

VILLAGE OF NELLIE
COSHOCTON COUNTY
REGULAR AUDIT
JANUARY 1, 2010 – DECEMBER 31, 2011





Dave Yost • Auditor of State

Village Council
Village of Nellie
117 Main Street
Warsaw, Ohio 43844

We have reviewed the *Independent Auditors' Report* of the Village of Nellie, Coshocton County, prepared by Wilson, Shannon & Snow, Inc., for the audit period January 1, 2010 through December 31, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditors' Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditors' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Nellie is responsible for compliance with these laws and regulations.

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

Dave Yost
Auditor of State

June 28, 2012

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**VILLAGE OF NELLIE
COSHOCOTON COUNTY**

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INDEPENDENT AUDITORS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Nellie, Coshocton County, (the Village) as of and for the years ended December 31, 2011 and 2010. 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. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements or the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2011 and 2010 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2011 and 2010, or its changes in financial position or cash flows, where applicable.

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Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances as of December 31, 2011 and 2010 of the Village of Nellie, Coshocton County, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 18, 2012, 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.

Wilson, Shuman & Snow, Inc.

April 18, 2012

**VILLAGE OF NELLIE
COSHOCTON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$6,620	\$0	\$6,620
Intergovernmental Receipts	8,159	7,790	15,949
Earnings on Investments	1	3	4
	<u>14,780</u>	<u>7,793</u>	<u>22,573</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
Security of Persons and Property	550	0	550
Public Health Services	300	0	300
Community Environment	62	0	62
Basic Utility Services	8,993	1,189	10,182
Transportation	0	4,029	4,029
General Government	4,165	0	4,165
	<u>14,070</u>	<u>5,218</u>	<u>19,288</u>
Total Cash Disbursements			
Total Cash Receipts Over/(Under) Cash Disbursements	710	2,575	3,285
Fund Cash Balances, January 1	<u>3,807</u>	<u>21,606</u>	<u>25,413</u>
Fund Cash Balances, December 31	<u><u>\$4,517</u></u>	<u><u>\$24,181</u></u>	<u><u>\$28,698</u></u>

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

**VILLAGE OF NELLIE
COSHOCTON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$6,187	\$0	\$6,187
Intergovernmental Receipts	7,687	52,145	59,832
Earnings on Investments	1	2	3
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	13,875	52,147	66,022
Cash Disbursements:			
Current:			
Public Health Services	322	0	322
Community Environment	20	0	20
Basic Utility Services	6,953	1,114	8,067
Transportation	0	10,670	10,670
General Government	5,626	0	5,626
Capital Outlay	0	44,800	44,800
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	12,921	56,584	69,505
Total Cash Receipts Over/(Under) Cash Disbursements	954	(4,437)	(3,483)
Fund Cash Balances, January 1	<hr/>	<hr/>	<hr/>
	2,853	26,043	28,896
Fund Cash Balances, December 31	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	\$3,807	\$21,606	\$25,413

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

**VILLAGE OF NELLIE
COSHOCOTON COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

	Proprietary Fund Type	
	2011 Enterprise	2010 Enterprise
Operating Cash Receipts:		
Charges for Services	\$1,592	\$1,462
Operating Cash Disbursements:		
Contractual Services	624	933
Supplies and Materials	531	395
Total Operating Cash Disbursements	1,155	1,328
Net Income	437	134
Non-Operating Cash Receipts:		
Intergovernmental Receipts	100	0
Net Cash Receipts Over/(Under) Cash Disbursements	537	134
Fund Cash Balances, January 1	2,255	2,121
Fund Cash Balances, December 31	\$2,792	\$2,255

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

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**VILLAGE OF NELLIE
COSHOCTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

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 Nellie, Coshocton County, (the Village) as a body corporate and politic. A publicly-elected five-member Council directs the Village. The Village provides general government services and street maintenance and repair. The Village appoints a representative to the Walhounding Valley Fire District which provides fire protection to the Village as well as other participating members. Security of persons and property is provided by the Coshocton County Sheriff's Office.

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

B. Basis of Accounting

These financial statements follow the basis of accounting 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. Cash

The Village maintains all cash in 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.

**VILLAGE OF NELLIE
COSHOCOTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(CONTINUED)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

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

State Highway Fund - This fund receives gasoline and motor vehicle license tax money for constructing, maintaining, and repairing state highways intersecting through the Village Corporate limits.

3. Enterprise Funds

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

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

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, cash disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. 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. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

**VILLAGE OF NELLIE
COSHOCOTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(CONTINUED)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

A summary of 2011 and 2010 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

The Village records cash disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

2. EQUITY IN POOLED CASH

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

	2011	2010
Total Demand Deposits	\$31,490	\$27,668

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending 2011 and 2010 follows:

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$13,600	\$14,780	\$1,180
Special Revenue	7,200	7,793	593
Enterprise	1,500	1,692	192
Total	\$22,300	\$24,265	\$1,965

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$17,387	\$14,070	\$3,317
Special Revenue	28,805	5,218	23,587
Enterprise	3,755	1,155	2,600
Total	\$49,947	\$20,443	\$29,504

**VILLAGE OF NELLIE
COSHOCTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(CONTINUED)**

3. BUDGETARY ACTIVITY (Continued)

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$13,634	\$13,875	\$241
Special Revenue	6,818	52,147	45,329
Enterprise	1,200	1,462	262
Total	\$21,652	\$67,484	\$45,832

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$16,487	\$12,921	\$3,566
Special Revenue	32,860	56,584	(23,724)
Enterprise	3,321	1,328	1,993
Total	\$52,668	\$70,833	(\$18,165)

Contrary to Ohio law, budgetary expenditures exceeded the appropriation authority in the Special Revenue – Street Maintenance and Repair Fund by \$36,295 for the year ended December 31, 2010. The Village did not also comply with Ohio Administrative Code 117-2-02 (A), Ohio Revised Code 5705.36(A), or 5705.40 within the fund identified. Furthermore, the Village did not comply with the following code sections: 26 U.S.C. Section 3402 and Ohio Revised Code Section 5747.06, 26 U.S.C. Section 3102(a), Ohio Revised Code Section 145.03, Ohio Revised Code Section 9.38, or Ohio Revised Code Section 117.38.

4. 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 as 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.

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

**VILLAGE OF NELLIE
COSHOCTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(CONTINUED)**

5. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

6. CONTINGENT LIABILITIES

The Village is not currently involved in litigation.

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

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

To the Village Council:

We have audited the financial statements of the Village of Nellie, Coshocton County, Ohio (the Village) as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated April 18, 2012, wherein we noted the Village prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. 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 as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2011-09 and 2011-10 as described in the accompanying schedule of findings to be material weaknesses.

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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 we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2011-01 through 2011-08.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated April 18, 2012.

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, Council, and others within the Village. We intend it for no one other than these specified parties.

Wilson, Shuman & Snow, Inc.

April 18, 2012

**VILLAGE OF NELLIE
COSHOCTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2011-01

Ohio Administrative Code Section 117-2-02 (A) provides that all local public offices should maintain an accounting system and accounting records sufficient to enable the public office 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.

Ohio Revised Code Section 5705.36(A)(3) allows all subdivisions to request an increased amended certificate of estimated resources upon determination by the fiscal officer that revenue to be collected will be greater than the amount in the official certificate. An increased amended certificate must be obtained from the budget commission if the legislative authority intends to appropriate and expend the excess revenue.

Ohio Revised Code Section 5705.40 requires that any appropriation ordinance or measure may be amended or supplemented, provided that such amendment or supplement shall comply with all provisions of law governing the taxing authority in making an original appropriation.

During 2010 the Village was the beneficiary of \$44,800 in Community Development Block Grant funds paid on its behalf by Coshocton County noting the Village did not properly record the intergovernmental revenues or corresponding capital outlay expenditures contrary to Auditor of State Bulletin 2002-004.

Additionally, the Village Fiscal Officer did not obtain an amended certificate for the the intergovernmental revenue and Village Council did not amend their appropriations the amounts identified.

Adjustments with which the Village agrees are reflected in the accompanying financial statements. This also resulted in violation of Ohio Revised Code Section 5705.41(B) within the Special Revenue Road (See Finding No. 2011-02).

We recommend the Village Fiscal Officer record grant revenues and the corresponding expenditures in the Village's ledgers when such items are paid on its behalf.

Officials Response: We did not receive a response for this finding.

VILLAGE OF NELLIE
COSHOCTON COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010

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

FINDING NUMBER 2011-02

Ohio Revised Code Section 5705.41(B) requires that no subdivision is to expend money unless it has been appropriated. We noted the following fund which had expenditures exceeding appropriations at December 31, 2010:

<u>Fund</u>	<u>Expenditures</u>	<u>Appropriations</u>	<u>Noncompliance</u>
Special Revenue – Street Fund – Paving	\$48,571	\$12,456	(\$36,295)

The Village is expending monies that have not been approved by Council. This could result in unnecessary purchases or fund deficits.

We recommend that the Village comply with Ohio Revised Code and Auditor of State Bulletin 97-010 by monitoring expenditures so they do not exceed lawful appropriations. This may be achieved by monitoring the budget more closely on a continual basis and making appropriation amendments as necessary. Furthermore, the Village should record all financial transactions which are paid on-behalf of the Village during the year within its accounting records and budget such amounts as described in Finding Number 2011-01.

Officials Response: We did not receive a response for this finding.

FINDING NUMBER 2011-03

26 U.S.C. Section 3402 and Ohio Revised Code Section 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.

State and federal income tax were not withheld from the compensation of elected officials or employees of the Village. The Fiscal Officer should withhold state and federal taxes from all officials and should remit the state and federal taxes to the respective agency.

We recommend the Village take the necessary action to properly report state and federal income tax withholdings for any wages earned by an elected official or employee of the Village.

Officials Response: We did not receive a response to this finding.

**VILLAGE OF NELLIE
COSHOCOTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2011-04

26 U.S.C. Section 3102(a) requires employers to withhold social security Medicare tax from an employee's wages if the employee was hired after April 1, 1986.

The Village did not withhold social security Medicare tax from Village employees or new officials elected or appointed after April 1, 1986. The Fiscal Officer should deduct Medicare for anyone hired or elected after April 1, 1986 to comply with requirements.

We recommend the Village take the necessary action to properly report Medicare withholdings for any wages earned by an elected official or employee of the Village.

Officials Response: We did not receive a response for this finding.

FINDING NUMBER 2011-05

Ohio Revised Code Section 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.

The Village did not withhold OPERS retirement from officials' or employees' wages and no evidence was presented to indicate that an exemption application had been approved by OPERS. The Village also did not deduct Social Security in place of OPERS in 2011 and 2010. The Village Council should select a retirement system and verify deductions are withheld and remitted by the Fiscal Officer.

We recommend the Village take the necessary action to properly report retirement withholdings for any wages earned by an elected official or employee of the Village.

Officials Response: We did not receive a response to this finding.

FINDING NUMBER 2011-06

Ohio Revised Code Section 9.38 states that monies should be deposited with the Village Fiscal Officer or designated depository within 24 hours of collection.

Certain Community Building rental receipts and monies received from the County Auditor and State of Ohio were not deposited by the Village Fiscal Officer or to a designated depository in a timely manner. Delays of this nature could cause Village daily receipts to be lost or misplaced without being detected in a timely manner. The Village should properly safeguard receipts and implement House Bill 220 (Auditor of State Bulletin 99-020) relative to depositing requirements and procedures. This House Bill requires that monies be deposited on the next business day if the amount of daily receipts exceeds \$1,000. If daily receipts do not exceed \$1,000 and the receipts can be safeguarded, the public office may adopt a policy permitting their officials who receive money to hold it past the next business day, but the deposit must be made no later than 3 business days after receiving it.

VILLAGE OF NELLIE
COSHOCOTON COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010

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

FINDING NUMBER 2011-06
(Continued)

We recommend the Village develop procedures to determine that money received is deposited in a timely manner and safeguards are in place to reduce the risk of theft, loss, or misappropriation of funds.

Officials Response: We did not receive a response to this finding.

FINDING NUMBER 2011-07

Ohio Revised Code Section 117.38 prescribes the requirements for local government annual financial reporting. Auditor of State Bulletins 2006-02 and 2008-01 states that annual reports filed with the Auditor of State must be **complete** to avoid the application of a penalty of \$25 per day (\$750 maximum) as permissible under Ohio Revised Code Section 117.38. Complete annual financial reports shall contain the amount of: (A) receipts, and amounts due from each source; (B) expenditures for each purpose; (C) income of any public service industry that the entity owns or operates, as well as the costs of ownership or operation; and (D) public debt of each taxing district, the purpose of the debt, and how the debt will be repaid.

The Village submitted its annual financial report to the Auditor of State within the prescribed timelines and also properly advertised in a local newspaper. However, the annual financial report submitted and provided to audit did not reconcile to the Village's underlying accounting records which included the omission of the following items:

- The annual financial report for 2011 and 2010 did not include beginning or ending fund balances, did not foot, and did not reconcile to the Village's underlying manual accounting records.
- The Special Revenue Fund combining statements for 2011 and 2010 were either not prepared or did not reconcile and agree to the combined statements or the underlying manual accounting records.

We recommend the Village review the annual financial report for completeness prior to submitting to the Auditor of State and also providing for audit.

Officials Response: We did not receive a response to this finding.

FINDING NUMBER 2011-08

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

- (1) Cash journal, which typically contains the following information: The amount, date, receipt number, check number, account code, purchase order number, and any other information necessary to properly classify the transaction.

**VILLAGE OF NELLIE
COSHOCTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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**FINDING NUMBER 2011-08
(Continued)**

- (2) Receipts ledger, which typically assembles and classifies receipts into separate accounts for each type of receipt of each fund the public office uses. The amount, date, name of the payor, purpose, receipt number, and other information required for the transactions can be recorded on this ledger.
- (3) Appropriation ledger, which may assemble and classify disbursements or expenditure/expenses into separate accounts for, at a minimum, each account listed in the appropriation resolution. The amount, fund, date, check number, purchase order number, encumbrance amount, unencumbered balance, amount of disbursement, and any other information required may be entered in the appropriate columns.
- (4) In addition, all local public offices should maintain or provide a report similar to the following accounting records:
 - a. Payroll records including:
 - i. W-2's, W-4's and other withholding records and authorizations;
 - ii. Payroll journal that records, assembles and classifies by pay period the name of employee, social security number, hours worked, wage rates, pay date, withholdings by type, net pay and other compensation paid to an employee (such as a termination payment), and the fund and account charged for the payments;
 - iii. Check register that includes, in numerical sequence, the check number, payee, net amount, and the date;
 - iv. Information regarding nonmonetary benefits such as car usage and life insurance; and information, by employee, regarding leave balances and usage

The Village maintains a manual cash journal, manual appropriation ledger, and a manual receipt ledger. The Village has elected not to maintain payroll records and considers elected officials and employees to be independent contractors. Based on testing of the Village's manual accounting ledgers, we noted duplicate postings, footing errors, and instances where amounts properly posted to the cash journal did not reconcile or agree to the respective receipt or appropriation ledger.

We recommend the Village timely post transactions between ledgers and review for accuracy on a consistent basis. This may avoid errors and avoid incomplete annual financial reports submitted to the Auditor of State and presented for audit.

Officials Response: We did not receive a response to this finding.

**VILLAGE OF NELLIE
COSHOCOTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2011-09

Bank Reconciliations

The Fiscal Officer reconciles the bank balance to the book balance. However, a formal bank reconciliation was not completed and presented for audit which should include a comparison of a month end bank balance, a listing of deposits in transit, listing of outstanding checks, and a month end book balance which is then compared to the ending fund balances within the Village's cash journal by fund. We also noted an outstanding check of \$125 issued in December 2008 that is still outstanding and deemed a reconciling item. By not preparing a formal monthly reconciliation and identifying long outstanding items, this increases the possibility that the Village does not properly reconcile and could result in inaccurate fund balances.

We recommend the Fiscal Officer complete and provide to Council a formal bank reconciliation each month. This reconciliation should include the bank statement, reconciling items, and a listing of ending fund balances for each of the Village's funds. This will help ease the reconciliation process and may help to identify unusual reconciling items.

Officials Response: We did not receive a response to this finding.

FINDING NUMBER 2011-10

Financial Reporting

We noted the following deficiencies regarding the Village's financial reporting process:

- Audit reclassifications totaling \$980 and \$985 were necessary to properly present money as intergovernmental receipts recorded as tax receipts by the Village for 2011 and 2010, respectively.
- An audit adjustment of \$961 was necessary to decrease fund balance in the General Fund based on the Village improperly posting rollback and homestead receipts to the receipt ledger.
- Several audit adjustments were necessary to reconcile the annual financial report and cash journal to the appropriation and receipt ledgers for 2011 and 2010 based on footing errors and improper postings.
- Audit reclassifications totaling \$4,029 in the Street Fund and \$395 in the Enterprise Fund to properly present expenditures within the financial statements in 2011 and 2010, respectively.

We recommend the Village develop procedures to properly account for and record transactions to ensure the completeness and accuracy of the financial statements at year end.

Officials Response: We did not receive a response for this finding.

**VILLAGE OF NELLIE
COSHOCTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2011 AND 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2009-001	Ohio Revised Code Section 5705.39 requires appropriations may not exceed estimated resources.	Yes	N/A.
2009-002	26 U.S.C. Section 3402 and Ohio Revised Code Section 5747.06 requires federal and state income tax is withheld for compensation of employees or elected officials.	No	Re-issued as Finding Number 2011-03.
2009-003	26 U.S.C. Section 3102(a) requires employers to withhold social security Medicare tax from employee's wages hired after April 1, 1986.	No	Re-issued as Finding Number 2011-04.
2009-004	Ohio Revised Code Section 145.03 requires retirement contributions paid to the Ohio Public Employees Retirement System.	No	Re-issued as Finding Number 2011-05.
2009-005	Ohio Revised Code Section 9.38 requires timely deposit of public funds.	No	Re-issued as Finding Number 2011-06.
2009-006	Financial Reporting	No	Re-issued as Finding Number 2011-10.



Dave Yost • Auditor of State

VILLAGE OF NELLIE

COSHOCTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JULY 17, 2012