



**Auditor of State
Betty Montgomery**

VILLAGE OF COOLVILLE
ATHENS COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Village of Coolville
Athens County
P.O. Box 64
Coolville, Ohio 45723

To the Village Council:

We have audited the accompanying financial statements of the Village of Coolville, Athens County, Ohio (the Village), as of and for the years ended December 31, 2003 and 2002. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in 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. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code Section 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code Sections 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

The Village did not provide sufficient records, documents and evidential matter to support the completeness of the water receipts, sewer surcharge receipts and street lighting assessment receipts. The water and sewer surcharge receipts represent 100% of the Enterprise Fund receipts and the street lighting assessment receipts represent 21% of the Special Revenue Funds receipts for 2003. The water and sewer surcharge receipts represent 100% of the Enterprise Fund receipts and the street lighting assessment receipts represent 8% of the Special Revenue Funds receipts for 2002.

The accompanying financial statements present receipts and disbursements by fund type only. Ohio Administrative Code Section 117-2-02(A) requires governments to classify receipt and disbursement transactions.

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

In our opinion, except for the effect of such adjustments, if any, as might have been necessary had we been able to examine the evidence regarding the water, sewer surcharge and street lighting assessment receipts for 2003 and 2002 and for the omission of receipts and disbursement classifications for 2003 and 2002, the financial statements referred to above present fairly, in all material respects, the fund cash balances of the Village of Coolville, Athens County, Ohio, as of December 31, 2003 and 2002, and its unclassified cash receipts and unclassified cash disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 7, 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.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

April 7, 2006

VILLAGE OF COOLVILLE
ATHENS COUNTY

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

<u>Funds:</u>	<u>Balance 1/1/2003</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance 12/31/2003</u>
General Fund	\$ (2,394)	\$ 42,876	\$ 46,970	\$ (6,488)
Special Revenue Funds:				
Street Construction, Maintenance and Repair	544	11,862	7,688	4,718
State Highway Improvement	(96)	779		683
State Grants	250		250	0
Street Lighting	35	7,874	8,674	(765)
Street Levy	1,580	17,755	2,949	16,386
Total Special Revenue Funds	2,313	38,270	19,561	21,022
Enterprise Funds:				
Water	(5,766)	90,511	89,331	(4,586)
Sewer Improvement Project	12,100	35,502	40,112	7,490
Total Enterprise Funds	6,334	126,013	129,443	2,904
Agency Fund:				
Mayor's Court	2,440	8,999	9,709	1,730
Total All Funds	<u>\$ 8,693</u>	<u>\$ 216,158</u>	<u>\$ 205,683</u>	<u>\$ 19,168</u>

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

**VILLAGE OF COOLVILLE
ATHENS COUNTY**

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

<u>Funds:</u>	<u>Balance 1/1/2002</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance 12/31/2002</u>
General Fund	\$ 3,542	\$ 54,789	\$ 60,725	\$ (2,394)
Special Revenue Funds:				
Street Construction, Maintenance and Repair	3,980	17,393	20,829	544
State Highway Improvement	1,898	746	2,740	(96)
State Grants	6,250	600	6,600	250
Street Lighting	3,061	3,353	6,379	35
Street Levy	<u> </u>	<u>17,741</u>	<u>16,161</u>	<u>1,580</u>
Total Special Revenue Funds	15,189	39,833	52,709	2,313
Enterprise Funds:				
Water	5,776	82,373	93,915	(5,766)
Sewer Improvement Project	<u> </u>	<u>27,648</u>	<u>15,548</u>	<u>12,100</u>
Total Enterprise Funds	<u>5,776</u>	<u>110,021</u>	<u>109,463</u>	<u>6,334</u>
Agency Fund:				
Mayor's Court	<u>1,257</u>	<u>17,912</u>	<u>16,729</u>	<u>2,440</u>
Total All Funds	<u>\$ 25,764</u>	<u>\$ 222,555</u>	<u>\$ 239,626</u>	<u>\$ 8,693</u>

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

**VILLAGE OF COOLVILLE
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 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 Coolville, Athens County (the Village), as a body corporate and politic. A publicly-elected six-member Council governs the Village. The Village provides general governmental services, street and state highway maintenance, and water and street lighting services.

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).

The Village did not classify its receipts or disbursements in the accompanying financial statements. This is a material departure from the requirements of Ohio Administrative Code Section 117-02-02(A). This Ohio Administrative Code Section requires classifying receipts and disbursements.

These statements adequately disclose material matters the Auditor of State prescribes.

C. Cash

The Village maintains an interest-bearing checking account.

D. Fund Accounting

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

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 are used to account for proceeds from specific sources 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 license tax money to construct, maintain and repair Village Streets.

VILLAGE OF COOLVILLE
ATHENS COUNTY

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

Street Lighting Fund – This fund receives fees assessed to Village residents to provide street lighting to Village residents.

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

3. Enterprise Fund

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

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

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

4. Fiduciary Funds (Agency Fund)

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

Mayor's Court Fund – This fund accounts for the financial activity of the Mayor's Court.

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 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.

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.

**VILLAGE OF COOLVILLE
ATHENS COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. The Village did not use the encumbrance method of accounting.

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

F. Property, Plant and Equipment

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Village maintains a cash and investments pool all funds use. A separate account exists for Mayor's Court activity. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31 follows:

	2003	2002
Demand Deposits	\$ 19,168	\$ 8,693

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

3. BUDGETARY ACTIVITY

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

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 47,680	\$ 41,226	\$ (6,454)
Special Revenue	32,785	36,270	3,485
Enterprise	80,200	126,013	45,813
Total	\$ 160,665	\$ 203,509	\$ 42,844

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 49,494	\$ 44,970	\$ 4,524
Special Revenue	19,245	17,911	1,334
Enterprise	80,730	129,443	(48,713)
Total	\$ 149,469	\$ 192,324	\$ (42,855)

**VILLAGE OF COOLVILLE
ATHENS COUNTY**

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

3. BUDGETARY ACTIVITY (Continued)

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 47,438	\$ 48,769	\$ 1,331
Special Revenue	37,653	27,083	(10,570)
Enterprise	99,982	97,421	(2,561)
Total	\$ 185,073	\$ 173,273	\$ (11,800)

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 47,550	\$ 47,375	\$ 175
Special Revenue	44,340	37,809	6,531
Enterprise	70,520	106,343	(35,823)
Total	\$ 162,410	\$ 191,527	\$ (29,117)

The budgetary receipts and expenditures do not reconcile to the unclassified financial statements because those financial statements include advances that were not budgeted by the Village.

Expenditures exceeded appropriations in the Street Construction, Maintenance and Repair Fund and Water Fund in 2003 and 2002, contrary to Ohio law. Estimated resources exceed actual revenue plus unencumbered cash and appropriations were greater than actual revenue plus unencumbered cash in the General Fund in 2003, contrary to Ohio law. Estimated resources exceed actual revenue plus unencumbered cash and appropriations were greater than actual revenue plus unencumbered cash in the Street Construction, Maintenance and Repair Fund and the Street Lighting Fund in 2002, contrary to Ohio law.

The minutes did not detail the Council's approval of the annual appropriation resolution for 2002; however, the 2002 annual appropriation resolution was filed with the County Auditor on April 2, 2002. The 2003 annual appropriation resolution was not adopted by Council until March 27, 2003. This resulted in expenditures exceeding appropriations in every fund for the period January 1, 2002 through April 2, 2002, and January 1, 2003 through March 27, 2003. No evidence of temporary appropriation measures being adopted was noted.

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.

**VILLAGE OF COOLVILLE
ATHENS COUNTY**

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

4. PROPERTY TAX (Continued)

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.

5. DEBT

Debt outstanding at December 31, 2003 was as follows:

	Principal	Interest
Dump Truck Commercial Loan	\$ 8,381	3.35%
Ohio Water Development Authority Loan 3597	5,432	5.65%
Ohio Water Development Authority Loan 3889	8,708	5.28%
Total	\$ 22,521	

The commercial loan was obtained to provide financing for the purchase of a dump truck for the Village. The various street funds are being used to repay this debt. The equipment is being used as collateral on the loan.

The Ohio Water Development Authority (OWDA) loans relate to funding to install a sewer system in the Village. A sewer surcharge has been assessed to Village residents to repay these loans.

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

Year Ending December 31:	Dump Truck Commercial Loan	OWDA Loan 3597	OWDA Loan 3889
2004	\$ 5,968	\$ 1,277	\$ 2,027
2005	2,984	1,277	2,027
2006		1,277	2,027
2007		1,277	2,027
2008		1,277	2,027
Total	\$ 8,952	\$ 6,385	\$ 10,135

6. RETIREMENT SYSTEM

The Village's Clerk and part-time employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes the plan's retirement benefits, including postretirement healthcare and survivor and disability benefits. One part-time employee and the Village's elected officials are members of Social Security.

The Ohio Revised Code also prescribes contribution rates. For 2003 and 2002, 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 had outstanding contributions of \$1,753 as of December 31, 2003.

**VILLAGE OF COOLVILLE
ATHENS COUNTY**

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

7. SOCIAL BENEFIT PLAN

One part-time employee and the elected officials contribute to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants. For 2004 and 2003, these officials contributed 6.2% of their gross salaries. The Village contributed an amount equal to 6.2% of participant's gross salaries through December 31, 2003. The Village has outstanding contributions to the Internal Revenue Service of \$1,397 as of December 31, 2003.

8. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

9. OUTSTANDING ADVANCES

Unpaid, interfund cash advances at December 31, 2003 were as follows:

<u>Fund Type/Fund</u>	<u>Receivable</u>	<u>Payable</u>
General	\$ 17,730	\$ 6,000
Special Revenue:		
Street Construction, Maintenance and Repair	18	7,750
State Highway Improvement	1,000	
Street Levy	3,000	1,500
State Grants	6,000	
Street Lighting		3,000
Enterprise:		
Water	200	9,698
Total - All Funds	<u>\$ 27,948</u>	<u>\$ 27,948</u>

10. DEFICIT FUND BALANCES

The Village had deficit fund balances of \$6,488 in the General Fund, \$765 in the Street Lighting Fund and \$4,586 in the Water Fund as of December 31, 2003. The deficit fund balances were the result of audit adjustments made to the Village's books.



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 Coolville
Athens County
P.O. Box 64
Coolville, Ohio 45723

To the Village Council:

We have audited the financial statements of the Village of Coolville, Athens County, Ohio (the Village), as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated April 7, 2006, wherein we qualified our report because the Village did not provide sufficient records, documents and evidential matter to support the completeness of the 2003 and 2002 water, sewer surcharge and street lighting assessment receipts and which was also qualified since the Village did not classify receipts and disbursements for its 2003 and 2002 financial statements. We also noted that the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. Except as regarding the water, sewer surcharge, and street lighting assessment receipts, 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 opinion 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 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 management's assertions in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings as items 2003-003 and 2003-010 to 2003-013.

A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when 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 material weaknesses. We consider items 2003-003, 2003-012 and 2003-013 to be material weaknesses. In a separate letter to the Village's management dated April 7, 2006, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

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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 an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2003-001 to 2003-009. In a separate letter to the Village's management dated April 7, 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.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

April 7, 2006

**VILLAGE OF COOLVILLE
ATHENS COUNTY**

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

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

FINDING NUMBER 2003-001

Finding for Recovery

Village of Coolville Ordinance 1994-9 states that each Village Council member shall receive the sum of fifty dollars per calendar month. Attendance at scheduled regular and special meetings is mandatory. Unless a Council member's absence is excused by a majority of all other Council members, an absent member shall not be paid the pro rata share of meetings missed. Absences may be excused only prior to the absence or within the calendar month following the absence.

During 2003 and 2002, there was no documentation provided regarding excused absences from meetings for Council Members Francis Gaskins, Kenneth Ryan, and John Alkire. Therefore, errors were made in calculating attendance at Council meetings and the related compensation, as follows:

<u>Council Member</u>	<u># of Meetings Attended</u>	<u>Total Compensation Due in 2003</u>	<u>Total Compensation Paid in 2003</u>	<u>Overpayment/ (Underpayment)</u>
Francis Gaskins	2.5	\$125	\$250	\$125
Kenneth Ryan	11	550	600	50

<u>Council Member</u>	<u># of Meetings Attended</u>	<u>Total Compensation Due in 2002</u>	<u>Total Compensation Paid in 2002</u>	<u>Overpayment/ (Underpayment)</u>
Francis Gaskins	10	\$500	\$600	\$100

Accordingly, Francis Gaskins was overpaid a total of \$225, and Kenneth Ryan was overpaid \$50.

In accordance with the foregoing facts, and pursuant to Ohio Revised Code Section 117.28, a finding for recovery for money illegally expended is hereby issued against Francis Gaskins, Council Member, in the amount of \$225, and Kenneth Ryan, Council Member, in the amount of \$50, for a total of \$275, in favor of the Village of Coolville General Fund.

FINDING NUMBER 2003-002

Noncompliance Citation

Ohio Rev. Code Section 117.38 requires all cash basis entities to file annual reports with the Auditor of State within 60 days of the fiscal year end.

The Village did not file its 2003 annual report with the Auditor of State by the stated deadline.

We recommend the Village file its annual report with the Auditor of State within sixty days of year end.

**VILLAGE OF COOLVILLE
ATHENS COUNTY**

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

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

FINDING NUMBER 2003-003

Noncompliance Citation/Material Weakness

Ohio Rev. Code Section 149.351 establishes guidelines against the destruction or damage of records. All records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise disposed of, in whole or in part, except as provided by law or under the rules adopted by the Records Commission provided for under Sections 149.38 to 149.42 of the Ohio Revised Code.

During our testing, we noted the following:

- The Village did not retain supporting documentation, such as original invoices, for 22% of the items tested for 2002 and 23% of the items tested for 2003.
- During 2002, street light assessment receipts were lumped together with weekly water sale postings and included in the Water Fund. We were unable to determine the actual revenue for the street light assessment because the billing and payment register were not kept. This complicated the audit process and we were unable to adequately test the Street Light Assessments.
- During 2003, adequate supporting documentation was not available to verify monthly sewer surcharge receipts, posted to the Sewer Improvement Fund. This complicated the audit process and we were unable to adequately test monthly sewer surcharge revenue.
- Further, during our testing of cash receipts for the Water Department, we noted that 95% of the 2002 meter readings were unavailable for audit and 60% of the 2003 meter readings were unavailable for audit. Also, we noted that 10% of the 2002 billing registers were unavailable for audit and 50% of the 2003 payment registers were unavailable for audit. This resulted in our inability to audit the water receipts for 2002 and 2003, due to a lack of sufficient evidential matter.

We recommend the Village retain all records supporting financial transactions, including annual street light assessment payments and billing and payment registers for the monthly sewer surcharge, until such time that the Village Records Commission approves of the destruction of said records.

FINDING NUMBER 2003-004

Noncompliance Citation

Ohio Rev. Code Section 733.40 states, in part, that except as otherwise provided in Section 4511.193 of the Revised Code, all fines, forfeitures, and costs in ordinance cases and all fees that are collected by the mayor, that in any manner come into the mayor's hands, or that are due the mayor or a marshal, chief of police, or other officer of the municipal corporation, any other fees and expenses that have been advanced out of the treasury of the municipal corporation, and all money received by the mayor for the use of the municipal corporation shall be paid by the mayor into the treasury of the municipal corporation on the first Monday of each month. At the first regular meeting of the legislative authority each month, the mayor shall submit a full statement of all money received, from whom and for what purposes received, and when paid into the treasury.

**VILLAGE OF COOLVILLE
ATHENS COUNTY**

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

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

FINDING NUMBER 2003-004 (Continued)

Noncompliance Citation (Continued)

Ohio Rev. Code Section 733.40 (Continued)

As of December 31, 2003, the Mayor's Court owed the Village \$2,712 from collected fines, forfeitures and costs; however, there was only \$1,730.36 in the Mayor's Court bank account at the end of 2003. This was the result of the Mayor's Court Clerk apparently paying routine expenditures from the Mayor's Court account instead of out of the Village's account.

We recommend the Mayor submit the balance of the Mayor's Court bank account to the Village and then close the bank account, since Mayor's Court operations ended in 2003.

FINDING NUMBER 2003-005

Noncompliance Citation

Ohio Rev. Code Section 5705.36(A)(4) allows all subdivisions to request reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be less than the amount in the official certificate of estimated resources. The Village must request a reduced amended certificate when actual receipts plus January 1 unencumbered cash will be less than amounts appropriated.

Budgeted resources exceeded actual revenue plus January 1 unencumbered cash and appropriations were greater than actual revenue plus January 1 unencumbered cash at December 31, 2003, as follows:

Fund	Budgeted Resources	Actual Revenue Plus January 1 Unencumbered Cash	Appropriation Authority
General	\$ 49,494	\$ 40,482	\$ 49,494

Budgeted resources exceeded actual revenue plus January 1 unencumbered cash and appropriations were greater than actual revenue plus January 1 unencumbered cash at December 31, 2002, as follows:

Fund	Budgeted Resources	Actual Revenue Plus January 1 Unencumbered Cash	Appropriation Authority
Street Construction, Maintenance and Repair	\$ 28,461	\$ 21,373	\$ 23,205
Street Lighting	11,061	6,414	11,061

This could cause the Village to spend more money than is available to spend.

We recommend the Village monitor estimated and actual revenues for all funds on a regular basis. In the situation where budgeted revenue exceeds actual revenue and appropriations exceed actual revenue, a reduced amended certificate must be obtained and appropriations adjusted accordingly.

**VILLAGE OF COOLVILLE
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 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 2003-006

Noncompliance Citation

Ohio Rev. Code Section 5705.38(A) states on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the County Budget Commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until April 1 of the current year, and the appropriations made therein shall be chargeable to the appropriations in the annual appropriations measure for that fiscal year. Also, Ohio Rev. Code Section 5705.41(B) prohibits a subdivision from expending money unless it has been appropriated.

The minutes did not detail the Council's approval of the annual appropriation resolution for 2002; however, the 2002 annual appropriation resolution was filed with the County Auditor on April 2, 2002. The 2003 annual appropriation resolution was not adopted by Council until March 27, 2003.

This resulted in expenditures exceeding appropriations in every fund for the period January 1, 2002 through April 2, 2002, and January 1, 2003 through March 27, 2003. No evidence of temporary appropriation measures being adopted was noted for either year.

We recommend the Village Council adopt a permanent appropriation measure by April 1. If the need to postpone the passage of a permanent appropriations measure exists, then a temporary appropriations measure can be passed on or about January 1 for the period January 1 to March 31.

FINDING NUMBER 2003-007

Noncompliance Citation

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

We found expenditures exceeded appropriations at the legal level of control at December 31, 2003, in the following funds:

Fund	Appropriation Authority	Actual Expenditures	Variance
Street Levy	\$ 0	\$ 2,949	\$ (2,949)
Water	80,730	89,331	(8,601)

**VILLAGE OF COOLVILLE
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 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 2003-007 (Continued)

Noncompliance Citation (Continued)

Ohio Rev. Code Section 5705.41(B) (Continued)

We found expenditures exceeded appropriations at the legal level of control at December 31, 2002, in the following funds:

Fund	Appropriation Authority	Actual Expenditures	Variance
Street Levy	\$ 0	\$ 16,161	\$ (16,161)
Water	70,520	93,915	(23,395)

This could result in the Village spending more money than is available to spend.

The Clerk should not certify the availability of funds and should deny payment requests exceeding appropriations. The Clerk may request the Village Council to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

FINDING NUMBER 2003-008

Noncompliance Citation

Ohio Rev. Code Section 5705.41(D)(1) states that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer attached that the amount required for the order or contract had 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.

Although this Section required the Village to encumber funds prior to a purchase commitment, the Village only prepared purchase orders for 2002 and 2003 in order to initiate a disbursement transaction using the UAN system. The purchase orders were not used for the intended purpose of setting aside or reserving an appropriation. This could lead to obligations being entered into when there are not sufficient funds available to cover the transaction.

We recommend the Village use encumbrance accounting and prepare purchase orders before an obligation is entered into.

**VILLAGE OF COOLVILLE
ATHENS COUNTY**

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

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

FINDING NUMBER 2003-009

Noncompliance Citation

Ohio Rev. Code Section 5705.10 requires all revenue derived from a specific source to be credited to a special fund for the purpose for which the monies were received. Although inter-fund cash advances may be a desirable method if resolving cash flow problems without the necessity of incurring additional interest expense for short-term loans, the intent of this type of cash advance is to require repayment within the current or succeeding year and Auditor of State Bulletin 97-003 states that inter-fund cash advances are subject to the following requirements:

- Any advance must be clearly labeled as such, and must be distinguished from a transfer. Transfers are intended to reallocate money permanently from one fund to another and may be made only as authorized in Sections 5705.14 to 5705.16 of the Revised Code. Advances, on the other hand, are intended to temporarily reallocate cash from one fund to another and involve an expectation of repayment;
- In order to advance cash from one fund to another, there must be statutory authority to use the money in the fund advancing the cash (the "creditor" fund) for the same purpose for which the fund receiving the cash (the "debtor" fund) was established;
- The reimbursement from the debtor fund to the creditor fund must not violate any restrictions on use of the money to be used to make the reimbursement; and
- Advances must be approved by a formal resolution of the taxing authority of the subdivision which must include a specific statement that the transaction is an advance of cash, and an indication of the money (fund) from which it is expected that repayment will be made.

During 2003 and 2002, 33% and 55%, respectively, of the advances made by the Clerk were not in accordance with Auditor of State Bulletin 97-003. Generally, these advances were made from one fund to another that didn't have a similar purpose. None of the advances made during 2002 and 2003 were approved by Village Council.

We recommend the Village review Auditor of State Bulletin 97-003 and advance funds in accordance with the Bulletin. We further recommend the Village Council approve any and all advances.

FINDING NUMBER 2003-010

Reportable Condition – Monitoring of Financial Activity

When designing the public office's system of internal control and the specific control activities, management should plan for adequate segregation of duties or compensating controls.

The size of the Village's staff did not allow for an adequate segregation of duties; the Village Clerk performed all accounting functions, including receipting, depositing, disbursing, and reconciling. While Council approved all vouchers for payment and sporadically received monthly fund balances, there was no documentation of the extent to which Council reviewed the information to monitor the financial activity of the Village. The information obtained as a result of such reviews and inquiries will provide important data necessary to properly manage the Village.

**VILLAGE OF COOLVILLE
ATHENS COUNTY**

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

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

FINDING NUMBER 2003-010 (Continued)

Reportable Condition – Monitoring of Financial Activity (Continued)

We recommend the Village Council function as an audit committee to monitor financial activity closely and to follow up on any audit findings. The Village Council should carefully review and approve pertinent financial information such as the : 1) Cash Journal, 2) Budgeted vs. Actual Receipts Report, 3) Budgeted vs. Actual Expenditures Report, 4) Outstanding Debt Summary, 5) Investment Journal, 6) Transaction Log and 7) Reconciliations, on a monthly basis. Documentation of such reviews can be included within the Council minute record and/or initial and date the items reviewed. Also, Council should make appropriate inquiries to help determine the continued integrity of financial information. Appropriate inquiries would include:

- Are current receipts sufficient to cover expenditures?
- Are actual receipts and expenditures inline with the budget?
- If unusual fluctuations in receipts or expenditures occur, is the reason understood, and has it been appropriately budgeted for?
- Are anticipated receipts being received in a timely manner?

FINDING NUMBER 2003-011

Reportable Condition – Posting of Estimated Revenue and Appropriations

All local public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

The amended certificates of estimated resources issued by the County Budget Commission should be posted correctly to the Village's ledgers. Appropriations approved by the Council should be posted correctly to the Village's ledgers.

Appropriations approved by the Village Council in 2003 were not posted correctly as follows:

Fund	Appropriations Approved by Village Council	Appropriations Posted to Appropriation Ledger	Variance
General	\$ 49,494	\$ 89,794	\$ (40,300)
Street Construction, Maintenance and Repair	9,972	11,972	(2,000)
Street Levy	0	14,818	(14,818)
Street Lighting	8,035	13,035	(5,000)
Water	80,730	114,730	(34,000)

**VILLAGE OF COOLVILLE
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 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 2003-011 (Continued)

Reportable Condition – Posting of Estimated Revenue and Appropriations (Continued)

Estimated revenue issued by the Budget Commission in 2002 was not posted correctly as follows:

Fund	Estimated Revenue Approved by Budget Commission	Estimated Revenue Posted to Revenue Ledger	Variance
General	\$ 47,438	\$ 45,953	\$ 1,485
Street Construction, Maintenance and Repair	27,244	5,845	21,399
Street Levy	909	14,821	(13,912)
Water	99,982	89,600	10,382

Appropriations approved by the Village Council in 2002 were also not posted correctly as follows:

Fund	Appropriations Approved by Village Council	Appropriations Posted to Appropriation Ledger	Variance
General	\$ 47,550	\$ 55,650	\$ (8,100)
Street Construction, Maintenance and Repair	23,205	28,449	(5,244)
Street Levy	0	13,009	(13,009)
Water	70,520	111,518	(40,998)

We recommend the Village post estimated revenue as issued by the Budget Commission. We also recommend the Village post supplemental appropriations at the amounts approved by the Village Council.

FINDING NUMBER 2003-012

Material Weakness – Recording Village Transactions

When designing the public office's system of internal control and the specific control activities, management should consider verifying the existence and valuation of assets and liabilities and periodically reconciling them to the accounting records.

In performing the proof of cash for 2002, we encountered the following:

- Six instances where a charge made by the bank was not recorded by the Clerk on the Village's ledgers;
- Eleven checks that cleared the bank but were not posted to the Village's ledgers;
- Six interest payments from the bank that were not posted to the Village's ledgers;
- Three deposits that were in the bank but were not recorded on the Village's ledgers;

**VILLAGE OF COOLVILLE
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 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 2003-012 (Continued)

Material Weakness – Recording Village Transactions (Continued)

- Three checks that cleared the bank at different amounts than were recorded on the Village's ledgers;
- Numerous receipts that were posted twice to the Village's ledgers;
- Three instances where receipts deposited in the bank were recorded at different amounts than were recorded on the Village's ledgers;
- Numerous checks that were recorded twice on the Village's ledgers; and
- One receipt recorded in the Village's ledgers that was not deposited in the bank (described as "unknown receipt" on the Village's ledgers).

In performing the proof of cash for 2003, we encountered the following:

- Four instances where a charge made by the bank was not recorded by the Clerk on the Village's ledgers;
- Three checks that cleared the bank but were not posted to the Village's ledgers;
- Eight interest payments from the bank that were not posted to the Village's ledgers;
- One deposit that was in the bank but was not recorded on the Village's ledgers;
- Three checks that cleared the bank at different amounts than were recorded on the Village's ledgers;
- Numerous receipts that were posted twice to the Village's ledgers;
- Three instances where receipts deposited in the bank were recorded at different amounts than were recorded on the Village's ledgers; and
- One receipt recorded in the Village's ledgers that was not deposited in the bank (described as "unknown receipt" on the Village's ledgers).
- Bank reconciliations were not performed for 11 of 12 months in 2003.

This caused the Village's ledgers to be inaccurate and difficult to reconcile to the bank. This could also cause suspicions of theft when the Village's ledgers do not reconcile to the bank.

We recommend the Clerk timely post receipts and disbursements at the correct amounts to the Village's ledgers. We also recommend the Clerk ensure the Village's ledgers reconcile to the bank.

FINDING NUMBER 2003-013

Material Weakness – Recordkeeping

Ohio Admin. Code Section 117-2-02(A) requires governments to maintain an accounting system and accounting records sufficient to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

**VILLAGE OF COOLVILLE
ATHENS COUNTY**
**SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002
(Continued)**

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

FINDING NUMBER 2003-013 (Continued)

Material Weakness – Recordkeeping (Continued)

Ohio Admin. Code Section 117-2-02(D) identifies accounting records that can help achieve these objectives, which include:

1. Cash journal, which typically includes the amount, date, receipt number, check number, account code, purchase order, and any other information necessary to properly classify the transaction.
2. Receipts ledger, which typically assembles and classifies receipts into separate fund accounts for each type of receipt of each fund.
3. Appropriations ledger, which assembles and classifies disbursements into separate accounts for, at a minimum, each account listed in the appropriation resolution.

Ohio Admin. Code Section 117-9-01 provides suggested account classifications. These accounts classify receipts by source (taxes or charges for services, for example) and classify disbursements by program (security of persons and property, for example) or object (personal services, for example).

During the period under audit, the Village recorded their transactions in a manual cashbook, and then later attempted to record these same transactions on the Uniform Accounting Network. The Village Clerk did not review check numbers as they were input into the UAN system. Approximately 84% of the 2002 disbursements and 89% of the 2003 disbursements were entered into the system under the wrong check number. In addition, the Village did not always properly post receipts to the proper fund.

During 2002, homestead and rollback was posted to the General Fund when it should have been posted to the General Fund and Street Levy Fund; two gasoline cents per gallon receipts and two 34% district registration receipts were posted at 75% to the Street Construction, Maintenance and Repair Fund and 25% to the State Highway Fund instead of 92.5% and 7.5%, respectively; one gasoline cents per gallon receipt was posted at 93% to the Street Construction, Maintenance and Repair Fund and 7% to the State Highway Fund instead of 92.5% and 7.5%, respectively.

During 2003, personal property tax was posted at net to the Sewer Improvement Fund instead of at gross to the General Fund and Street Levy Fund; manufactured home equivalent tax, manufactured home tax, tangible personal property tax and real estate were posted at net to the General Fund instead of at gross to the General Fund and the Street Levy Fund; public utility reimbursement was posted to the General Fund instead of the General Fund and the Street Levy Fund; homestead and rollback was posted to the General Fund instead of the General Fund and Street Levy Fund; manufactured home tax was posted at net to the Street Construction, Maintenance and Repair Fund instead of at gross to the Street Levy Fund; one gasoline cents per gallon receipt was posted to the General Fund instead of the Street Construction, Maintenance and Repair Fund and the State Highway Fund; and eight 34% district registration receipts were posted to the General Fund instead of the Street Construction, Maintenance and Repair Fund and the State Highway Fund.

**VILLAGE OF COOLVILLE
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 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 2003-013 (Continued)

Material Weakness – Recordkeeping (Continued)

In posting these transactions, numerous additional errors were made in the classification of the receipts and disbursements, to the point that reflecting audit adjustments for this activity would have been consistent with reconstructing the Village's financial records. Although the UAN system generated annual financial reports, these reports were not deemed to be reliable, due to these errors. Consequently, we determined that the presentation of total receipts, total disbursements and fund balances would be more meaningful and more efficient than rebuilding the financial statement presentation and preparing the ledgers to support the transactions.

This could cause errors and/or irregularities to occur and go undetected for an extended period of time, which could also result in negative fund balances once adjusted to the proper fund.

We recommend the Village Clerk review the Uniform Accounting Network Chart of Accounts prior to posting revenue, as well as, carefully review each disbursement and the check number related to that disbursement, to ensure that it is properly entered into the UAN system. We further recommend tax settlement receipts be posted in the gross amount and the deductions be posted as disbursements. Furthermore, using the classifications recognized in the Ohio Administrative Code and the aforementioned accounting records will provide the Village with information required to monitor compliance with the budget, prepare financial records, and prepare annual reports in the format required by the Auditor of State.

**VILLAGE OF COOLVILLE
ATHENS COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken, or Finding No Longer Valid;
2001-001	A finding for recovery was issued under Ohio Rev. Code Section 2743.70 not properly remitting Mayor's Court costs to the State.	Yes	N/A
2001-002	A finding for adjustment was issued for not properly remitting Mayor's Court fines and cost to the Village.	No	Not Corrected: This finding is repeated in the current Schedule of Findings as items 2003-004.
2001-003	A material noncompliance citation was issued under Ohio Rev. Code Section 5705.10 for posting revenues to the incorrect fund.	No	Not Corrected: This finding is repeated in the current Management Letter.
2001-004	A material noncompliance citation was issued under Ohio Rev. Code Section 149.351 for certain records not being presented for audit and presumed destroyed.	No	Not Corrected: This finding is repeated in the current Schedule of Findings as items 2003-003.
2001-005	A material noncompliance citation was issued under Ohio Rev. Code Section 5705.38 for not adopting permanent appropriations.	No	Not Corrected: This finding is repeated in the current Schedule of Findings as item 2003-006.
2001-006	A material noncompliance citation was issued under Ohio Rev. Code Section 5705.41(B) for expending money that was not appropriated.	No	Not Corrected: This finding is repeated in the current Schedule of Findings as item 2003-007.
2001-007	A material noncompliance citation was issued under Ohio Rev. Code Section 5705.41(D) for not using the encumbrance method of accounting.	No	Not Corrected: This finding is repeated in the current Schedule of Findings as item 2003-008.
2001-008	A reportable condition was issued for not having adequate monitoring of financial activity.	No	Not Corrected: This finding is repeated in the current Schedule of Findings as item 2003-010.



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VILLAGE OF COOLVILLE

ATHENS COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 25, 2006**