



Dave Yost • Auditor of State



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

We have completed certain procedures in accordance with Ohio Rev. Code § 117.01(G) to the accounting records and related documents of the Village of Nellie, Coshocton County, Ohio (the Village), for the years ended December 31, 2015 and 2014.

Our procedures were designed solely to satisfy the audit requirements of Ohio Rev. Code § 117.11(A). Because our procedures were not designed to opine on the Village's financial statements, we did not follow *generally accepted auditing standards*. We do not provide any assurance on the Village's financial statements, transactions or balances for the years ended December 31, 2015 or 2014.

The Village's management is responsible for preparing and maintaining its accounting records and related documents. Our responsibility under Ohio Rev. Code Section 117.11(A) is to examine, analyze and inspect these records and documents.

Current Year Observations

- 1. Ohio Rev. Code § 5705.10(C)** requires all revenue derived from a special levy shall be credited to a special fund for the purpose for which the levy was made. We noted that property tax reimbursements received from the State in the amounts of \$2,537 and \$2,539 were misidentified as Property Tax revenue instead of Intergovernmental Revenue in 2015 and 2014, respectively. These receipts were received as reimbursements for Homestead and Rollback deductions on property taxes levied in the General Fund and Garbage Fund. However, the 2015 reimbursements were reported in the General, Street, and State Highway Funds and were not allocated between the General and Garbage Funds. Additionally, the 2014 reimbursements were reported in the General Fund and not allocated between the General and Garbage Funds. In accordance with the foregoing facts, and pursuant to Ohio Rev. Code § 5705.10(C), a Finding for Adjustment for public monies incorrectly received is hereby issued against Fund A1 – the General Fund in the amount of \$1,676, Fund B1 – Street Fund in the amount of \$1,173, Fund B2 – State Highway Fund in the amount of \$95, and in favor of Fund B9 – the Garbage Fund in the amount of \$2,944.
- 2. 26 USC § 3402 and Ohio Rev. Code § 5747.06** requires every employer, including the state and its political subdivisions making payments of any compensation to an employee who is a taxpayer, to deduct and withhold from such compensation for each payroll period a tax substantially equivalent to the tax reasonably estimated to be due under this chapter with respect to the amount of such compensation included in his adjusted gross income during the calendar year. **26 USC § 3102(a)** requires employers to withhold social security Medicare tax from an employee's wages if the employee was hired after April 1, 1986. **Ohio Rev. Code § 145.03** states that employees eligible for exemption from the Ohio Public Employees Retirement System (OPERS) may choose to be exempt from compulsory membership by signing a written application for exemption within the first month after being employed. We noted that no individuals had Federal, State, Medicare or pension withheld from their pay. Additionally, the Village did not pay the employer portion of Medicare or any required pension payment. The Village has identified Council, the Mayor and Fiscal Officer as independent contractors; however, Council and Mayor are elected officials and the Fiscal Officer is an appointed official. Therefore, they are not independent contractors. The Village should not consider elected and appointed

Current Year Observations (Continued)

officials to be independent contractors. They should calculate applicable withholdings for all taxes to determine if withholdings are required and should remit them to the applicable agencies. The Village should review OPERS guidelines to determine employees eligible for OPERS retirement and make the appropriate withholdings and payments. Employees not eligible for OPERS should have Social Security withheld and paid. Our prior basic audit also reported this non-compliance.

This matter will be referred to the IRS, State of Ohio and OPERS for whatever action deemed necessary.

3. The Village's small size requires governing board involvement with critical accounting processes (such as the review and approval of all revenue and disbursements) to compensate for the inability to segregate the duties of the accounting function. Currently, Council reviews and approves revenue information each month in aggregate but not in detail. The absence of a review of detailed receipt information may be a significant deficiency in internal accounting control which could possibly result in inaccurate cash balances or even undetected theft. The Village Fiscal Officer should submit monthly cashbook and bank to book reconciliations to the Council for review and approval. This will help Council timely review financial information and compensate for the lack of segregation of duties within the accounting function. Our prior basic audit also reported this control issue.
4. Monthly reconciliations between the Village's bank statements and accounting ledgers should be performed on a timely basis. Per review of the April 2016 bank statements and Village ledgers, no bank to book reconciliations had been completed by the Village Fiscal Officer for April 2016. Failure to complete a reconciliation could result in inaccurate information being used by Council to make sound financial decisions for the Village. The Village Fiscal Officer should complete the monthly bank to book reconciliations on a timely basis. Additionally, the reconciliation should be presented to Village Council and formally approved in the minutes during the monthly Council meetings.

Current Status of Matters We Reported in our Prior Engagement

In addition to the reconciling matter reported in item 1 above, our prior basic audit for the years ended December 31, 2013 and 2012 included a finding for adjustment of \$2,829 against the General Fund and in favor of the Garbage Fund for the allocation of property tax reimbursements. The 2014 Receipts Journal recorded the adjustment of this amount on September 1, 2014.



Dave Yost
Auditor of State
Columbus, Ohio

June 7, 2016



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VILLAGE OF NILLIE

COSHOCTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JUNE 21, 2016