



Dave Yost • Auditor of State

VILLAGE OF COLDWATER
MERCER COUNTY

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Dave Yost • Auditor of State

AUDITOR'S REPORT

Village of Coldwater
Mercer County
610 W. Sycamore Street
Coldwater, Ohio 45828

To the Village Council:

We have selectively tested certain accounts, financial records, files, and reports of the Village of Coldwater, Mercer County, Ohio, (the Village) as of and for the years ended December 31, 2012 and 2011 following Ohio Admin. Code Section 117-4-02.

There are reportable findings and conditions as a result of performing these procedures. Our reportable findings and conditions follow the financial presentation. Our engagement was not designed to result in expressing an opinion on the accompanying financial statements, and we express no opinion on them.

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

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

Dave Yost
Auditor of State

Columbus, Ohio

February 26, 2014

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VILLAGE OF COLDWATER
MERCER COUNTY

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCES (CASH BASIS) ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts:					
Property and Other Local Taxes	\$175,486				\$175,486
Municipal Income Tax	1,464,907				1,464,907
Intergovernmental	178,228	\$212,596			390,824
Special Assessments		11,870			11,870
Charges for Services	183,092	175,735			358,827
Licenses, Permits and Fees	51,470				51,470
Fines and Forfeitures	16,309	2,154			18,463
Earnings on Investments	309	7		\$210	526
Miscellaneous	22,332	58,885			81,217
Total Cash Receipts	<u>2,092,133</u>	<u>461,247</u>		<u>210</u>	<u>2,553,590</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	768,623	1,337			769,960
Public Health Services	22,273				22,273
Leisure Time Activities		227,457			227,457
Transportation		685,637			685,637
General Government	429,704	575		3,569	433,848
Capital Outlay	2,150	293,075		69,094	364,319
Debt Service:					
Principal Retirement	3,231	22,900	\$200,000		226,131
Interest and Fiscal Charges			81,719		81,719
Total Cash Disbursements	<u>1,225,981</u>	<u>1,230,981</u>	<u>281,719</u>	<u>72,663</u>	<u>2,811,344</u>
Excess of Receipts Over (Under) Disbursements	<u>866,152</u>	<u>(769,734)</u>	<u>(281,719)</u>	<u>(72,453)</u>	<u>(257,754)</u>
Other Financing Receipts (Disbursements):					
Sale of Capital Assets	2,366			19,000	21,366
Transfers In		723,750	283,708	100,000	1,107,458
Transfers Out	(892,558)				(892,558)
Other Financing Sources	29,553				29,553
Other Financing Uses		(6,700)			(6,700)
Total Other Financing Receipts (Disbursements)	<u>(860,639)</u>	<u>717,050</u>	<u>283,708</u>	<u>119,000</u>	<u>259,119</u>
Net Change in Fund Cash Balances	5,513	(52,684)	1,989	46,547	1,365
Fund Cash Balances, January 1	<u>276,734</u>	<u>54,455</u>	<u>1</u>	<u>329,053</u>	<u>660,243</u>
Fund Cash Balances, December 31:					
Restricted		1,771			1,771
Committed			1,990	375,600	377,590
Unassigned (Deficit)	282,247				282,247
Fund Cash Balances, December 31	<u>\$282,247</u>	<u>\$1,771</u>	<u>\$1,990</u>	<u>\$375,600</u>	<u>\$661,608</u>

See Accompanying notes to the financial statements.

**VILLAGE OF COLDWATER
MERCER COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCES (CASH BASIS) ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals</u>
	<u>Enterprise</u>	<u>Agency</u>	<u>(Memorandum Only)</u>
Operating Cash Receipts:			
Charges for Services	\$1,130,920		\$1,130,920
Miscellaneous	4,966		4,966
Total Operating Cash Receipts	<u>1,135,886</u>		<u>1,135,886</u>
Operating Cash Disbursements:			
Personal Services	258,420		258,420
Employee Fringe Benefits	110,181		110,181
Contractual Services	414,239		414,239
Supplies and Materials	161,528		161,528
Other	1,794		1,794
Total Operating Cash Disbursements	<u>946,162</u>		<u>946,162</u>
Operating Income (Loss)	<u>189,724</u>		<u>189,724</u>
Non-Operating Receipts (Disbursements):			
Earnings on Investments (proprietary funds only)	769		769
Other Debt Proceeds	305,117		305,117
Capital Outlay	(322,629)		(322,629)
Principal Retirement	(45,233)		(45,233)
Interest and Other Fiscal Charges	(111)		(111)
Other Financing Sources		\$22,720	22,720
Other Financing Uses		(22,555)	(22,555)
Total Non-Operating Receipts (Disbursements)	<u>(62,087)</u>	<u>165</u>	<u>(61,922)</u>
Income (Loss) before Capital Contributions, Special Item, Extraordinary Item, Transfers and Advances	127,637	165	127,802
Transfers In	100		100
Transfers Out	<u>(215,000)</u>		<u>(215,000)</u>
Net Change in Fund Cash Balances	(87,263)	165	(87,098)
Fund Cash Balances, January 1	<u>(62,025)</u>		<u>(62,025)</u>
Fund Cash Balances, December 31	<u>(\$149,288)</u>	<u>\$165</u>	<u>(\$149,123)</u>

See accompanying notes to the financial statements.

**VILLAGE OF COLDWATER
MERCER COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCES (CASH BASIS) - FOR THE YEAR ENDED DECEMBER 31, 2011
FOR THE YEAR ENDED DECEMBER 31, 2011**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts:					
Property and Other Local Taxes	\$172,460				\$172,460
Municipal Income Tax	1,331,541				1,331,541
Intergovernmental	268,438	\$286,953			555,391
Special Assessments		13,146			13,146
Charges for Services	188,181	136,661		\$1	324,843
Licenses, Permits and Fees	45,891				45,891
Fines and Forfeitures	22,408	5,499			27,907
Earnings on Investments	795	10		190	995
Miscellaneous	6,770	55,917			62,687
Total Cash Receipts	2,036,484	498,186		191	2,534,861
Cash Disbursements:					
Current:					
Security of Persons and Property	687,623	1,414			689,037
Public Health Services	22,206				22,206
Leisure Time Activities	19,832	254,934			274,766
Transportation		628,476			628,476
General Government	371,427	1,450		3,582	376,459
Capital Outlay	239	126,633		13,588	140,460
Debt Service:					
Principal Retirement	3,231	22,900	\$410,000		436,131
Interest and Fiscal Charges			96,239		96,239
Total Cash Disbursements	1,104,558	1,035,807	506,239	17,170	2,663,774
Excess of Receipts Over (Under) Disbursements	931,926	(537,621)	(506,239)	(16,979)	(128,913)
Other Financing Receipts (Disbursements):					
Sale of Capital Assets				18,772	18,772
Transfers In		660,800	382,595	157,000	1,200,395
Transfers Out	(971,595)				(971,595)
Other Financing Sources	12,895				12,895
Total Other Financing Receipts (Disbursements)	(958,700)	660,800	382,595	175,772	260,467
Net Change in Fund Cash Balances	(26,774)	123,179	(123,644)	158,793	131,554
Fund Cash Balances, January 1 (Restated)	303,508	(68,724)	123,645	170,260	528,689
Fund Cash Balances, December 31:					
Restricted		54,455			54,455
Committed			1	329,053	329,054
Unassigned (Deficit)	276,734				276,734
Fund Cash Balances, December 31	\$276,734	\$54,455	\$1	\$329,053	\$660,243

See accompanying Nntes to the financial statements.

**VILLAGE OF COLDWATER
MERCER COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCES (CASH BASIS) - ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals</u>
	<u>Enterprise</u>	<u>Agency</u>	<u>(Memorandum Only)</u>
Operating Cash Receipts:			
Charges for Services	\$1,000,301		\$1,000,301
Miscellaneous	4,698		4,698
Total Operating Cash Receipts	<u>1,004,999</u>		<u>1,004,999</u>
Operating Cash Disbursements:			
Personal Services	254,159		254,159
Employee Fringe Benefits	100,573		100,573
Contractual Services	327,179		327,179
Supplies and Materials	128,581		128,581
Other	952		952
Total Operating Cash Disbursements	<u>811,444</u>		<u>811,444</u>
Operating Income (Loss)	<u>193,555</u>		<u>193,555</u>
Non-Operating Receipts (Disbursements):			
Earnings on Investments (proprietary funds only)	529		529
Capital Outlay	(33,066)		(33,066)
Principal Retirement	(45,233)		(45,233)
Other Financing Sources		\$35,686	35,686
Other Financing Uses		(36,013)	(36,013)
Total Non-Operating Receipts (Disbursements)	<u>(77,770)</u>	<u>(327)</u>	<u>(78,097)</u>
Income (Loss) before Capital Contributions, Special Item, Extraordinary Item, Transfers and Advances	115,785	(327)	115,458
Transfers In	26,200		26,200
Transfers Out	<u>(255,000)</u>		<u>(255,000)</u>
Net Change in Fund Cash Balances	(113,015)	(327)	(113,342)
Fund Cash Balances, January 1 (Restated)	<u>50,990</u>	<u>327</u>	<u>51,317</u>
Fund Cash Balances, December 31	<u><u>(\$62,025)</u></u>	<u><u>\$0</u></u>	<u><u>(\$62,025)</u></u>

See accompanying notes to the financial statements.

**VILLAGE OF COLDWATER
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011**

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 Coldwater, Mercer County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides general government services, including public safety, health, recreation, street maintenance, water and sewer facilities, park operation, and police services. The Village appropriates general fund money to support a volunteer fire department.

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

B. Accounting Basis

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. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

C. Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

Money market mutual funds (including STAR Ohio) are recorded at share values the mutual funds report.

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 accounts for and reports all financial resources not accounted for and reported in another fund.

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. 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.

**VILLAGE OF COLDWATER
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Park Operation – This fund is used to account for the costs associated with operating the municipal park system within the Village.

3. Debt Service Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Village had the following significant Debt Service Fund.

General Obligation Bond Retirement Fund - This fund is used to account for the accumulation of resources for the payment of general long-term debt principal and interest and related costs.

4. Capital Project Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant capital project funds:

Industrial Development Fund - This fund is for the purchase, operation, and further development of the Village Industrial Park.

Fire Capital Fund - This fund was established for the purchase of fire equipment for the volunteer fire department.

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

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

Sewer Improvement Fund – This fund receives charges for services from residents and loan proceeds to cover the costs associated with updating the water treatment plant.

6. Fiduciary Funds

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency fund accounts for the collection and distribution of Mayor's Court fines, fees, and bonds.

VILLAGE OF COLDWATER
MERCER COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. The 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.

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrance outstanding at year end are canceled, and re-appropriated in the subsequent year.

A summary of 2012 and 2011 budgetary activity appears in Note 3.

F. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Non-spendable

The Village classifies assets as *non-spendable* when legally or contractually required to maintain the amounts intact.

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. Committed

Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

**VILLAGE OF COLDWATER
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G. 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.

H. 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 DEPOSITS AND INVESTMENTS

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

	2012	2011
Demand deposits	\$133,709	\$119,419
Certificates of deposit	100,266	
Other time deposits (savings and NOW accounts)	13,377	4,213
Total deposits	247,352	123,632
Money Market Mutual Funds	386	119,868
Special Assessment Bonds	6,459	9,690
STAR Ohio	258,288	345,028
Total investments	265,133	474,586
Total deposits and investments	\$512,485	\$598,218

Deposits: Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

**VILLAGE OF COLDWATER
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS (Continued)

Investments: Investments in STAR Ohio and mutual funds are not evidenced by securities that exist in physical or book-entry form.

The Village invests in mutual funds which have a rating of Aaa by Moodys.

Special assessment bonds represent a special assessment bond issue that was purchased and held by the Village.

3. CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE

For 2011, the Village has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". GASB Statement No. 54 provides fund balance classifications that can be more consistently applied and clarifies the existing governmental fund type definitions. The requirements of this statement classify fund balance as non-spendable, restricted, committed, assigned, and/or unassigned.

The restatement due to the implementation of GASB Statement No. 54 resulted in the Tree Commission Fund (Special Revenue) rolling with the General Fund.

In the prior audit, the Parks Operation Fund was classified as an Enterprise Fund, but should have been a Special Revenue Fund. The Internal Service Fund was not functioning as a self-insurance fund so the balance was redistributed back to the original funds making the payments. Several other funds were not classified properly or should not have existed. The Special Purposes and Fire Levy Funds (Special Revenue) were rolled with the General Fund. The Special Assessment Debt and Capital Project Sidewalk were rolled with Special Revenue Funds.

These restatements had the following effect on the fund balances as previously report.

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Enterprise</u>	<u>Internal Service</u>
December 31, 2010 Fund Balance	\$157,999	(\$80,330)	\$123,711	\$170,331	\$14,384	\$193,584
Change due to GASB 54	39	(39)				
Classification of Fund Errors	145,470	11,645	(66)	(71)	36,606	(193,584)
Restated December 31, 2010 Balance	<u>\$303,508</u>	<u>(\$68,724)</u>	<u>\$123,645</u>	<u>\$170,260</u>	<u>\$50,990</u>	<u>\$ 0</u>

4. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2012, and 2011 follows:

2012 Budgeted vs. Actual Receipts			
<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$2,054,946	\$2,124,052	\$ 69,106
Special Revenue	1,350,334	1,184,997	(165,337)
Debt Service	650,006	283,708	(366,298)
Capital Projects	225,470	119,210	(106,260)
Enterprise	1,606,212	1,441,872	(164,340)
Total	<u>\$5,886,968</u>	<u>\$5,153,839</u>	<u>(\$733,129)</u>

**VILLAGE OF COLDWATER
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

4. BUDGETARY ACTIVITY (Continued)

2012 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,119,740	\$2,118,539	\$ 1,201
Special Revenue	1,258,677	1,237,681	20,996
Debt Service	281,725	281,719	6
Capital Projects	72,670	72,663	7
Enterprise	1,355,810	1,529,135	(173,325)
Total	<u>\$5,088,622</u>	<u>\$5,239,737</u>	<u>(\$151,115)</u>

2011 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,964,270	\$2,049,379	\$ 85,109
Special Revenue	1,114,249	1,158,986	44,737
Debt Service	650,000	382,595	(267,405)
Capital Projects	158,300	175,963	17,663
Enterprise	1,230,736	1,031,728	(199,008)
Total	<u>\$5,117,555</u>	<u>\$4,798,651</u>	<u>(\$318,904)</u>

2011 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,124,950	\$2,076,153	\$48,797
Special Revenue	1,070,260	1,035,807	34,453
Debt Service	506,240	506,239	1
Capital Projects	17,171	17,170	1
Enterprise	1,159,407	1,144,743	14,664
Total	<u>\$4,878,028</u>	<u>\$4,780,112</u>	<u>\$97,916</u>

Contrary to Ohio law, at December 31, 2012 and 2011, the following funds had cash deficit balances:

Fund	2012 Amount	2011 Amount
Street Construction Maintenance & Repair Fund	(\$61,992)	
Water Operating Fund	(51,295)	(\$18,070)
Water Improvement Fund	(242,011)	(90,391)
Storm Sewer Improvement Fund	(8,990)	

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority for the year ended December 31, 2012 in the following funds:

Fund	Excess Expenditures over Appropriations
Water Operating Fund	(\$ 3,160)
Sewer Improvement Fund	(184,116)

Contrary to Ohio law, appropriations exceeded actual resources by the following amounts for the years ended December 31, 2012 and 2011 in the following funds:

**VILLAGE OF COLDWATER
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

4. BUDGETARY ACTIVITY (Continued)

	2012	2011
Street Construction Maintenance & Repair Fund	(\$64,098)	
Water Operating Fund	(48,134)	(\$17,887)
Water Improvement Fund	(242,151)	(90,413)

Also, contrary to Ohio law, appropriations exceeded estimated resources by \$15,118 in the Sewer Operating Fund at December 2012.

5. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays incorrectly as property taxes instead of Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

6. LOCAL INCOME TAX

The Village levies a municipal income tax of 1 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually. Proceeds of the tax are credited to the General Fund.

7. DEBT

Debt outstanding at December 31, 2012 was as follows:

	Principal	Interest Rate
Various Purpose Obligation Bonds Series 2005	\$1,660,000	3.75 to 4.25%
General Obligation Bonds 2009A Series	90,000	3.00 to 3.50%
Ohio Public Works Loan - Hardin Creek	43,750	0%
Ohio Public Works Loan - NW Sanitary Sewer	81,196	0%
Ohio Public Works Loan - Main Street	4,000	0%
Ohio Public Works Loan - Water Treatment Plant	312,500	0%
Ohio Public Works Loan - Mill Street	253,300	9%
OWDA - Water Pollution Control	234,365	1%
Ohio Public Works Loan – Sanitary Sewer Repair	70,752	0%
Special Assessment Bond	6,459	0%
Total	\$2,756,332	

**VILLAGE OF COLDWATER
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

7. DEBT (Continued)

During 2005 the Village issued \$2,400,000 Various Purpose General Obligation Bonds Series 2005. Proceeds from the bonds were used to retire the \$1,850,000 Water System Improvement Bond Note, a Municipal Center General Obligation Note and a \$55,000 Bulldozer General Obligation Note with the balance of proceeds used for various purposes. Principal retirements during 2012 and 2011 were \$115,000 and \$110,000, respectively.

During 2009 the Village issued \$420,000 General Obligation Bonds Series 2009A. Proceeds from the bonds were used to purchase a fire truck, police car, and maintenance truck. Principal retirements during 2012 and 2011 were \$85,000 and \$85,000, respectively.

During 2003 the Village issued \$1,755,000 General Purpose Obligation Bonds. Proceeds from the bonds were used to retire \$1,420,000 of General Purpose Obligation Bonds originally issued in 1991 for the construction of a new wastewater treatment plant. Proceeds were also used for the purchase of the Village's Municipal Building. Principal retirements during 2011 were \$215,000 and was fully paid as of December 31, 2011.

During 1997, the Village received an interest free loan from the Ohio Public Works Commission totaling \$250,000 for the Hardin Creek Water Line Improvement project. The loan requires semi-annual payments of \$6,250 through 2016. Principal retirements during 2012 and 2011 amounted to \$12,500 and \$12,500, respectively.

During 2003 the Village received an interest free loan from the Ohio Public Works Commission totaling \$154,660 for the Northwest Sanitary Sewer Trunk project. The loan requires semi-annual payments of \$3,867 through 2023. Principal retirements during 2012 and 2011 amounted to \$7,733 and \$7,733, respectively.

During 2003 the Village received an interest free loan from the Ohio Public Works Commission totaling \$80,000 for the Main Street Reconstruction project. The loan requires semi-annual payments of \$4,000 through 2013. Principal retirements during 2012 and 2011 amounted to \$8,000 and \$8,000, respectively.

During 2005 the Village received an interest free loan from the Ohio Public Works Commission totaling \$500,000 for the replacement of the water treatment plant. The loan requires semi-annual payments of \$12,500 through 2025. Principal retirements during 2012 and 2011 amounted to \$25,000 and \$25,000, respectively.

During 2009 the Village received an interest free loan from the Ohio Public Works Commission totaling \$298,000 for the Mill Street project. The loan requires semi-annual payments of \$7,450 through 2030 beginning July 1, 2010. Principal retirements during 2012 and 2011 amounted to \$14,900 and \$14,900, respectively.

During 2012 the Village received a low interest rate loan from the Ohio Water Development Authority totaling 234,365 for Water Pollution Control. The loan was not finalized at the end of 2012. No amortization schedule exists yet for this loan and is not included in the table below. There were no payments on this loan.

During 2012 the Village received an interest free loan from the Ohio Public Works Commission totaling \$70,752 for the Sanitary Sewer Repair Project. The loan was not finalized yet at the end of 2012. No amortization schedule exists yet for this loan and is not included in the chart below. There were no payments on this loan.

**VILLAGE OF COLDWATER
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

7. DEBT (Continued)

In prior years the Village issued a special assessment bond that bear an interest rate of 0 percent a sidewalk improvement project. Principal retirements on all special assessment bonds during 2012 and 2011 totaled \$3,231 and \$3,231, respectively.

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

Year	General Obligation Bonds Series 2009A	Various Purpose Obligation Bonds		Special Assessments
		Services 2005	OPWC Loans	
2013	\$93,150	\$196,419	\$64,133	\$3,230
2014		191,419	60,133	3,229
2015		191,419	60,133	
2016		160,894	53,883	
2017		161,563	47,633	
2018-2022		808,775	238,165	
2023-2027		480,275	140,866	
2028-2029			29,800	
Total	\$93,150	\$2,190,764	\$694,746	\$6,459

8. INTERFUND TRANSACTIONS

The Village had the following interfund transfers:

Fund Type/Fund	Year Ended December 31, 2012		Year Ended December 31, 2011	
	Transfer In	Transfer Out	Transfer In	Transfer Out
General Fund		\$892,558		\$971,595
Special Revenue Funds:				
Street Maintenance and Repair	\$568,600		\$493,700	
State Highway	100			
Police Overtime Block Grant	50			
Parks	155,000		167,100	
Debt Service Funds:				
General Obligation Retirement	283,708		382,595	
Capital Projects Funds				
Fire Debt Capital	100,000		157,000	
Enterprise Funds:				
Water Revenue			8,000	
Sewer Revenue			12,200	
Water Improvement		100,000		100,000
Sewer Improvement		115,000		155,000
Stormsewer Improvement	100		6,000	
Total	\$1,107,558	\$1,107,558	\$1,226,595	\$1,226,595

Transfers from the General Fund to other funds were made for the retirement of debt or to provide operating funds as needed. Transfers from the Enterprise Funds were made to fund the respective fund's portion of debt service.

**VILLAGE OF COLDWATER
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

9. RETIREMENT SYSTEMS

The Village's full time law enforcement officers belong to the Ohio Police and Fire Pension Fund (OP&F). Other full-time employees 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 2012 and 2011, OP&F participants contributed 10.1 percent of their wages. The Village contributed an amount equal to 19.5 percent and percent of covered payroll for full time police officers. For 2012 and 2011, OPERS' members contributed 10 percent of their wages and the Village contributed an amount equal to 14 percent of covered payroll. The Village has paid all contributions required through December 31, 2012.

10. RISK MANAGEMENT

Ohio Government Risk Management Plan

On January 1, 2009, through an internal reorganization, the Plan created three separate non-profit corporations including:

- **Ohio Plan Risk Management, Inc. (OPRM)** - formerly known as the Ohio Risk Management Plan;
- **Ohio Plan Healthcare Consortium, Inc. (OPHC)** - formerly known as the Ohio Healthcare Consortium; and
- **Ohio Plan, Inc.** - mirrors the oversight function previously performed by the Board of Directors. The Board of Trustees consists of eleven (11) members that include appointed and elected officials from member organizations.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio. These coverage programs, referred to as Ohio Plan Risk management ("OPRM"), are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retain 17.5% (15% through October 31, 2009) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 725 members as of December 31, 2009. The Government participates in this coverage.

The Plan formed the Ohio Plan Healthcare Consortium ("OPHC"), as authorized by Section 9.833 of the Ohio Revised Code. The OPHC was established to provide cost effective employee benefit programs for Ohio political sub-divisions and is a self-funded, group purchasing consortium that offers medical, dental, vision and prescription drug coverage as well as life insurance for its members. The OPHC is sold through seventeen appointed independent agents in the State of Ohio. Coverage programs are developed specific to each member's healthcare needs and the related premiums for coverage are determined through the application of uniform underwriting criteria. Variable plan options are available to members. These plans vary primarily by deductibles, coinsurance levels, office visit co-pays and out-of pocket maximums. OPHC had 60 members as of December 31, 2009. The Government does not participate in this coverage.

**VILLAGE OF COLDWATER
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

10. RISK MANAGEMENT (Continued)

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2012 and 2011 (the latest information available), and include amounts for both OPRM and OPHC:

	<u>2012 OPRM</u>	<u>2012 OPHC</u>	<u>2012</u>	<u>2011</u>
Assets	\$13,100,381	\$1,152,610	\$14,252,991	\$13,961,071
Liabilities	(6,687,193)	(1,615,537)	(8,302,730)	(6,612,288)
Members' Equity	<u>\$ 6,413,188</u>	<u>(\$ 462,927)</u>	<u>\$ 5,950,261</u>	<u>\$ 7,348,783</u>

You can read the complete audited financial statements for OPRM and OPHC at the Plan's website, www.ohioplan.org.

Full time employees of the Village are eligible for health and prescription drug coverage. The Village pays the majority of the cost related to the premiums for the insurance. The employees pay a portion of the premium and all related deductibles. There is no risk associated regarding the Village for the health care benefits, as the Village only pays a portion of the premium.

11. CONTINGENT LIABILITIES

The Village is a defendant in a lawsuit. Although management cannot presently determine the outcome of this suit, management believes that the resolution of this matter will not materially adversely affect the Village's financial condition.

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Dave Yost • Auditor of State

ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS

Village of Coldwater
Mercer County
610 W. Sycamore Street
Coldwater, Ohio 45828

To the Village Council:

We have selectively tested certain accounts, financial records, files, and reports of the Village of Coldwater, Mercer County, Ohio (the Village), as of and for years ended December 31, 2012 and 2011 following Ohio Administrative Code § 117-4-02. Our engagement was not designed to result in expressing an opinion on the accompanying financial statements, internal control over financial reporting, or compliance. We therefore express no opinion on these matters.

Internal Control Over Financial Reporting

During our procedures related to the internal control over financial reporting we noted matters 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. In addition, these matters could result in the occurrence of misstatements that are caused by error or fraud that would not be detected in a timely manner by employees when performing the assigned functions. These matters are described in the schedule of findings as items 2012-001 through 2012-006

Compliance and Other Matters

We tested compliance with certain provisions of laws, regulations, contract, and grant agreements, applicable to the Village. Non-compliance with these requirements could impact the Village's ability to determine financial statement amounts. The results of our tests disclosed instances of noncompliance that are reported in the accompanying schedule of findings as items 2012-001 through 2012-005, 2012-007 and 2012-008.

We did note certain matters not requiring inclusion in this report that we reported to the Village's management in a separate February 26, 2014.

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

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

Dave Yost
Auditor of State

Columbus, Ohio

February 26, 2014

**VILLAGE OF COLDWATER
MERCER COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011**

FINDING NUMBER 2012-001

Filing of Special Assessments

Noncompliance and Significant Deficiency

Coldwater Ordinance #1598 (March 12, 2012) and Coldwater Ordinance #1606 (May 25, 2013) Section 3 state that the assessment against each lot or parcel of land shall be payable in full in cash within 30 days after the passage of this ordinance. All cash payments shall be made to the Finance Director of the Village of Coldwater, Ohio. The assessments and installments thereof remaining unpaid at the expiration of said 30 day period shall be certified by the Clerk of this Council to the County Auditor as provided by law, to be placed on the tax duplicate and collected as other taxes are collected in eight annual installments.

Ordinance #1598 was not submitted to the County Auditor until May 15, 2013 and Ordinance #1606 was not submitted until February 4, 2014.

Submitting these ordinances over a year after they were required resulted in the taxpayers not being assessed timely and the delay in the Village collecting revenue to offset the expenditures made on the projects.

The Clerk of Council should timely submit the special assessments to the County Auditor as required by the Village Ordinances. The Village should also implement procedures where Council or the Village Administrator follows up on the submission of the special assessments to the County Auditor in a timely manner.

Official's Response: WE ARE DEVELOPING A PROJECT CHECKLIST TO MONITOR THESE TYPES OF ACTIVITIES TO PREVENT FUTURE OVERSIGHTS

FINDING NUMBER 2012-002

Fund Transfers

Noncompliance and Material Weakness

Ohio Rev Code Section 5705.15 states that in addition to transfers authorized by Section 5705.14, the taxing authority of any political subdivision may, in the manner provided for in this section and in Section 5705.16, transfer from one fund to another any public funds under its supervision by passing a resolution from a majority of the board and obtaining the approval of the Tax Commissioner and the Court of Common Pleas.

The Village minutes approved numerous inter-fund reimbursements which should not have been classified as transfers and other transfers were not approved by Council. The Village made numerous transfers in 2011 and 2012 between funds without the required approval of the Tax Commissioner and Court of Common Pleas. After making adjustments to transfers on the financial statements for funds that rolled together, the following were the remaining transfers that needed the approval of the Tax Commissioner and Court of Common Pleas:

2011

State Highway Fund to Street Construction Maintenance & Repair Fund for \$8,000
Permissive Tax Fund to Street Construction Maintenance & Repair Fund for \$11,300

**FINDING NUMBER 2012-002
(Continued)**

2012

State Highway Fund to Street Construction Maintenance & Repair Fund for \$7,500
Permissive Tax Fund to Street Construction Maintenance & Repair Fund for \$11,300
Park Operation Fund to Tree Commission Fund for \$6,700
Sewer Improvement Fund to Storm Sewer Fund for \$9,000
Sewer Improvement Fund to Water Improvement Fund for \$90,000
Sewer Operating Fund to Water Operating Fund for \$18,000

Adjustments were made to the financial statements and the books of the Village to eliminate these transfers and record the money back into the fund that originally made the transfer.

The Finance Director should not transfer money between funds without receiving the proper approvals from Council, the Tax Commissioner and Court of Common Pleas, as required, by the above section of code.

Official's Response: WE WILL CHANGE OUR PROCEDURES TO PREVENT THIS FROM HAPPENING IN THE FUTURE.

FINDING NUMBER 2012-003

Cistern Water Treatment Charges

Noncompliance and Material Weakness

Village of Coldwater, Ordinance #1495 (December 29, 2003) Section 9 states all monies derived from the cistern water treatment charge will be deposited into the Sewer Fund. Additionally, **Ordinance #1587 (July 11, 2011) Section 8** states revenues which are to be deposited into the Sewer Improvement Fund, but did not include the cistern water treatment charges.

In 2012 and 2011, the Village deposited cistern revenues of \$7,289.86 and \$6,979.76 respectively, into the Sewer Improvement Fund rather than the Sewer Fund. An adjustment has been made to the accompanying financial statements and to the books of the Village to correct the posting of these revenues to the Sewer Fund.

The Finance Director should post all revenues derived from cistern water treatment charges to the Sewer Fund. A Monthly Revenue Audit Trail Report should be given to the utilities clerk, who should verify the revenues are posted to the proper funds. The Village should review the Ordinances to determine if the guidance should still be applied and, if needed, update the guidance.

Official's Response: THIS ITEM HAS BEEN CORRECTED.

FINDING NUMBER 2012-004

Financial Reporting

Noncompliance and Material Weakness

Ohio Rev Code Section 733.28 requires the fiscal officer to maintain the books of the Village and exhibit accurate statements of all monies received and expended.

The following errors were noted in the Village's records and on the annual reports:

**FINDING NUMBER 2012-004
 (Continued)**

- The Village had not posted an audit adjustment from their 2010-2009 audit. This resulted in an audit adjustment of \$35,653 being made to reduce the January 1, 2011 General Fund balance. The accompanying financial statements and Village books have been adjusted to reflect the reduction in the General Fund balance.
- The Village did not reconcile the cash balances per the accounting records to the bank at December 31, 2012 or December 31, 2011, nor did it record manuscript debt payments. The following net adjustments were made to the accompanying financial statements and to the books of for Village for 2012 and 2011 for the following funds:

	<u>2012</u>	<u>2011</u>
General Fund	(\$4,849)	\$1,481
Street Maintenance & Repair Fund	(88)	(8,379)
State Highway Fund		(679)
Parks Fund	691	2,713
Water Operating Fund	12	67
Sewer Operating Fund	13	67
Sewer Improvement Fund		(13,800)
Mayor's Court Fund	165	

- The Village entered into a water pollution control loan fund agreement for the wastewater treatment plant improvements project where the requests submitted for disbursements were made by the Ohio Water Development Authority directly to the contractor. Project pay requests totaling \$212,365 were approved and issued directly to the contractor during 2102, but were not posted to the Village's books; therefore, an audit adjustment to both revenue and expenses in the amount stated above was required to be posted to the Sanitary Sewer Improvement Fund financial statements as capital outlay and proceeds of notes to reflect the Village's financial benefit.
- The Village entered into a loan agreement with the Ohio Public Works Commission for a sanitary sewer repair project where the request for reimbursement totaling \$70,752 in 2012 was paid directly to the contractor but was not posted to the Village's books; therefore an audit adjustment was required to be posted to the Sanitary Sewer Improvement Fund financial statements as capital outlay and proceeds of notes to reflect the Village's financial benefit.
- Cable franchise fee totaling \$8,556 was posted to the Street Construction Maintenance & Repair Fund in 2011 instead of the General Fund. The accompanying financial statements and Village books have been adjusted to reflect the decreased revenue and fund balance in the Street Construction Maintenance & Repair Fund and increase in revenue and fund balance in the General Fund.

**FINDING NUMBER 2012-004
(Continued)**

- The Village's 2012 and 2011 annual reports did not correctly present the funds due to the changes for GASB 54 along with incorrect presentation of funds by Fund Type. The Tree Commission Fund (from Special Revenue), Fire Levy Fund (from Special Revenue) and Special Purposes Fund (from Special Revenue) were rolled with the General Fund which resulted in increases to the 2012 and 2011 revenues of \$186,094 and \$ 190,769 and increases in disbursements of \$184,387 and \$227,987 and increases to the beginning fund balance of \$8,572 and \$45,790 respectively from the amounts per the annual reports. The Special Assessment Fund (from Debt Service) and Sidewalk Projects (from Capital Projects) were rolled into the Street Construction Maintenance and Repair Fund which resulted in increased to the 2012 and 2011 revenues of \$11,870 and \$13,146 and increases in expenditures of \$11,500 and \$13,100 and increases in the beginning fund balance of \$183 and \$137 respectively from the amounts per the annual reports. The Parks Fund was reclassified from Enterprise to Special Revenue which resulted in increases to the 2012 and 2011 revenues of \$272,471 and \$281,151 and increases in disbursements of \$260,315 and \$281,338 and increases to the beginning fund balance of \$2,413 and \$4,939 in the Special Revenue Fund Type respectively from the amounts per the annual reports.
- The Village maintained an Internal Service Fund that was not functioning like a true self-insurance fund. The Village posts the employees share, plus an additional amount along with the premiums and made payments to the health care provider. Therefore, the 2012 and 2011 beginning fund balances of \$220,080 and \$93,584 and yearly activity, respectively, were redistributed back to the funds that made the payments.
- The Village miss-posted several types of revenues and expenditures such as homestead and rollback revenues which were recorded as taxes instead of intergovernmental revenue, sale of fixed assets were recorded as charges for services and lease payments were recorded as transportation instead of principal payments.

The 2012 and 2011 annual reports and Village records required numerous adjustments and reclassification for proper presentation. The Finance Director should reconcile the cash balances per the books to the bank monthly, record any reconciling items and also record manuscript debt yearly.

When the Village benefits from a loan or grant in which payments are made directly to the contractor by the loaner and grantor, the Finance Director should record the revenue and a corresponding expenditure in the appropriate fund at the time the payment is issued to the contractor by the loaner or grantor.

If the Village continues to use the Internal Service Fund, the balance in the fund should be zero at yearend. The Finance Director should also review the Village Officer's handbook and Auditor of State bulletins to assist in classification of revenues, expenditures and funds along with use due care when posting to the Village system and annual report.

Official's Response: WE HAVE MADE THE NECESSARY CORRECTIONS ON MOST OF THESE ITEMS AND ARE ACTIVELY WORKING TO CORRECT THE REST OF THE ITEMS.

FINDING NUMBER 2012-005

Negative Fund Balances

Noncompliance and Material Weakness

Ohio Rev. Code Section 5705.10(H) provides that money paid into a fund must be used only for the purposes 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. The Village had the following negative fund balances at each year end:

	<u>December 31, 2011</u>	<u>December 31, 2012</u>
Water Operating Fund	(\$51,295)	(\$18,070)
Water Improvement Fund	(242,011)	(90,391)
Street Construction, Maintenance & Repair Fund	(61,992)	
Storm Sewer	(8,990)	

Available fund cash balances should be reviewed regularly to evaluate the reasoning behind a negative cash balance and determine how to correct the situation when necessary. This may be done by reducing the applicable fund expenditures, or by the use of transfers or advances, as allowable. In the case of the utility funds, the Village should establish utility rates that are sufficient to cover the operation expenses of the funds.

Official's Response: THE WATER FUND AND WATER OPERATING FUNDS WERE NEGATIVE NUMBERS FOR THE YEARS LISTED, BUT NOT THE AMOUNT SHOWN. THESE NUMBERS REPRESENT THE ADJUSTMENTS MADE BY THE AUDITORS. COUNCIL WAS AWARE OF THE NEGATIVE POSITIONS WHICH WERE CAUSED BY A CAPITAL PROJECT OF THE WATER DEPARTMENT. WHEN THE PROJECT IS COMPLETED THE BALANCES WILL BE POSITIVE AMOUNTS, BY THE END OF 2014.

THE NEGATIVE NUMBERS FOR THE STREET CONSTRUCTION AND THE STORM SEWER FUNDS WERE AGAIN AS A RESULT OF THE AUDIT ADJUSTMENTS.

FINDING NUMBER 2012-006

Bank Reconciliations and Council Monitoring

Material Weakness

The Village Finance Director did not balance with the bank during 2012 or 2011. The bank reconciliations at December 31, 2012 and 2011 had figures that were plugged for a special assessment bond which amounted to 11% and 9.5% of the total fund balances respectively. The monthly reconciliations also did not include all reconciling items such as interest not recorded, deposits not recorded on the books, deposits not made but recorded on the books, incorrect amounts posted, checks and deposits recorded twice, differences in DP&L payments and the amounts recorded, and bank fees not being recorded.

The Finance Director was the sole individual responsible for the monthly bank reconciliations. Council was given the monthly Fund Report at their meeting, but not given the bank reconciliations.

The lack of segregation of duties in the reconciliation process, Council not reviewing monthly bank reconciliations and not accurately balancing with the bank monthly, resulted in the Village's book balance being materially higher than the correct amounts. This resulted in audit adjustments to reduce the fund balances by over \$58,000 on the financial statements and Village's books for 2012 and 2011.

**FINDING NUMBER 2012-006
 (Continued)**

The Finance Director should balance with the bank on a monthly basis. If the Village is unable to reconcile, outside assistance should be obtained in a timely manner. Also, Council should receive and review the monthly bank reconciliations at each regular council meeting. Periodically, the monthly reconciliation should be independently verified to the actual bank statements and other supporting documentation to verify the Village's books are actually reconciled to the bank.

Official's Response: WE HAVE CHANGED OUR RECONCILING PROCESS BY USING THE OFFICE OF LOCAL GOVERNMENT SERVICES MODEL. ALL MONTHS IN THE AUDIT PERIOD HAVE BEEN BALANCED ALONG WITH ALL OF 2013 AND TO DATE IN 2014. ALL ADJUSTMENTS HAVE BEEN MADE.

FINDING NUMBER 2012-007

Appropriations Exceeding Actual Resources

Noncompliance

Ohio Rev Code Section 5705.36 (A)(4) requires that when it is known that actual resources will be less than currently estimated resources, and the deficiency will reduce available resources below the current level of appropriation, an amended certificate of estimated resources should be obtained to reduce estimated resources available for appropriation.

The following funds had estimated resources available that exceeded actual resources available and the deficiency reduced available resources below the current level of appropriations:

2012			
Fund	Actual Resources	Appropriations	Variance
Street Maint & Repair Fund	\$903,411	\$967,500	(\$64,098)
Water Operating Fund	\$334,866	383,000	(48,134)
Water Improvement Fund	\$119,349	361,500	(242,151)
2011			
Fund	Actual Resources	Appropriations	Variance
Water Operating Fund	\$338,558	\$356,445	\$(17,887)
Water Improvement Fund	\$190,187	\$280,600	\$(90,413)

The Finance Director and Council should monitor estimated revenues versus actual revenues to determine if a reduction should be obtained and appropriations subsequently reduced to prevent deficit spending.

Official's Response: WE WILL MONITOR THIS CLOSER IN THE FUTURE.

FINDING NUMBER 2012-008

Expenditures Exceeding Appropriations

Noncompliance

Ohio Rev. Code Section 5705.41(B) prohibits expenditures unless the funds have been properly appropriated. This prohibits expenditures from exceeding appropriations. For the year ended December 31, 2012, the following funds had expenditures in excess of appropriations:

FINDING NUMBER 2012-008
(Continued)

<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
Water Operating Fund	\$383,000	\$386,160	(\$ 3,160)
Sewer Improvement Fund	245,610	429,726	(184,116)

The Sewer Improvement Fund variance is the result of not budgeting OPWC and OWDA expenditures paid directly to the contractor.

When the Village benefits from a loan or grant in which payments are made directly to the contractor by the loaner and grantor, the Finance Director and Council should amend the appropriations.

The Village should not expend funds unless there are appropriations available. The Finance Director and Council should closely monitor the Village's budgetary financial reports throughout the year so that budgetary expenditures do not exceed the appropriations at the legal level of control to reduce the possibility of negative fund balances and improper use of restricted funds.

Official's Response: THE LARGE DIFFERENCE IN THE SEWER IMPROVEMENT FUND WAS CAUSED BY THE REQUIREMENT THAT WE NEED TO RECORD FUNDS INTO AND OUT OF OUR BOOKS FOR GRANTS PAID DIRECTLY TO THE CONTRACTORS BY OTHER AGENCIES. THIS WILL BE DONE IN THE FUTURE.

**VILLAGE OF COLDWATER
MERCER COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2012 AND 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-01	Audit Adjustments	No	See Finding #2012-004
2010-02	Ohio Rev Code Section 5705.10 – Negative Fund Balances	No	See Finding #2012-005
2010-03	Ohio Rev Code Section 5705.36(A)(4) – Appropriations exceeding Available Resources	No	See Finding 2012-007



Dave Yost • Auditor of State

VILLAGE OF COLDWATER

MERCER 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
MARCH 25, 2014**