weakness

Ohio Rev. 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.

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.

**VILLAGE OF COALTON
JACKSON COUNTY**
SCHEDULE OF FINDINGS
DECEMBER 31, 2004, 2003 AND 2002
(Continued)

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING 2004-021 (Continued)

Noncompliance Citation/Material Weakness - Ohio Rev. Code Section 5705.41(D)(1)(Continued)

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 of the amount due. The Village has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 (\$1,000 prior to April 7, 2003) 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 – Fiscal officers 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 current fiscal year. (Prior to September 26, 2003, blanket certificates were limited to \$5,000 and three months.) 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.

One hundred percent of the transactions tested during 2004, 2003, and 2002 were not certified by the fiscal officer at the time the commitment was incurred and there was no evidence that the Village followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend that the Clerk-Treasurer certify that the funds are or will be available prior to obligation by the Village. When prior certification is not possible, "then and now" certification should be used.

We recommend the Village certify purchases to which Section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language Section 5705.41(D) requires to authorize disbursements. The fiscal officer should sign the certification at the time the Village incurs a commitment, and only when the requirements of Section 5705.41(D) are satisfied. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

VILLAGE OF COALTON
JACKSON COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2004, 2003 AND 2002
(Continued)

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

FINDING 2004-022

Material Weakness

When designing the public office's system of internal control and the specific control activities, management should ensure adequate security of assets and records, and verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.

62% of Village checks issued during 2003, and 67% of Village checks issued during 2002 were written and signed by employees other than the Village Clerk. This could allow errors and/or irregularities to occur and remain undetected for an extended period of time.

We recommend the Village adopt a policy prohibiting other individuals from signing authorized signatories' names.

FINDING 2004-023

Material Weakness

When designing the public office's system of internal control and the specific control activities, management should also ensure adequate security of assets and records, verify the existence and valuation of assets and liabilities, and periodically reconcile them to the accounting records.

The Village payroll registers were incomplete and lacked supporting documentation. The Village withheld the required deductions from the Village employees' and elected officials' pay, but did not remit the withholdings to the proper agencies consistently. Employee pay stubs did not include a breakdown of the employee's earnings. Several instances were noted where payroll payments were made in advance. This could result in payment for work that was never earned. Also, errors and irregularities could occur and remain undetected for an extended period of time.

Council approved a lump sum payment for overtime to several Village employees. However, documentation was not on file for all instances of overtime. This could allow errors and/or irregularities to occur and go undetected.

We recommend the Village Clerk-Treasurer maintain all documentation supporting payroll related expenditures and that there be a complete personnel file for each employee and elected official of the Village where pertinent employee information is maintained. We also recommend the Village make timely remittances of withholdings. This will allow the Village to avoid late charges and interest. Payroll registers should be completed for each pay period and totaled quarterly and amounts compared to the withhold remittances. Employee pay stubs should include, at a minimum, the hours worked, pay rate, gross pay for the pay period, deductions (listed individually) and net pay. Comparisons between timecards and pay stubs should be performed as a monitoring procedure to identify potential errors.

**VILLAGE OF COALTON
JACKSON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004, 2003 AND 2002
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2004-024

Reportable Condition

Ohio Rev. Code Section 703.20 states in pertinent part, that Villages may surrender their corporate powers upon the petition to the legislative authority of the Village of at least forty percent of the electors in the Village, and by an affirmative vote of a majority of such electors at a special election. If the result of the election is in favor of such surrender, the village clerk shall certify the results to the Secretary of State and the County Recorder, and thereupon the corporate powers of such Village shall cease.

The Village's General Fund cash balance as of December 31 for the last six years was as follows:

1998	\$10,740
1999	\$23,760
2000	\$36,305
2001	\$51,432
2002	\$52,052
2003	\$30,902

As discussed in Notes 9 and 10 to the Financial Statements, the Village had an unaudited General Fund balance of \$26,023 as of December 31, 2005. The Village had a General Fund balance of \$19,580 as of December 31, 2004.

The Village was placed in fiscal emergency during 1993. The Village Council approved the Financial Plan for the Village of Coalton, Ohio, on June 13, 1994. As of December 31, 2004, the Village had not taken corrective actions, for the following items, as outlined in their Financial Plan:

- Beginning with calendar year 1995, all appropriations shall be within the amount of estimated revenues and carryover balances as contained in the Certificate of Estimated Resources or its amendments.
- Beginning with calendar year 1995, all appropriations shall be approved by the Financial Planning and Supervision Commission or, when authorized by the Commission, the Financial Supervisor before any expenditure is made from the various Village accounts.
- Implementing an effective financial accounting and reporting system that will enable the Village to report its fiscal activities on an accurate, current and continuous basis in accordance with Chapter 117 of the Ohio Revised Code.
- Provide continued access to outside technical assistance by the Village Clerk to assure compliance with established policies and procedures relative to the maintenance of proper financial management systems and adherence to authorized levels for expenditure appropriation patterns.
- Implementation of procedures which provide for the reporting of budget vs. actual revenue and expenditure levels to the Mayor and Village Council during and after the period of fiscal emergency.
- Village income tax on businesses and residents.
- Consolidation and/or elimination of job functions as necessary to obtain maximum utilization of employee services.

VILLAGE OF COALTON
JACKSON COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2004, 2003 AND 2002
(Continued)

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

FINDING NUMBER 2004-024 (Continued)

Reportable Condition (Continued)

- Elimination of all overtime except in cases of extreme emergency.
- Modification of procurement practices for goods and services to include provisions for competitive bids resulting in the "best buy for the dollar".
- Prepare monthly bank reconciliations
- Develop procedures for the timely deposit of excess monies
- Institute a purchase order system
- Develop procedures to allow for the timely payment of all payroll related liabilities
- Maintain a bond record bond/ledger for all outstanding bonds
- Prepare and maintain a detailed listing of all fixed assets and inventory
- Maintain an investment record
- Develop a rational system for allocating investment earnings
- Prepare and maintain a detailed receipt journal
- Eliminate all compliance findings contained in the Auditor of State's report

On December 8, 2005, the Fiscal Commission voted in favor of dissolving the Village.

Audit reports from 1998 through 2004 consistently reported material weaknesses. These weaknesses also underscored the Village's difficulty obtaining the resources necessary to make significant renovations or improvements to the water and/or sewer infrastructure system.

On December 8, 2005, the Village Clerk, Utility Clerk, and Village Administrator resigned. No replacements have been found as of January 12, 2006.

With the conditions noted above, and the ongoing financial concerns and constraints the Village is operating under, we recommend that Village Council consider circulating a petition for the surrender of corporate power as outlined in Ohio Rev. Code Section 703.20.

VILLAGE OF COALTON
JACKSON COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2004, 2003 AND 2002
(Continued)

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

FINDING 2004-025

Finding for Recovery

Interviews of current and former Village employees identified the duties and responsibilities of Village employee during the purchasing and disbursement processes. While reviewing Village expenditures, we noted certain illegal expenditures for which, based on our understanding of the responsibilities of certain Village employees, we are issuing findings for recovery against them individually and jointly and severally. Excepted expenditures were considered illegal for one or more of the following reasons:

- Payments were made to certain vendor payees for which we were unable to conclude that the entities were authentic and existing companies.
- Payments to certain vendors and reimbursements to certain employees were for goods or services for which we were unable to conclude that the goods or services had actually been delivered or rendered.
- Payments to vendor payees were deposited into the personal account of former Village secretary, Beverly Coon.
- Payments to certain vendor payees were endorsed and/or cashed by current or former Village employees rather than the vendor payee.
- A payment was made to a vendor payee for services that were actually performed by Village employees. The vendor was a relative of a Village employee.
- A payment was made in excess of the invoiced amount.

In accordance with the foregoing facts, we hereby issue findings for recovery against the following named individuals in the named amounts for public money illegally expended in favor of the Village's Sewer Fund for \$8,693, Water Fund for \$721, Trash Fund for \$2,162, and RP Sewer Fund for \$1,606.

<u>Named Party(ies)</u>	<u>Amount</u>
Beverly Coon, individually	\$5,348
Beverly Coon, Marion Coon, and Majel Keairns, jointly and severally	810
Beverly Coon and Majel Keairns, jointly and severally	825
Marion Coon and Majel Keairns, jointly and severally	2,674
Marion Coon, Majel Keairns, and Kenneth Coon, jointly and severally	225
Majel Keairns and Greg Wilson, jointly and severally	<u>3,300</u>
Total Findings for Recovery	<u>\$13,182</u>

Due to the suspicious nature of the transactions which comprise the above findings for recovery, this information was forwarded to the Jackson County Prosecutor for his consideration of whether any further action on his part is warranted.

**VILLAGE OF COALTON
JACKSON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004, 2003 AND 2002
(Continued)**

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

FINDING 2004-026

Finding for Recovery

The Village of Coalton entered into a Rehabilitation Fund Loan Agreement with Beverly Coon on November 1, 2002. This agreement stated: "Council members of the Village of Coalton, Ohio, do hereby approve a non-interest loan in the amount of \$3,000 to Beverly Coon of 2 Exline Street, Coalton, Ohio, to be paid from the Rehabilitation Fund. By signing below, Mrs. Coon agrees to pay the balance of \$3,000 in 24 monthly installments of \$125 each." The document was signed by three Village Council members and Beverly Coon.

On May 13, 2004, Mrs. Coon sent a letter to the Village of Coalton stating: "I, Beverly Coon agree to make monthly payments of \$50 on the balance that is owed by me of the \$3,000 borrowed from the Village of Coalton. The balance that is owed by me is \$1,500 and Majel Keairns owes the remaining balance of \$1,500. Payments will begin the first week of June."

As of December 31, 2004, no payments for this loan were made to the Village of Coalton.

In accordance with the foregoing facts and pursuant to the Ohio Rev. Code Section 117.28, we hereby issue a Finding for Recovery against Beverly Coon, former Village Secretary, in the amount of \$3,000 for public monies due but not collected, in favor of the State of Ohio, Housing Rehabilitation Fund.

FINDING 2004-027

Finding for Recovery

The Village paid for various cell phones throughout 2002, 2003, and 2004, although there was no documentation to indicate cell phones had been approved by Council. During 2002, the Village paid for a cell phone in the name of Andrew Canterbury, the former Mayor's step son. Per inquiry of Majel Keairns, former Village Clerk-Treasurer, September 16, 2004, this phone was utilized by the former Mayor, Marvin Bates. Many cell phone invoices could not be located. We have calculated the amounts paid for each individual's cell phone based on available invoices. Amounts were paid by the Village and the only authorized signature was the Village Clerk-Treasurer. Amounts paid by the Village are as follows:

**VILLAGE OF COALTON
JACKSON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004, 2003 AND 2002
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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**FINDING 2004-027
(Continued)**

Finding for Recovery (Continued)

2002	General	Street	Water	Sewer	Trash	Total
Name	Fund	Fund	Fund	Fund	Fund	
Andrew Canterbury	\$782.25	\$	\$	\$	\$	\$782.25
Marvin Bates	617.73					617.73
Sherman Tilley	118.00		252.91	402.51	270.69	1,044.11
Marion Coon	328.45	68.07	25.98	25.98		448.48
Majel Keairns	178.87					178.87
Remainder of bills for which no current detailed invoices were available	33.50		78.24	78.23		189.97
Total paid by Village for cell phone bills:	\$2,058.80	\$68.07	\$357.13	\$506.72	\$270.69	\$3,261.41

2003	General	Water	Sewer	Total
Name	Fund	Fund	Fund	
Marvin Bates	\$1,228.46	\$	\$	\$1,228.46
Sherman Tilley		473.29	502.09	975.38
Marion Coon		972.82	213.55	1,186.37
Majel Keairns	595.23		69.49	664.72
Remainder of bills for which no current detailed invoices were available	202.02	65.27	732.89	1,000.18
Total paid by Village for cell phone bills:	\$2,025.71	\$1,511.38	\$1,518.02	\$5,055.11

2004	General	Water	Sewer	Total
Name	Fund	Fund	Fund	
Marvin Bates	\$122.95	\$	\$	\$122.95
Sherman Tilley		133.18	46.28	179.46
Marion Coon		56.61	56.60	113.21
Beverly Coon	3.05	11.62		14.67
Majel Keairns	87.65	66.59	66.58	220.82
Remainder of bills for which no current detailed invoices were available	888.82	1,010.61	1.45	1,900.88
Total paid by Village for cell phone bills:	\$1,102.47	\$1,278.61	\$170.91	\$2,551.99

**VILLAGE OF COALTON
JACKSON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004, 2003 AND 2002
(Continued)**

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

**FINDING 2004-027
(Continued)**

Finding for Recovery (Continued)

In addition to these amounts, the former Village Clerk-Treasurer paid \$276.59 during 2002 and \$149.79 during 2003 for various cell phone accessories.

In accordance with the foregoing facts and pursuant to the Ohio Rev. Code Section 117.28, we hereby issue a Finding for Recovery against Andrew Canterbury, and Majel Keairns, former Village Clerk-Treasurer, jointly and severally, in the amount of \$782.25 for public monies illegally expended, in favor of the Village of Coalton, General Fund.

In accordance with the foregoing facts and pursuant to the Ohio Rev. Code Section 117.28, we hereby issue a Finding for Recovery against Marvin Bates, former Mayor, and Majel Keairns, former Village Clerk-Treasurer, jointly and severally, in the amount of \$1,969.14 for public monies illegally expended, in favor of the Village of Coalton General Fund.

In accordance with the foregoing facts and pursuant to the Ohio Rev. Code Section 117.28, we hereby issue a Finding for Recovery against Sherman Tilley, Village Administrator, and Majel Keairns, former Village Clerk-Treasurer, jointly and severally, in the amount of \$2,198.95 for public monies illegally expended, in favor of the Village of Coalton, General Fund in the amount of \$118, the Water Fund in the amount of \$859.38., the Sewer Fund in the amount of \$950.88, and the Trash Fund in the amount of \$270.69.

In accordance with the foregoing facts and pursuant to the Ohio Rev. Code Section 117.28, we hereby issue a Finding for Recovery against Marion Coon, former Village employee, and Majel Keairns, former Village Clerk-Treasurer, jointly and severally in the amount of \$1,748.06 for public monies illegally expended, in favor of the Village of Coalton General Fund in the amount of \$328.45, Street Fund in the amount of \$68.07, Water Fund in the amount of \$1,055.41, and Sewer Fund in the amount of \$296.13.

In accordance with the foregoing facts and pursuant to the Ohio Rev. Code Section 117.28, we hereby issue a Finding for Recovery against Majel Keairns, former Village Clerk-Treasurer, in the amount of \$4,581.82 for monies illegally expended, in favor of the Village of Coalton General Fund in the amount of \$2,412.47, Water Fund in the amount of \$1,220.71, and Sewer Fund in the amount of \$948.64.

In accordance with the foregoing facts and pursuant to the Ohio Rev. Code Section 117.28, we hereby issue a Finding for Recovery against Beverly Coon, former Village Secretary and Majel Keairns, former Village Clerk-Treasurer, jointly and severally in the amount of \$14.67 for public monies illegally expended, in favor of the Village of Coalton General Fund in the amount of \$3.05 and Water Fund in the amount of \$11.62.

**VILLAGE OF COALTON
JACKSON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2004, 2003 AND 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2001-30740-001	Ohio Rev. Code Section 117.28, a Finding for Recovery for money collected but not remitted issued against the General Fund in the amount of (\$400), 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.	Yes	Fully Corrected.
2001-30740-002	Ohio Rev Code Section 5705.41(B) Expenditures not properly appropriated.	No	Not Corrected. Reissued as finding number 2004-021.
2001-30740-003	Ohio Rev Code Section 5705.41(D) Then and Now Certification.	No	Not Corrected. Reissued as finding number 2004-022.
2001-30740-004	Monitoring by Village Council	No	Partially corrected. Reissued in the management letter.



**Auditor of State
Betty Montgomery**

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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
JUNE 13, 2006**